



DID THE CFPB LET WELLS FARGO “BEAT THE RAP”?:  
APPENDIX TO SECOND INTERIM MAJORITY STAFF REPORT ON THE WELLS FARGO  
FRAUDULENT ACCOUNTS SCANDAL

COMMITTEE ON FINANCIAL SERVICES, U.S. HOUSE OF REPRESENTATIVES  
HON. JEB HENSARLING, CHAIRMAN

SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS  
HON. ANN WAGNER, CHAIRMAN

115<sup>TH</sup> CONGRESS, FIRST SESSION  
SEPTEMBER 19, 2017

*This report has not been officially adopted by the Committee on Financial Services and may not necessarily reflect the views of its Members.*

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Consumer Financial  
Protection Bureau

1700 G Street NW, Washington, DC 20552

July 12, 2016

## Recommendation Memorandum for the Director

<b>FROM</b>	Lawrence Brown, Barry Reiferson, Leanne Hartmann, John Wells, Jeff Ehrlich, and Tony Alexis, Office of Enforcement
<b>SUBJECT</b>	Authority to Settle with Wells Fargo Bank, N.A. and to File Suit – ENF Matter No. 2016-1667-02

### Recommendations

We recommend that you authorize us (1) to settle with Wells Fargo Bank, N.A. under the parameters described below; (2) if settlement negotiations are successful, to file an administrative consent order effectuating the settlement; and (3) if settlement negotiations are unsuccessful, to commence an enforcement action, either administratively or in federal court, consistent with the attached complaint.<sup>1</sup>

#### I. Overview

We opened this matter in March following media reports and a lawsuit by the Los Angeles City Attorney (LA) alleging that Wells Fargo employees opened accounts for consumers or signed them up for additional products without their consent, and that the employees' conduct was driven by the bank's incentive-compensation program, unrealistic sales goals, and a high-pressure sales culture. At this stage of our investigation, we can confirm that Wells Fargo employees: (1) opened millions of unauthorized deposit accounts for existing customers and transferred funds to those accounts from their owners' other accounts, all without customers' consent; (2) applied for credit cards for consumers without their knowledge; (3) enrolled consumers in online-banking services that they did not request; and (4) ordered and activated debit cards for consumers without their authority. These acts, which were pervasive and occurred over several years, are plainly unfair, abusive, or both under the CFPA, and we stand ready to bring an enforcement action based on them. Alternatively, we could continue to investigate whether the bank has committed similar violations with respect to other products and services, or whether this conduct violates laws other than the CFPA. We think the better course would be to pause now to attempt to settle this matter by requiring the bank to reform its unlawful practices, provide redress to affected consumers, and pay a penalty. We therefore seek authority to settle or sue based only on the CFPA violations. Should we be forced to sue, we would explore later whether to amend our complaint to assert additional claims.

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<sup>1</sup> We also seek authority to make non-material changes before filing.

We have worked closely with LA and would continue to do so if you authorize us to act. Ideally, we would simultaneously announce the settlement of LA's pending case and an administrative consent order in ours.

## II. Factual Background

For years, Wells Fargo has used a “cross-sell strategy” to increase the number of products it sells to existing customers. To accomplish this, the bank has imposed sales goals and an incentive-based compensation system for tellers, bankers, and low-level managers that rewards them for selling new products and providing new services to existing customers. Over the last five years, tens of thousands of Wells Fargo employees attempted to game this system by engaging in unscrupulous conduct to meet sales goals and earn additional rewards. Meanwhile, the bank's cross-sell strategy has generated substantial revenue for the bank.<sup>2</sup> While we have not found evidence that high-level officials actively encouraged the wrongful behavior, there were enough senior executives aware of the problems stemming from the bank's aggressive sales culture to suggest that the bank turned a blind eye to unlawful conduct while reaping the benefits of its cross-sell strategy.

While there are instances of employees' wrongdoing related to many of the bank's products and services, our investigation has focused on four where the potential violations were most egregious: (1) opening new accounts and then “funding” them by transferring funds from consumers' existing accounts; (2) submitting credit-card applications for consumers, and causing credit cards to be issued without consumers' knowledge; (3) enrolling consumers in online-banking services without their knowledge and in ways that prevented consumers from learning about it; and (4) ordering and activating debit cards by issuing the cards and entering PINs without consumers' knowledge.

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<sup>2</sup> Wells Fargo & Co., 2010 Annual Report, at 34, <https://www08.wellsfargomedia.com/assets/pdf/about/investor-relations/annual-reports/2010-annual-report.pdf> (“Our cross-sell strategy . . . facilitate[s] growth in both strong and weak economic cycles . . .”); Wells Fargo & Co., 2012 Annual Report, at 116, <https://www08.wellsfargomedia.com/assets/pdf/about/investor-relations/annual-reports/2012-annual-report.pdf> (“Selling more products to our customers – ‘cross-selling’ – is very important to our business model and key to our ability to grow revenue and earnings especially during the current environment of slow economic growth and regulatory reform initiatives.”); Wells Fargo & Co., 2013 Annual Report, at 30, <https://www08.wellsfargomedia.com/assets/pdf/about/investor-relations/annual-reports/2013-annual-report.pdf> (citing as a financial highlight that the bank “achieved record cross-sell across the Company”).

### A. Simulated Funding

One feature of Wells Fargo's incentive-compensation program was to reward employees for opening new accounts that the consumer funded shortly after opening. As a result, it became common practice for employees seeking to game the program to open additional accounts for existing customers and then to "fund" those accounts by transferring funds from the consumers' primary accounts, all without the consumer's knowledge or consent. Once the second account had been "funded" such that it qualified under the incentive program, the banker would transfer the funds back to the consumer's primary account, again without informing the consumer. The bank refers to this practice as "simulated funding."

Wells Fargo admits that from May 2011 through July 2015, roughly 1.5 million accounts belonging to about 1 million consumers "possessed characteristics consistent with . . . simulated funding."<sup>3</sup> This figure represents 1.9% of all Wells Fargo deposit accounts opened during that period. The bank estimates that this conduct caused more than \$2.2 million in consumer harm, largely from fees assessed for insufficient funds in consumers' original accounts and inactivity in the new accounts, and it has already provided redress in this amount to affected consumers.

### B. Unauthorized Credit Cards

The incentive-compensation program also rewarded employees for selling new credit cards. Employees seeking to game the program completed credit-card applications for existing customers without their consent, resulting in hundreds of thousands of consumers receiving cards that they did not request. The bank estimates that from May 2011 through September 2015, more than 565,000 consumers were, without their consent, enrolled in credit cards. This figure represents 5.8% of all consumer credit cards issued during the same period. The bank estimates that these consumers were charged more than \$400,000 in unjustified fees, including annual fees, and it has already provided redress in this amount to affected consumers.<sup>4</sup>

Notably, the bank's estimates exclude credit cards that consumers activated after receiving them. The bank's rationale is that if the consumer activated the account and

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<sup>3</sup> In an internal audit, the bank considered an account to have characteristics of simulated funding if (1) within 60 days of its opening, it was initially funded with a single deposit sufficient for the banker to get credit under the incentive-compensation program, (2) the deposited money was withdrawn within 7 days, and (3) the account balance was depleted to zero following the withdrawal.

<sup>4</sup> In addition to unauthorized *consumer* credit-card accounts, Wells Fargo admits that during the same period, its employees opened more than 58,000 *business* credit cards without the customer's consent, resulting in more than \$60,000 in unauthorized fees. The bank has already refunded this amount to affected customers.

used the card as intended, he suffered no harm, even if he was enrolled without his consent. We believe, therefore, that the number of consumers who were actually enrolled in a credit-card product without their consent is likely greater than the 565,000 figure provided by the bank.

### **C. Enrollment in Online Banking Services**

The incentive-compensation program also rewarded employees for enrolling consumers in online-banking services. Some employees attempted to receive credit under the program by enrolling consumers without their consent. To enroll in online banking, the bank required consumers to provide an email address. To subvert this requirement, some employees enrolled consumers using fake or otherwise improper email addresses. In many cases, employees used *their own* work-email addresses ending in “@wellsfargo.com.” During its investigation, LA determined that *in California alone* almost 200,000 consumers who were not Wells Fargo employees were enrolled in online-banking services using an email address that ended in “@wellsfargo.com.” We estimate that the number is far greater nationwide, and we have requested information from Wells Fargo to confirm this. This practice was both widespread and seemingly easily detectable by the bank, yet it continued for over four years. The bank contends that consumers suffered no harm as a result of this conduct because it charged no fees for online-banking services that consumers did not use.

### **D. Requesting and Activating Debit Cards**

The incentive-compensation program rewarded bank employees for getting consumers to sign up for debit cards. Some bank employees attempted to game the program by requesting and activating debit cards for consumers without their consent. To accomplish this, thousands of bank employees, after requesting debit cards for consumers who had not asked for them, activated those cards by creating PINs without the consumers’ knowledge. Many Wells Fargo employees entered PINs to activate debit cards at times when their stores were closed, making it highly unlikely that consumers were present to have requested the cards and entered PINs themselves.

We do not yet know the number of debit cards that were requested and activated by bank employees without consumers’ consent; we have outstanding requests to the bank to help us determine that information. The bank contends that consumers suffered no harm from this conduct because it did not charge consumers for unused debit cards.

## **III. Legal Analysis**

The bank’s conduct potentially violated the requirements of several federal laws, including TISA, which prohibits inaccurate statements in soliciting deposit contracts; TILA, which requires that credit cards be issued only upon request or application; EFTA, which requires that access cards be issued only upon request or application; and the Gramm-Leach-Bliley Act, which requires banks to safeguard consumer information. For efficiency, we propose to settle or sue for only CFPB violations stemming from the bank’s providing products and services without consumers’ consent.



**A. By opening accounts and simulating funding, the bank committed about 1.5 million unfair and abusive acts.**

Simulated funding, whereby an employee would open a new account for the consumer, transfer funds to that account from the consumer's primary account, and then within a few days transfer the funds back to the consumer's primary account – all without the consumer's knowledge – is an unfair act. Simulated funding is likely to cause substantial injury; indeed, the bank admits that since 2011, its 1.5 million acts of simulated funding have caused more than \$2.2 million in consumer harm. Further, because the simulated funding occurred without consumers' knowledge, the injuries it caused were not reasonably avoidable, and they were not outweighed by countervailing benefits. Each act of simulated funding constitutes a violation of § 1031(c) of the CFPA.

Simulated funding is also an abusive act. By opening accounts without consumers' knowledge, the bank materially interfered with consumers' ability to understand those accounts' terms and conditions, as they would have no or limited knowledge of those terms and conditions, including fees charged for inactivity. Further, by opening accounts without consumers' knowledge, the bank took unreasonable advantage of the inability of consumers to protect their interests, including interests in having an account opened only after affirmative agreement and avoiding fees for things such as insufficient funds in the original or new accounts. Each act of simulated funding therefore constitutes a violation of § 1031(d)(1) and (d)(2)(B) of the CFPA.

**B. By completing credit-card applications without consumers' consent, the bank committed more than 565,000 unfair and abusive acts.**

Wells Fargo employees committed unfair acts by completing credit-card applications for consumers without their consent. This conduct is likely to cause substantial injury; indeed, the bank has conceded that these consumers were charged more than \$400,000 in unjustified fees. In addition, the new credit line would have appeared on the consumers' credit reports and, in some cases, could have adversely affected consumers' creditworthiness. Further, because these cards were opened without consumers' knowledge, the injuries caused were not reasonably avoidable, and they were not outweighed by countervailing benefits. Each false credit-card application submitted by a Wells Fargo banker constitutes a violation of § 1031(c) of the CFPA.

These acts are also abusive under the CFPA. By submitting credit-card applications without consumers' knowledge, the bank materially interfered with consumers' ability to understand the cards' terms and conditions, as they would have no or limited knowledge of those terms and conditions, including annual fees. Further, the bank took unreasonable advantage of the inability of consumers to protect their interests, including interests in having a credit-card account opened only after affirmative agreement and avoiding associated fees. Each credit-card application submitted without a consumer's approval was a violation of § 1031(d)(1) and (d)(2)(B) of the CFPA.

**C. By signing up consumers for online-banking without their consent, the bank committed hundreds of thousands of abusive acts.**

By enrolling consumers in online-banking services without their consent, Wells Fargo took unreasonable advantage of consumers' inability to protect their interests in selecting the service. Because of the benefits Wells Fargo perceived it gained through increased online-banking – evidenced in part by its incentive structure – Wells Fargo took unreasonable advantage of consumers' inability to protect their interests in having this service activated only after affirmative agreement. Similarly, Wells Fargo precluded consumers from choosing not to sign up for online-banking services, which consumers might have chosen not to activate for a number of reasons, including believing that such services are not secure or create other risks. Moreover, Wells Fargo did so using fake or otherwise improper login information, depriving consumers of the ability to protect their interests in confirming their accounts or identities. Each of these unauthorized enrollments was therefore a violation of § 1031(d)(2)(B) of the CFPA.

**D. By activating consumers' debit cards without their consent, the bank committed abusive acts.**

By requesting and activating debit cards without consumers' consent, Wells Fargo took unreasonable advantage of consumers' inability to protect their interests in selecting the product. Because of the benefits Wells Fargo perceived it gained through increased activation of debit cards – evidenced in part by its incentive structure – Wells Fargo took unreasonable advantage of consumers' inability to protect their interests in having debit cards activated only after affirmative agreement. Similarly, Wells Fargo precluded consumers from choosing not to sign up for debit cards, which consumers might have chosen not to open for a number of reasons, including not wanting an additional product or service activated in their name. Moreover, Wells Fargo activated debit cards using PINs created without consumers' knowledge, depriving consumers of the ability to protect their interests in confirming their accounts or identities. Each of these unauthorized enrollments therefore violated § 1031(d)(2)(B) of the CFPA.

**IV. Recommendation to Settle or Sue**

We recommend settling this matter for injunctive relief, redress to affected consumers, and a \$100 million penalty.

**A. Injunctive Relief**

The injunctive relief we would impose upon settlement would prohibit Wells Fargo from (1) opening any deposit, checking, or credit account of any type without the consumer's consent; (2) issuing any credit card or debit card without the consumer's consent; and (3) enrolling any consumer in online-banking services without the consumer's consent. Further, we would require the bank to establish procedures for notifying consumers who may have had accounts opened without their consent and allowing those consumers to have their accounts closed without incurring fees or penalties. To ensure that the bank

complies with this relief, we would require that it submit a compliance plan for the Bureau's approval within 60 days of the order.

## **B. Redress**

We would also require the bank to pay redress to injured consumers. The bank claims to have paid redress to all simulated-funding victims through July 2015 and all credit-card victims through September 2015. We would further require the bank to pay redress to all consumers injured since those dates, and to any other consumers who, through implementation of the compliance plan described above, were wrongfully charged fees or penalties. To ensure that the bank pays the full amount of redress, we would require the bank to submit a redress plan for the Bureau's approval within 60 days of the order.

## **C. Penalty**

The CFPA provides three tiers of statutory penalties. Effective July 14, those amounts are up to \$5,437 for ordinary violations, \$27,186 for reckless violations, and \$1.087 million for knowing violations.<sup>5</sup> We have substantial evidence that the bank was generally aware of employees "gaming" its incentive-compensation program by creating false customer accounts as early as 2006. By mid-2013, the bank's violations could be characterized as reckless, at least, and possibly knowing. One bank analysis in July 2013 concluded that 11.26% of the accounts opened in a recent period in the bank's West Coast Region had been funded through simulated funding. This information was shared by email on July 2, 2013 with many of the bank's regional presidents and numerous other senior executives. Yet the simulated funding continued. Another bank analysis, shared with regional presidents and other senior executives by email in May 2013, warned of "a significant increase in the number of cards activated by Bankers," in some cases "before the customer even receives [the card] in the mail." Yet the practice continued. Moreover, the bank's wrongdoing was publicly exposed in late 2013, when a series of *Los Angeles Times* articles discussed the bank's "pressure-cooker sales culture."<sup>6</sup> Even then, the violations continued, with bank employees opening hundreds of thousands of unauthorized accounts in 2014 and 2015. And despite knowing about all of these violations since at least 2013, the bank made no effort to notify or pay redress to affected consumers until after LA sued it in 2015.

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<sup>5</sup> 12 U.S.C. § 5565(c)(2); 12 C.F.R. § 1083.1.

<sup>6</sup> See, e.g., E. Scott Reckard, *Wells Fargo Accuses Workers of Opening Fake Accounts to Meet Goals*, L.A. Times, Oct. 3, 2013, <http://articles.latimes.com/2013/oct/03/business/la-fi-1004-wells-fargo-firings-20131004>; E. Scott Reckard, *Wells Fargo's Pressure-Cooker Sales Culture Comes at a Cost*, L.A. Times, Dec. 21, 2013, <http://www.latimes.com/business/la-fi-wells-fargo-sale-pressure-20131222-story.html>.

But even if we were to calculate only a first-tier penalty for each of Wells Fargo's more than 2 million violations, the penalty could exceed \$10 billion before considering any mitigating factors. Among the mitigating factors we must consider are the size and good faith of the subject, the gravity of the violations, the severity of the risks to or losses suffered by consumers, the history of previous violations, and "such other matters as justice may require."<sup>7</sup> Those factors do not justify significantly reducing the penalty here. Wells Fargo is one of the world's largest banks. Last year, it earned \$86.1 billion in net revenue and a \$22.9 billion profit; it finished the year with more than \$1.8 trillion in total assets.<sup>8</sup> While the amount of known consumer harm is only a few million dollars, the severity of the risks to consumers is demonstrated by the pervasiveness of the violations: the bank opened millions of deposit and credit-card accounts without consumers' consent, affecting more than a million consumers.

Although applying these statutory provisions could potentially justify a multi-billion-dollar penalty, the CFPB allows the Bureau to compromise or modify a penalty before it is assessed,<sup>9</sup> and we recommend doing so here to help resolve this case. Accordingly, we recommend settling this matter for a penalty of at least \$100 million. A penalty in that amount would sufficiently deter similar violations and would impress upon the bank the need to review its incentive-compensation program and to better monitor its effect on bank employees in the future. But we also believe that a lower penalty would *not* suffice, as the bank has consistently demonstrated that it has failed to appreciate the gravity of what has occurred:

- The bank knew since at least 2006 that its employees were gaming its incentive-compensation program, yet failed to take actions sufficient to stop it.
- In May 2013 and again in July 2013, senior executives were told that simulated funding accounted for a large percentage of new deposit accounts, yet the bank failed to take actions sufficient to stop it, and hundreds of thousands of acts of simulated funding occurred after those dates.
- Despite knowing that millions of its customers had been victims of its unscrupulous employees, the bank did not inform its customers of its employees' wrongdoing or pay redress to those consumers until after it had been sued by LA in May 2015.

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<sup>7</sup> 12 U.S.C. § 5565(c)(3).

<sup>8</sup> Wells Fargo & Co., 2015 Annual Report, at 30, <https://www08.wellsfargomedia.com/assets/pdf/about/investor-relations/annual-reports/2015-annual-report.pdf>.

<sup>9</sup> 12 U.S.C. § 5565(c)(4).

- While the bank has terminated or disciplined more than 10,000 employees who it determined engaged in wrongdoing, it has only terminated seven employees above the branch-manager level, and three of those occurred this year.

In short, the Bureau must impose a penalty weighty enough for the bank to understand the seriousness of its conduct and to motivate it to prevent this from happening again.

## **V. Assessment of Risks of the Recommended Approach**

The bank has asked that we resolve this matter quickly, so have we decided not to provide a NORA.

By pausing our investigation to attempt to resolve this matter, we risk failing to identify similar sales-integrity issues involving other products or developing theories for why the practices identified may violate other laws within the Bureau's authority. The Legal Division perceives optical and legal risks in advancing only UDAAP claims for conduct that may also violate other Federal consumer financial laws, but we (and the Legal Division) believe those risks are outweighed here by the benefits of proceeding quickly. Moreover, during our investigation we briefly explored other acts and practices that may also be illegal, but we've determined that these potential violations are likely to be less pervasive and less egregious than the ones we've identified here. None appear likely to involve significant consumer harm. Given the seriousness of the violations we *have* identified, and the significant penalties associated with them, we see little upside to continuing our investigation in the hope that we might find more.

Should we be forced to litigate in this matter, we see no significant risks – the facts underlying the violations we have identified are undisputed, and our claims are straightforward applications of our standard UDAAP authority.

## **VI. Conclusion**

We recommend that you authorize us to settle this matter under the parameters above. Further, if settlement negotiations are unsuccessful, we recommend that you authorize us to file suit.

## **Attachments**

Tab 1: Draft Decision Memorandum from the Director

Tab 2: Draft Complaint



1700 G Street NW, Washington, DC 20552

## Decision Memorandum from the Director

<b>FROM</b>	Richard Cordray, Director
<b>TO</b>	Tony Alexis, Assistant Director for Enforcement
<b>SUBJECT</b>	Authority to Settle with Wells Fargo, N.A. and to File Suit – ENF Matter No. 2016-1667-02

I authorize the Office of Enforcement to enter into a settlement with and file a lawsuit against Wells Fargo, N.A. under the parameters recommended by the Office of Enforcement on July 11, 2016.

Richard Cordray  
Director  
Consumer Financial Protection Bureau

Date

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12 UNITED STATES DISTRICT COURT  
13 NORTHERN DISTRICT OF CALIFORNIA

14 Consumer Financial Protection Bureau,

15 Plaintiff,

16 v.

17 Wells Fargo Bank, N.A.,

18 Defendant.

Case No.

COMPLAINT

19 The Consumer Financial Protection Bureau files this Complaint against Wells Fargo  
20 Bank, N.A. and alleges as follows:  
21  
22

## Introduction

1  
2 1. Wells Fargo, one of the world's largest banks, offers to American consumers an  
3 expansive array of financial products and services, including mortgages, savings and checking  
4 accounts, credit cards, debit and ATM cards, and online banking.

5 2. For years, the bank has used a "cross-sell strategy" to increase the number of  
6 products and services it sells to existing customers. To further this strategy, the bank has  
7 encouraged a high-achievement sales culture by, among other things, conditioning employee-  
8 performance evaluations and promotion decisions on whether managers and their employees  
9 meet aggressive sales goals. But the centerpiece of the bank's cross-sell strategy has been an  
10 incentive-compensation program that rewards managers and their employees for selling new  
11 products and providing new services to existing consumers.

12 3. Wells Fargo's fervent pursuit of sales and growth through its cross-sell strategy,  
13 while beneficial for the bank, resulted in a systemic pattern of unfair and abusive sales  
14 practices committed by thousands of Wells Fargo employees, including tellers and bankers,  
15 nationwide. To earn additional compensation under the bank's incentive-compensation  
16 system, bank employees opened millions of accounts in consumers' names without their  
17 consent, submitted credit-card applications in consumers' names without their knowledge,  
18 enrolled consumers in online-banking services that they did not request, and ordered and  
19 activated debit cards in consumers' names without their permission.

20 4. Even worse, to get credit for selling new accounts that were funded soon after  
21 opening, Wells Fargo employees transferred funds from more than a million consumers'



1 existing accounts to new, fraudulently opened accounts—all without the consumers’  
2 knowledge or consent.

3 5. The Bureau brings this action to stop this unlawful conduct and to obtain  
4 redress for affected consumers and an appropriate penalty.

### 5 **Jurisdiction**

6 6. This Court has subject-matter jurisdiction over this action because it is brought  
7 under “Federal consumer financial law,” 12 U.S.C. § 5565(a)(1), presents a federal question,  
8 28 U.S.C. § 1331, and is brought by an agency of the United States, 28 U.S.C. § 1345.

### 9 **Venue**

10 7. Venue is proper in this district because a substantial part of the events or  
11 omissions giving rise to the claims occurred here and because Wells Fargo is doing business  
12 in this district. 28 U.S.C. § 1391(b); 12 U.S.C. § 5564(f).

### 13 **Parties**

14 8. The Bureau is an agency of the United States created by the Consumer  
15 Financial Protection Act of 2010 (“CFPA”). It has independent litigating authority, including  
16 the authority to enforce federal consumer-financial laws and to secure appropriate relief for  
17 violations thereof. 12 U.S.C. §§ 5564(a)-(b), 5565.

18 9. Wells Fargo is a national banking association that offers and provides an array  
19 of financial products and services primarily used by consumers for personal, family, or  
20 household purposes. Wells Fargo is therefore a “covered person” under the CFPA. 12  
21 U.S.C. § 5481(5), (6), (15)(A).

**Factual Background**

1  
2 10. Wells Fargo operates thousands of branches, which it calls “stores,”  
3 throughout the United States.

4 11. Among the products and services Wells Fargo offers at these stores are  
5 checking accounts, savings accounts, certificates of deposit, debit and prepaid cards, credit  
6 cards, foreign exchange, global remittance, mortgages, unsecured loans and other forms of  
7 credit, and online banking.

8 12. Wells Fargo sold more than 80 million of these products and services from  
9 2011 to 2015, alone.

10 13. To achieve these high sales figures, Wells Fargo imposed sales goals and  
11 implemented an incentive-compensation program for tellers, bankers, and managers that  
12 financially rewards them for selling new products and providing new services to existing  
13 customers. Wells Fargo also used the achievement or non-achievement of sales goals as a  
14 key component in its consideration of performance reviews and promotions.

15 14. The bank’s emphasis on sales led to undue pressure placed upon employees to  
16 achieve sales goals.

17 15. Wells Fargo was aware by at least 2006 that employees were engaged in  
18 “gaming” the system to reach sales goals and obtain incentive rewards by signing consumers  
19 up for an array of products and services without those consumers’ knowledge or consent.

20 16. Wells Fargo recorded more than 100 complaints from consumers about  
21 unauthorized accounts in just the first quarter of 2008. Wells Fargo knew or should have  
22

1 known that these complaints pertained to accounts that were the product of its employees'  
2 illegal conduct.

3 17. Despite these complaints and the bank's knowledge of the practices, the bank  
4 failed to take effective measures to stop its employees' illegal conduct.

5 18. By 2011, Wells Fargo employees were providing to consumers hundreds of  
6 thousands of unauthorized products and services, but the bank made no systematic effort to  
7 notify affected consumers until at least 2015.

### 8 Unauthorized Deposit Accounts & Simulated Funding

9 19. Deposit accounts are subject to sales goals, and Wells Fargo's incentive-  
10 compensation program rewards employees for opening new accounts that the consumer  
11 funds shortly after opening.

12 20. It became common practice for employees to engage in gaming by opening  
13 additional accounts for existing customers and then "funding" those unauthorized accounts  
14 by transferring funds from the consumer's authorized accounts without the consumer's  
15 knowledge or consent.

16 21. Once an unauthorized account had been "funded" such that it qualified under  
17 the incentive program, the banker would transfer the funds back to the consumer's  
18 authorized account, again without informing the consumer.

19 22. Wells Fargo refers to this practice as "simulated funding."

20 23. Wells Fargo has been aware of significant amounts of simulated funding by its  
21 employees for years. One internal analysis concluded that 11.26% of the accounts opened in  
22 a recent period in the bank's West Coast Region had been funded through simulated

1 funding. This information was shared by email on July 2, 2013 with many of the bank's  
2 regional presidents and other senior executives. Yet the simulated funding continued.

3 24. Since 2011, more than 1.5 million of Wells Fargo's newly opened accounts  
4 involved simulated funding.

5 25. Consumers who had accounts opened without their permission, and whose  
6 funds were transferred from their existing accounts to their new, fraudulently opened  
7 accounts, were charged millions of dollars in unjustified fees.

#### 8 Unauthorized Credit Cards

9 26. Credit cards are subject to sales goals, and Wells Fargo's incentive-  
10 compensation program rewards employees for selling new credit cards.

11 27. Employees completed credit-card applications for existing customers without  
12 their knowledge or consent, resulting in hundreds of thousands of consumers receiving cards  
13 they did not request or authorize.

14 28. Since May 2011, more than a half million consumers were, without their  
15 consent, enrolled in credit cards. Many of these consumers were charged unjustified fees for  
16 cards they did not request.

#### 17 Enrollment in Online Services without Consent

18 29. Online-banking services are subject to sales goals, and Wells Fargo's incentive-  
19 compensation program rewards employees for enrolling consumers in those services.

20 30. Employees attempted to receive credit under the program by enrolling  
21 consumers in online-banking services without their knowledge or consent.

1           31. To enroll in online banking, the bank required consumers to provide an email  
2 address. To subvert this requirement, employees enrolled consumers in online banking using  
3 fake or otherwise improper email addresses. Hundreds of thousands of consumers were  
4 enrolled in online banking without their knowledge or consent.

5           32. In many instances, employees used their own work-email addresses ending in  
6 “@wellsfargo.com.” In other instances, employees made up fake Wells Fargo or other email  
7 addresses. Hundreds of thousands of consumers who were not Wells Fargo employees were  
8 enrolled in online-banking services without their knowledge or consent using an email  
9 address that ended in “@wellsfargo.com.”

#### Unauthorized Debit Cards

11           33. Debit cards are subject to sales goals, and Wells Fargo’s incentive-  
12 compensation program rewards employees for signing up consumers for receipt of a debit  
13 card.

14           34. Bank employees engaged in gaming by requesting and activating debit cards in  
15 consumers’ names without their knowledge or consent.

16           35. To accomplish this, thousands of bank employees requested debit cards for  
17 consumers who had not asked for them, and activated those cards by creating personal  
18 identification numbers (PINs) without the consumers’ knowledge or consent.

#### **Count I**

#### *Unauthorized Demand Accounts & Simulated Funding (Unfair)*

21           36. The Bureau realleges and incorporates by reference paragraphs 1-XX.

1 37. Section 1036(a)(1)(B) of the CFPA prohibits “unfair” acts or practices. 12  
 2 U.S.C. § 5536(a)(1)(B). An act or practice is unfair if it causes or is likely to cause consumers  
 3 substantial injury that is not reasonably avoidable and is not outweighed by countervailing  
 4 benefits to consumers or to competition. 12 U.S.C. § 5531(c)(1).

5 38. Wells Fargo has caused and is likely to cause substantial injury that is not  
 6 reasonably avoidable and is not outweighed by countervailing benefits to consumers or to  
 7 competition by opening unauthorized demand accounts and engaging in the practice of  
 8 simulated funding.

9 39. Therefore, Wells Fargo has engaged in “unfair” acts or practices that violate §§  
 10 1031(c)(1) and 1036(a)(1)(B) of the CFPA. 12 U.S.C. §§ 5531(c)(1), 5536(a)(1)(B).

## 11 **Count II**

### 12 *Unauthorized Demand Accounts & Simulated Funding* 13 *(Abusive)*

14 40. The Bureau realleges and incorporates by reference paragraphs 1-XX.

15 41. Section 1036(a)(1)(B) of the CFPA prohibits “abusive” acts or practices. 12  
 16 U.S.C. § 5536(a)(1)(B). An act or practice is abusive if it materially interferes with the ability  
 17 of a consumer to understand a term or condition of a consumer-financial product or service.  
 18 12 U.S.C. § 5531(d)(1).

19 42. Additionally, an act or practice is abusive if it takes unreasonable advantage of  
 20 the inability of the consumer to protect the interests of the consumer in selecting or using a  
 21 consumer-financial product or service. 12 U.S.C. § 5531(d)(2)(B).  
 22

1 43. Wells Fargo’s acts of opening unauthorized deposit accounts and of simulated  
 2 funding materially interfere with the ability of consumers to understand terms or conditions  
 3 of a consumer-financial product or service.

4 44. Additionally, Wells Fargo’s acts of opening unauthorized deposit accounts and  
 5 of simulated funding take unreasonable advantage of the inability of consumers to protect  
 6 their interests in selecting or using a consumer-financial product or service.

7 45. Therefore, Wells Fargo has engaged in “abusive” acts or practices that violate  
 8 §§ 1031(d)(1) & (2)(B) and 1036(a)(1)(B) of the CFPA. 12 U.S.C. §§ 5531(d)(1) & (2)(B),  
 9 5536(a)(1)(B).

### 10 **Count III**

#### 11 *Unauthorized Credit Cards* 12 *(Unfair)*

13 46. The Bureau realleges and incorporates by reference paragraphs 1- **XX**.

14 47. Section 1036(a)(1)(B) of the CFPA prohibits “unfair” acts or practices. 12  
 15 U.S.C. § 5536(a)(1)(B). An act or practice is unfair if it causes or is likely to cause consumers  
 16 substantial injury that is not reasonably avoidable and is not outweighed by countervailing  
 17 benefits to consumers or to competition. 12 U.S.C. § 5531(c)(1).

18 48. Wells Fargo has caused and is likely to cause substantial injury that is not  
 19 reasonably avoidable and is not outweighed by countervailing benefits to consumers or to  
 20 competition by opening credit cards on behalf of consumers without their knowledge or  
 21 consent.

22 49. Therefore, Wells Fargo has engaged in “unfair” acts or practices that violate §§  
 1031(c)(1) and 1036(a)(1)(B) of the CFPA. 12 U.S.C. §§ 5531(c)(1), 5536(a)(1)(B).

**Count IV**  
*Unauthorized Credit Cards*  
*(Abusive)*

50. The Bureau realleges and incorporates by reference paragraphs 1- **XX**.

51. Section 1036(a)(1)(B) of the CFPA prohibits “abusive” acts or practices. 12 U.S.C. § 5536(a)(1)(B). An act or practice is abusive if it materially interferes with the ability of a consumer to understand a term or condition of a consumer-financial product or service. 12 U.S.C. § 5531(d)(1).

52. Additionally, an act or practice is abusive if it takes unreasonable advantage of the inability of the consumer to protect the interests of the consumer in selecting or using a consumer-financial product or service. 12 U.S.C. § 5531(d)(2)(B).

53. Wells Fargo’s acts of opening credit cards on behalf of consumers without their knowledge or consent interferes with the ability of consumers to understand a term or condition of a consumer-financial product or service.

54. Additionally, Wells Fargo’s acts of opening credit cards on behalf of consumers without their knowledge or consent takes unreasonable advantage of the inability of the consumers to protect their interests in selecting or using consumer-financial products or services.

55. Therefore, Wells Fargo has engaged in “abusive” acts or practices that violate §§ 1031(d)(1), (d)(2)(B), and 1036(a)(1)(B) of the CFPA. 12 U.S.C. §§ 5531(d)(1) & (2)(B), 5536(a)(1)(B).



**Count V***Unauthorized Enrollment in Online Services  
(Abusive)*

56. The Bureau realleges and incorporates by reference paragraphs 1- **XX**.

57. Section 1036(a)(1)(B) of the CFPA prohibits “abusive” acts or practices. 12 U.S.C. § 5536(a)(1)(B). An act or practice is abusive if it takes unreasonable advantage of the inability of the consumer to protect the interests of the consumer in selecting or using a consumer-financial product or service. 12 U.S.C. § 5531(d)(2)(B).

58. Wells Fargo’s acts of enrolling consumers in online-banking services without their knowledge or consent takes unreasonable advantage of the inability of consumers to protect their interests in selecting or using a consumer-financial product or service.

59. Therefore, Wells Fargo has engaged in “abusive” acts or practices that violate §§ 1031(d)(2)(B) and 1036(a)(1)(B) of the CFPA. 12 U.S.C. §§ 5531(d)(2)(B), 5536(a)(1)(B).

**Count VI***Unauthorized Debit Cards & Pinning  
(Abusive)*

60. The Bureau realleges and incorporates by reference paragraphs 1- **XX**.

61. Section 1036(a)(1)(B) of the CFPA prohibits “abusive” acts or practices. 12 U.S.C. § 5536(a)(1)(B). An act or practice is abusive if it takes unreasonable advantage of the inability of the consumer to protect the interests of the consumer in selecting or using a consumer-financial product or service. 12 U.S.C. § 5531(d)(2)(B).

62. Wells Fargo’s acts of issuing debit cards to consumers without their knowledge or consent and then activating those cards, again without consumers’ knowledge or consent,

1 takes unreasonable advantage of consumers' inability to protect their interests in selecting or  
 2 using a consumer-financial product or service.

3 63. Therefore, Wells Fargo has engaged in "abusive" acts or practices that violate  
 4 §§ 1031(d)(2)(B) and 1036(a)(1)(B) of the CFPB. 12 U.S.C. §§ 5531(d)(2)(B), 5536(a)(1)(B).

### 5 **Demand for Relief**

6 The Bureau requests that the Court:

- 7 a. permanently enjoin Wells Fargo from committing future violations of the  
 8 CFPB, and any other provision of "Federal consumer financial law," as defined  
 9 by 12 U.S.C. § 5481(14);
- 10 b. order Wells Fargo to notify consumers who may have had accounts opened  
 11 without their consent and allow those consumers to have their accounts closed  
 12 without incurring fees or penalties;
- 13 c. grant additional injunctive relief as the Court may deem just and proper;
- 14 d. order Wells Fargo to pay redress to consumers harmed by its unlawful conduct;
- 15 e. order Wells Fargo to disgorge all ill-gotten gains;
- 16 f. impose on Wells Fargo a civil money penalty under 12 U.S.C. § 5565(c);
- 17 g. award costs against Wells Fargo; and
- 18 h. award additional relief as the Court may determine to be just and proper.

19 Dated: **July XX**, 2016

20 Respectfully Submitted,

21 Anthony Alexis (DC Bar #384545)  
*Enforcement Director*

22 Jeffrey Paul Ehrlich (FL Bar #51561)

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*Deputy Enforcement Director*

John C. Wells (DC Bar #491292)  
*Assistant Litigation Deputy*

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*Attorneys for Consumer Financial Protection Bureau*



1700 G Street NW, Washington, DC 20552

## Decision Memorandum from the Director

**FROM** Richard Cordray, Director

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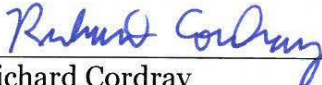
**TO** Tony Alexis, Assistant Director for Enforcement

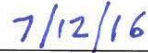
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**SUBJECT** Authority to Settle with Wells Fargo, N.A. and to File Suit – ENF  
Matter No. 2016-1667-02

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I authorize the Office of Enforcement to enter into a settlement with and file a lawsuit against Wells Fargo, N.A. under the parameters recommended by the Office of Enforcement on July 11, 2016.

  
\_\_\_\_\_  
Richard Cordray  
Director  
Consumer Financial Protection Bureau

  
\_\_\_\_\_  
Date

**From:** [McLeod, Mary \(CFPB\)](#)  
**To:** [Cowie, Craig \(CFPB\)](#)  
**Subject:** FW: EAP: Wells Fargo Sales Practices- Investigation Opening  
**Date:** Thursday, September 07, 2017 3:24:48 PM  
**Attachments:** [Opening Investigation Memo---Wells Fargo Sales Practices.docx](#)

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**From:** Williams, Monique (CFPB)  
**Sent:** Monday, March 07, 2016 9:54 AM  
**To:** Alexis, Anthony (CFPB); Bigham, Abigail (CFPB); Bleicken, David (CFPB); Boison, Elizabeth (CFPB); Borzekowski, Ron (CFPB); Breslaw, April (CFPB); Brown, Allison (CFPB); Bundy Scanlan, Agnes (CFPB); Carley, James (CFPB); Chandler, Jocelyn (CFPB); Chieco, Gena (CFPB); Chow, Edwin (CFPB); Coates, Laura (CFPB); Cochran, Kelly (CFPB); Coleman, John (CFPB); Coon, Clayton (CFPB); Corbett, Elizabeth (CFPB); D'Angelo, Chris (CFPB); Deutsch, Rebecca (CFPB); Diamantis, Jennifer (CFPB); Donoghue, Kristen (CFPB); Dorsey, Darian (CFPB); Ficklin, Patrice (CFPB); Fulton, Kate (CFPB); Gelfond, Rebecca (CFPB); Gillespie, Katherine (CFPB); Gupta, Neeraj (CFPB); Hagins, Calvin (CFPB); Harper, Morgan (CFPB); Hillebrand, Gail (CFPB); Howard, Jennifer (CFPB); Hrdy, Alice (CFPB); Joshi, Nandan (CFPB); Kaplan, Steve (CFPB); Konwinski, Lisa (CFPB); Ladd, Christine (CFPB); Lee, Donna (CFPB); Lipsett, Christopher (CFPB); Markus, Kent (CFPB); Marshall, Mira (CFPB); Martinez, Zixta (CFPB); McLeod, Mary (CFPB); Meyers, Karen (CFPB); Olstad, Per (CFPB); Oscherwitz, Thomas (CFPB); Pearl, Joanna (CFPB); Pitts, John (CFPB); Sanford, Paul (CFPB); Schroeder, John (CFPB); Silberman, David (CFPB); Sokolov, Dan (CFPB); Torzilli, Susan (CFPB); Truong, To-Quyen (CFPB); Tuffin, Paula (CFPB); Twohig, Peggy (CFPB); Vanlaere, Todd (CFPB); VanMeter, Stephen (CFPB); Viebrock, Nathan (CFPB); Walthall, Janet (Cecelia) (CFPB); White, Evan (CFPB); Young, Christopher (CFPB); Zorc, Anne (CFPB)  
**Cc:** Ehrlich, Jeffrey (CFPB); Williams, Natalie (CFPB); Brown, Lawrence (CFPB); Reiferson, Barry (CFPB); Hartmann, Leanne (CFPB)  
**Subject:** EAP: Wells Fargo Sales Practices- Investigation Opening

All:

Attached please find an opening memorandum for an investigation of Wells Fargo Sales Practices (ENF No. 2016-1667-02).

If you have questions or comments about this matter, please contact the Enforcement team members identified below by **5:00pm on Wednesday, March, 9**. Absent a request for discussion, an investigation of this matter will commence on 3/10/16.

**PLEASE NOTE RE: GOVERNMENT ETHICS:** Your participation in this EAP matter through decision, approval, disapproval, recommendation, investigation or advice is considered “personal and substantial participation in a particular matter involving specific parties” for purposes of the government ethics rules. If you have financial interests in or covered relationships with any of the parties identified in this EAP memo, or with any of their representatives, you should recuse yourself from participation in this EAP and consult with the CFPB Ethics Office.

**Key Information for the Purpose of Ethics Compliance:**

**Investigation Name:** Wells Fargo Sales Practices

**Potential Violator(s) and Counsel, if known:**

- Wells Fargo Bank, N.A.
- Unnamed employees or former employees of Wells Fargo Bank, N.A

**Other Relevant Parties:** None at this time

**Office of Enforcement Contacts:**

**Enforcement Deputy Assigned:** Jeff Ehrlich  
**Enforcement Asst. Deputy Assigned:** Natalie Williams  
**Investigation Team Leader Assigned:** Lawrence Brown  
**Investigation Team Members Assigned:** Barry Reiferson and Leanne Hartmann

The information contained in the attached memo is confidential and should only be distributed on an as needed basis.

Thank you,

Monique Williams  
Program Analyst  
Consumer Financial Protection Bureau  
Tel: [REDACTED]  
Mobile: [REDACTED]  
Email: [REDACTED]

NOTE RE: GOVERNMENT ETHICS: Your participation in this EAP matter through decision, approval, disapproval, recommendation, investigation or advice is considered “personal and substantial participation in a particular matter involving specific parties” for purposes of the government ethics rules. If you have financial interests in or covered relationships with any of the parties identified in this EAP memo, or with any of their representatives, you should recuse yourself from participation in this EAP and consult with the CFPB Ethics Office.

CFPB OFFICE OF ENFORCEMENT  
INVESTIGATION – OPENING MEMORANDUM

Investigation Number: 2016-1667-02

Investigation Name: Wells Fargo Sales Practices

Date Investigation Opened: March     , 2016

Sources of Investigation (check at least one source):

Referral from Government Agency:

Non-Government Referral:

CFPB Division:

Consumer Complaints

Enforcement Research

Other: Leads database

Background:

According to a *Los Angeles Times* article published in December 2013, Wells Fargo allegedly maintains strict sales quotas that have driven many of its employees to engage in illegal behavior to satisfy the quotas and keep their jobs.<sup>1</sup> In public filings, Wells Fargo has emphasized its cross-selling strategy and goal of sharply increasing the number of Wells Fargo products and services its customers use.

In May 2015, the City Attorney for Los Angeles filed suit against Wells Fargo alleging illegal conduct in connection with opening accounts for consumers. The City Attorney’s suit alleged that, in an effort to meet sales quotas, Wells Fargo’s employees opened various accounts in consumers’ names without the consumers’ knowledge or consent or otherwise deceived consumers into opening accounts.

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<sup>1</sup> <http://www.latimes.com/business/la-fi-wells-fargo-sale-pressure-20131222-story.html>

The suit further alleges that Wells Fargo charged fees on these unauthorized accounts, debiting funds from the consumers' approved accounts. Wells Fargo allegedly reported negative information to consumer-reporting agencies about these unauthorized accounts and even engaged in collections activity on them. The bank also was charged with failing to promptly comply with consumer requests to close the unauthorized accounts.

The OCC and the Federal Reserve Board of San Francisco are investigating the sales practices alleged in the City Attorney's complaint. We intend to coordinate with these federal partners as well as the City Attorney's office in this investigation.

**Potential Violators:**

- Wells Fargo Bank, N.A.
- Unnamed employees or former employees of Wells Fargo Bank, N.A.

**Other Relevant Parties (describe relevance):**

- None at this time.

**Statement of Purpose Pursuant to 12 C.F.R. § 1080.5:**

The purpose of this investigation is to determine whether depository institutions or other persons have engaged or are engaging in unlawful acts or practices in connection with unauthorized consumer bank, credit card, and other accounts in violation of §§ 1031 and 1036 of the Consumer Financial Protection Act of 2010, 12 U.S.C. §§ 5531, 5536; the Truth In Savings Act, 12 U.S.C. § 4301 *et seq.*; the Fair Credit Reporting Act, 15 U.S.C. § 1681 *et seq.*; their implementing regulations; or any other Federal consumer financial law. The purpose of this investigation is also to determine whether Bureau action to obtain legal or equitable relief would be in the public interest.

**Enforcement Deputy Assigned: Jeffrey P. Ehrlich**

**Enforcement Assistant Deputy Assigned: Natalie Williams**

**Investigation Team Leader Assigned: Lawrence D. Brown**

**Investigation Team Members Assigned: Barry Reiferson and Leanne Hartmann**





1900 F Street N.W. Washington, DC 20512

June 14, 2017

The Honorable Jeb Hensarling  
Chairman  
Committee on Financial Services  
United States House of Representatives  
2129 Rayburn House Office Building  
Washington, DC 20515

Dear Chairman Hensarling:

I write to correct the record in some respects concerning a House Financial Services Committee staff report issued on June 6, 2017. The staff report follows up on the investigation that the Committee launched last September into two specific questions: “(1) how and why Wells Fargo allowed these fraudulent activities to occur at a disturbing scale across the Bank for well over a decade; and (2) whether or not federal financial regulators were effective in detecting and remedying Wells Fargo’s fraudulent branch sales practices.” As the staff report notes, the Wells Fargo “practice of defrauding customers by opening millions of unneeded, and at times, unauthorized bank accounts” appears to have dated back at least to May 2001.

*The Original Focus of the Committee Investigation and the Effectiveness of the CFPB Order*

Last week’s staff report does not address the first question, of how and why Wells Fargo allowed these activities to occur across the Bank for well over a decade. In this respect, it is notable that the Consumer Financial Protection Bureau did not even open its doors until July 2011, more than ten years after these activities commenced, and did not reach steady-state in its staffing and operations until about 2014.

Nor does the staff report address whether or not federal financial regulators were effective in remedying Wells Fargo’s fraudulent branch sales practices. By contrast, the work done by the Consumer Bureau, in conjunction with our partners in this matter (the Los Angeles City Attorney’s office and the Office of the Comptroller of the Currency), halted Wells Fargo’s improper sales practices and is providing redress to harmed consumers. In particular, the investigation we conducted led to orders – including the CFPB Order issued on September 8, 2016 – which addressed what the staff report describes as “one of the worst banking scandals in years.” Our orders did so in four ways.

First, the 26-page CFPB Order publicly detailed the wrongdoing that occurred, so that it could be more fully known and understood by the public and other government officials. This Order and those reached by our partners stand as an authoritative account of events based on the results of our investigation into these matters. The orders, in fact, led to follow-on activity by other public officials around the country and prompted the first congressional hearings on these matters.

Second, the CFPB Order specifies that Wells Fargo must halt these improper practices and put in place a detailed compliance regimen to ensure that they cannot happen again. The details of this preventive relief include: (1) a provision directed at Wells Fargo and its “officers, agents, servants, employees, and attorneys” to prevent any further improper sales practices; (2) the installation of an independent consultant to ensure that Wells Fargo’s policies and procedures will forestall any such conduct in the future, including training, monitoring, evaluation of sales goals, and development of a specific compliance plan; (3) provisions addressing the role of the Wells Fargo Board of Directors, to ensure that they are actively engaged in ensuring compliance with the terms of the Order, including timely reporting by management and appropriate corrective action to remedy any identified deficiencies; (4) recordkeeping and reporting requirements to the Consumer Bureau; and (5) ongoing requirements to maintain cooperation and compliance with the Consumer Bureau as Wells Fargo implements the terms of the Order. The staff report never suggests that these provisions do not effectively remedy Wells Fargo’s improper practices.

Third, the CFPB Order requires Wells Fargo to make individual consumers whole for the harm they may have sustained as a result of the improper practices. To this end, the Order requires Wells Fargo to: (1) retain an independent consultant to identify and provide redress to all affected consumers; (2) develop and submit to the Consumer Bureau a written plan detailing the steps, recommendations, deadlines, and timeframes, as outlined in the redress plan; (3) establish procedures to locate, notify, and compensate affected consumers; and (4) involve Wells Fargo’s Internal Audit department in ensuring that consumer redress is carried out as specified. The staff report never suggests that these measures are ineffective to provide redress to harmed consumers.

Fourth, the CFPB Order imposed a civil monetary penalty of \$100 million on Wells Fargo, which is the largest penalty the Consumer Bureau has imposed. This penalty was in addition to the penalties imposed by the Los Angeles City Attorney’s office and the OCC, all of which tend to deter such conduct by Wells Fargo and by any other institution in the future. The staff report never suggests that the penalties imposed in this matter were improper in any way.

The remaining portion of the questions that are the stated focus of the Committee’s investigation concerns whether the federal financial regulators were effective in detecting Wells Fargo’s improper sales practices. Again, at the outset the staff report acknowledges that the sales practices at Wells Fargo went on for at least a decade before the Consumer Bureau was created, and even longer before it reached steady-state in its staffing and operations. And the staff report implicitly recognizes that the Consumer Bureau, in conjunction with our partners here, has now both detected and remedied the violations that occurred as a result of these practices.

#### *The Consumer Bureau’s Cooperation with the Committee*

The staff report does not focus on any of the above issues; instead, it devolves into various misstatements and allegations about the extent of the Consumer Bureau’s cooperation with the Committee’s investigation. I write in part to correct the record on three particular points.

The first area concerns the claim made in the staff report that “the CFPB has not cooperated with the Committee’s investigation to date.” The staff report suggests that the Consumer Bureau, and I myself, refused to brief Committee staff about the work we did on these matters. That is not

what happened, and the staff report selectively mentions only some of the communications between the Committee and the Consumer Bureau on this issue. Here is a fuller account:

- On September 20, 2016, Consumer Bureau staff first briefed a bipartisan group of staff of all of the Members of the Committee about Wells Fargo. During the briefing, some questions were asked that sought information about supervisory and investigative matters. The CFPB representatives were unsure whether they had the authority to respond. They thus indicated they would seek such authority and report back.
- On September 21, you sent me a letter asking for a second briefing from Consumer Bureau staff with authority to answer questions about nonpublic supervisory and investigative matters.
- On September 22, I responded to you in a letter and agreed that CFPB staff would be available to provide the requested follow-up briefing the next day, September 23. The staff report omits this fact.
- At the close of business on September 22, you sent me yet another letter stating that the Committee no longer wanted to receive the requested follow-up briefing. Instead, your letter requested that I provide a nonpublic briefing to Committee staff to be scheduled on September 23, the very next day. On that late notice, I was unavailable to do so.
- Although the staff report does not mention it, the Consumer Bureau offered to provide the requested follow-up briefing for majority and minority staff on September 23. Consumer Bureau staff did provide that briefing on that day. The minority staff of the Committee attended the briefing, but the majority staff declined to attend.
- I was aware that the Committee was planning a hearing about Wells Fargo, similar to a Senate Banking Committee hearing held on September 20, where I had testified. On multiple occasions, I offered to testify publicly at the Committee's hearing – including in my September 22 and September 23 letters to you – but you did not invite me to testify.

In the hearing before the Senate Banking Committee, I answered all of the questions that the Senators asked me about Wells Fargo's sales practices and the Consumer Bureau's investigation and resolution of those matters. I was prepared to do the same for your Committee.

My first opportunity to address the Wells Fargo issues publicly before the House Financial Services Committee occurred in my required testimony on our Semi-Annual Report on April 5, 2017. The staff report suggests two points of potential disagreement around interpretations of my testimony that day, and this is the second area where I am glad to have the chance to correct the record on these points of potential disagreement.

Initially, the staff report indicates an inability to corroborate my statement that the Consumer Bureau conducted an "independent and comprehensive" investigation of Wells Fargo's sales practices. The potential disagreement here seems to stem from differing interpretations of the terms "independent" and "comprehensive." As I see it, the Consumer Bureau worked with the Los Angeles City Attorney's office and the OCC to ascertain the facts and resolve the issues. So we were not operating "independently" in the sense that we operate in other cases where we are

the lone government agency involved. Nonetheless, we had an obligation to make our own independent judgment about the underlying facts and whether they could be sufficiently verified and documented for purposes of either filing a complaint or framing an order. We did that.

In particular, we furthered the investigation in important ways. First, we issued four Civil Investigative Demands for information from Wells Fargo – information that was essential to the investigation. Among other things, we compelled Wells Fargo to quantify the sales-practices violations and consumer harm. In response to our demand, Wells Fargo produced an analysis performed by PwC, among other items. All of this information has been provided to the Committee. Second, we were able to take investigational hearings – akin to depositions – of Wells Fargo officials. To my knowledge, that was the first time a government agency had been able to take testimony from Wells Fargo officials about their sales practices. The transcripts of our investigational hearings have also been provided to the Committee. Third, we were able to secure broad nationwide relief for consumers, beyond the boundaries of the State of California, based on our ability to establish violations of federal law through the CFPB Order.

In all of these respects, we conducted our inquiries to satisfy our independent obligation to determine that Wells Fargo had in fact violated federal law, and had in fact opened millions of deposit and credit card accounts without the knowledge or consent of consumers. In doing so, we relied where possible on the efforts of our partners, who did excellent work that was crucial to the success of the investigation. And we relied on the Bank’s own records, including the PwC analysis, to help establish what actually happened. It would have made no sense for us to repeat the same work done by others, as long as we satisfied our independent obligation to ascertain, verify, and document the facts and to determine that violations of federal law had occurred.

As to whether our investigation was “comprehensive,” in my mind it was, in the sense that it thoroughly canvassed the factual and legal issues at stake in the enforcement investigation into Wells Fargo’s improper sales practices, their effects on consumers, the consequent violations of the law, and the legal relief to remedy past violations and prevent future violations. Other work remains ongoing to this day, as the terms of the CFPB Order contemplated by installing an independent consultant and ensuring reporting about the implementation of compliance plans.

Similarly, the staff report alleges that it is unable to corroborate my statement that the Consumer Bureau “engaged in supervisory activity” with regard to these matters at Wells Fargo prior to May 2015. Again, we seem to have differing interpretations of what is meant by the phrase “supervisory activity.” In the staff report, the phrase appears to be interpreted narrowly to refer only to supervisory activity that involved direct contact with Wells Fargo. That is not how I have understood the meaning of this phrase, and it is not how the Consumer Bureau understands the concept of “supervisory activity,” which typically involves various kinds of activity that occur before an actual examination is conducted at an institution, and often afterwards as well. Our Examination Manual, published on our website, discusses our supervisory processes and corroborates this point. By contrast, the usage in the staff report seems instead to refer only to what I would consider to be an actual “examination” itself.

Accordingly, as I specifically noted in my letter to you dated September 23, 2016, the supervisory work that we conducted in 2014 was internal to the Consumer Bureau. We did not contact Wells Fargo directly regarding these practices until the Spring of 2015. But as the staff report itself notes, prior to May 2015, our regional supervisory staff had made the decision to

schedule “an examination of [retail banking sales practices] to commence in 2015,” based on an assessment that this matter posed a high risk rating to justify supervisory attention. And though the staff report finds no evidence that this examination actually occurred, that was because, as the situation unfolded with further developments, the Consumer Bureau’s focus moved beyond supervision to the enforcement investigation that ultimately resulted in the CFPB Order.

The third area where I want to correct the record is where the staff report makes the misleading and inaccurate claim that the Consumer Bureau failed to cooperate by providing responsive documents to the Committee as requested. The staff report mentions the numbers of pages of documents provided in the initial rounds of the Consumer Bureau’s production – 176 pages and 834 pages, respectively – and contrasts this production with Wells Fargo, which is said to have produced over 140,000 pages of records. In fact, the Consumer Bureau’s production to date has totaled over 57,000 pages of records, in an effort to comply with the Committee’s broadly worded requests. Obscuring this substantial response, the staff report complains instead about which documents have been produced and which supposedly have not. One complaint is that the Consumer Bureau’s production has been redundant of documents received from either Wells Fargo or the OCC, though the same point could be made in reverse, since the investigation of the Bank has led to many documents existing in the records of the Consumer Bureau as well as in the records of the Bank and the OCC, many of which have likely been produced to the Committee in duplicate or even triplicate. As for whether the Consumer Bureau should be producing some categories of documents rather than others, CFPB staff have consistently sought further guidance from the Committee staff to narrow and target its inquiries and the appropriate response. We have renewed this request for further guidance repeatedly, thus far to no avail.

In the end, I am quite proud of the CFPB team that has been working on the Wells Fargo matters, including those who worked with our partners to push forward and complete the enforcement action that resulted in the CFPB Order comprehensively addressing the issue of improper sales practices. Within about two years of the Consumer Bureau reaching steady-state in its staffing and operations, they successfully resolved what the staff report correctly stated was “one of the worst banking scandals in years,” after this scandal had festered on its own for more than fifteen years, including more than ten years before the Consumer Bureau was even created. Clearly our team, along with our partners, has performed a tremendous public service here.

In closing, we will continue to seek ways to cooperate with your oversight requests and to work toward an amicable resolution of any disagreements over the information you are seeking in order to fulfill those functions.

Sincerely,



Richard Cordray  
Director

cc: The Honorable Maxine Waters, Ranking Member, Committee on Financial Services

**Coleman, John (CFPB)**

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**From:** Coleman, John (CFPB)  
**Sent:** Wednesday, June 7, 2017 5:48 PM  
**To:** RC  
**Cc:** McLeod, Mary (CFPB); Galicia, Catherine (CFPB); Fulton, Kate (CFPB); Howard, Jennifer (CFPB)  
**Subject:** Wells Documents  
**Attachments:** 2016.09.16 JH to RC\_Wells Fargo.pdf; 2016.09.21 JH to RC\_Wells Fargo CSI.pdf; 2016.09.22 Cordray to Hensarling Briefing Request.pdf; 2016.09.23 LD.RM.RC.RC to Jeb Hensarling re Sept. 20 staff briefing on Wells Fargo enforcement matter.pdf; 2016.09.23 LD.RM.RC.Response Letter to Chairman Hensarling re Enforcement Action against Wells Fargo Bank.pdf; 2016.11.03 SPD to RC\_Wells Fargo follow-up.pdf; 2016.11.10 CDG to SPD\_Wells Fargo follow-up.pdf; 2017-04-04 HFSC Subpoena Duces Tecum to Richard Cordray.pdf; 2017-05-02 RC to JH\_subpoena response.pdf; FW: April 4, 2017 subpoena.msg; 2017.04.05 HFSC SAR Hearing RC-AW Exchange .pdf; 1. 2017.03.24 HP\_Well Fargo PEA\_key points\_FINAL.docx; Timeline Document.msg; 2016 10-03 Response to Wells Fargo re disclosure to Congress.pdf; 2016 09-27 Response to Wells Fargo re disclosure to Congress.pdf; 2016 12-08 Response Letter to Wells Fargo re disclosing to 9 federal entities.pdf; 05252017Wellsletterfinal.pdf; CFPB letter to Wells 20117.pdf

Rich,

Per your request, I am attaching several documents and emails related to Wells Fargo:

- 1) Our correspondence with the Committee related to Wells Fargo, which consists of:
  - a. A September 16, 2016 letter from Chairman Hensarling;
  - b. A September 21, 2016 letter from Chairman Hensarling asking that you authorize Bureau staff to disclose CSI;
  - c. A September 22, 2016 letter from you to Chairman Hensarling regarding a further staff briefing;
  - d. A September 22, 2016 letter from Chairman Hensarling to you asking you to brief staff the next day;
  - e. A September 23, 2016 letter from you to Chairman Hensarling in response to the previous letter;
  - f. A September 23, 2016 letter from you to Chairman Hensarling responding to the September 16, 2016 information request;
  - g. A November 3, 2016 letter from Chairman Duffy to you requesting complete and additional information;
  - h. A November 10, 2016 response from Catherine Galicia (we provided CIDs and investigational hearing transcripts);
  - i. The April 4, 2017 subpoena seeking, inter alia, “records relating to the sales practices of Wells Fargo Bank” described in our consent order (item 26), and “records relating to the CFPB’s ‘investigation of Wells Fargo’ that is described in” the September 23, 2016 letter;
  - j. Our May 2, 2017 response to the subpoena (see specifically pages 17-18);
  - k. An email from last Thursday, June 1, 2017, concerning the April 4, 2017 subpoena, including the specifications described above.
- 2) Excerpts of the April 5, 2017 testimony transcript related to Wells, as well as the full transcript;
- 3) A document provided to you as part of your preparation for the April 5, 2017 hearing;
- 4) A timeline of relevant events prepared by SEFL staff and provided to the Front Office on September 16,

2016. We do not have a record that this previously has been provided to you, but staff who helped you prepare for your September Senate testimony and April House testimony had seen this document, or some version of it; and

- 5) Correspondence with Wells Fargo related to HFSC requests to Wells for information;

Note that we are continuing to work on a narrative document setting forth our back and forth with the committee on this issue, which will include additional facts not included in the formal written correspondence. We will share that with you as soon as it's ready.

Best,

John



1700 G Street NW, Washington, DC 20552

May 25, 2017

Mr. Michael D. Bopp  
Gibson, Dunn & Crutcher LLP  
1050 Connecticut Ave, N.W.  
Washington, DC 20036

*Re: Wells Fargo & Company*

Dear Mr. Bopp:

On behalf of the Consumer Financial Protection Bureau (the “CFPB”), I write in response to your letter, dated May 24, 2017, in which you sought consent to provide a copy of the CFPB’s examination report relating to the examination cycle that started on January 28, 2013 and ended on September 8, 2016 (CFPB Examination ID [REDACTED])(the “examination report”) to the United States House of Representatives Financial Services Committee (the “Committee”).

The CFPB does not object to Wells Fargo’s disclosure of the CFPB examination report to the Committee. Please mark any produced materials as “confidential supervisory information” of the CFPB that is subject to 12 CFR 1070.40 *et seq.* Please be aware that the examination report contains confidential information of other federal financial regulators. The CFPB does not have the authority to consent to the release of that confidential information. For example, page 21 of the report contains a chart discussing the examination activity of the Board of Governors of the Federal Reserve System and the Office of the Comptroller of the Currency. We recommend that you contact those regulators prior to the release of their confidential information.

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Please contact Kevin Rice on [REDACTED] if you have any questions regarding the above.

Sincerely,

A handwritten signature in blue ink that reads "Mary McLeod". The signature is written in a cursive style with a large, looped "M" and "L".

Mary McLeod  
General Counsel

# Wells Fargo Sales Practices Enforcement Action

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## KEY POINTS

**On September 8, 2016, the Bureau entered a consent order against Wells Fargo Bank, N.A. for unfair and abusive sales practices.** The Dodd-Frank Wall Street Reform and Consumer Protection Act prohibits unfair, deceptive, and abusive acts and practices. Wells Fargo's violations:

- Opened deposit accounts and transferred funds without authorization. According to the bank's own analysis, employees opened roughly 1.5 million deposit accounts that may not have been authorized by consumers. Employees then transferred funds from consumers' authorized accounts to temporarily fund the new, unauthorized accounts.
- Applied for credit card accounts without authorization. According to the bank's own analysis, Wells Fargo employees applied for roughly 565,000 credit card accounts that may not have been authorized by consumers. On those unauthorized credit cards, many consumers incurred annual fees, as well as associated finance or interest charges and other fees.
- Issued and activated debit cards without authorization. Wells Fargo employees requested and issued debit cards without consumers' knowledge or consent, going so far as to create PINs without telling consumers.
- Created phony email addresses to enroll consumers in online-banking services. Wells Fargo employees created phony email addresses not belonging to consumers to enroll them in online-banking services without their knowledge or consent.

**The Bureau conducted a thorough and independent investigation.**

- Our investigation included issuing civil investigative demands; reviewing and analyzing a large volume of documents including emails, policies, training materials, and analyses and reports from Wells Fargo; taking testimony from key witnesses, and working with our partners to assess the nature and scope of Wells Fargo's unlawful sales practices.

**The Bureau's Consent Order requires Wells Fargo to:**

- Pay full refunds to consumers: Wells Fargo must refund all affected consumers the sum of all monthly maintenance fees, nonsufficient fund fees, overdraft charges, and other fees they paid because of the creation of the unauthorized accounts. These refunds are expected to total at least \$2.5 million. Consumers are not required to take any action to get refunds to which they are entitled.
- Ensure proper sales practices: Wells Fargo must hire an independent consultant to conduct a thorough review of its policies and procedures. Recommendations, which are subject to Bureau approval, may include requiring employees to undergo ethical-sales training and reviewing the bank's performance measurements and sales goals to make sure they are consistent with preventing improper sales practices.
- Pay a \$100 million fine: Wells Fargo will pay a \$100 million penalty to the CFPB's Civil Penalty Fund. This is the largest penalty the CFPB has imposed to date.

**The Bureau's Work on Sales Practices and Incentive Compensation:** (N.B. Beyond the bulletin, the Bureau has not done any press or public announcement around its recent work in this area, which includes a horizontal review with the other regulators; the OCC has done a press release).

- During testimony before the U.S. Senate in September 2016, the Bureau and the Office of the Comptroller of the Currency committed to do a broader, more industry-wide of review banks' account sales practices and assess the sufficiency of controls with respect to these practices.
- The CFPB did a risk-based evaluation of entities whose incentive programs may be generating risk of consumer harm. It has included those entities in its current and upcoming examinations and will be applying its existing exam modules, which have long contained concepts related to incentive programs.
- The CFPB is coordinating its review with the OCC, the Federal Reserve, and the Federal Deposit Insurance Corporation. The agencies developed joint information requests that entities would not receive duplicative or overlapping requests. But, it's important to remember that we have separate mandates, and any agency may have certain requests that go beyond the joint request in order to fulfill its particular statutory mandate.

***Sensitive and Predecisional Internal Briefing Document DRAFT***

- The review began in October 2016 and includes sales practices related to the sale of consumer deposit or credit accounts for which incentives have been offered to employees.
- The objectives of the review are 1) Determine if there are systemic or bank-specific issues with regard to bank employees opening accounts on behalf of consumers without the consumer's consent; 2) Evaluate sales goals, strategies, and incentive compensation programs to ensure they appropriately balance sales and revenue targets with risk management and customer satisfaction; and 3) Determine if banks have risk governance frameworks that effectively control the risks associated with sales practices and incentive compensation programs.
- Separately, the Bureau released a bulletin in November 2016 to warn supervised entities that poor oversight of employee incentive programs tied to achieving business objectives, such as sales quotas, can lead to substantial consumer harm. Oversight of such employee incentive programs is not a new requirement and has been a longstanding part of the requirements of an effective compliance management system, as described in various portions of the CFPB's exam manual, as well as other guidance issued by the CFPB, including *Supervisory Highlights*.

**KEY Q&A**

**Q: Did Wells Fargo self-report or disclose its conduct to the Bureau? Did Wells Fargo's self-reporting affect the outcome of the action?**

A: The Bureau's Responsible Business Conduct Bulletin, released in June 2013, outlines a number of factors the Bureau considers in the exercise of its enforcement authority. Self-policing, self-reporting, and prompt and thorough remediation by an institution are among the factors that the Bureau considers when taking an enforcement action. Here, the Bureau carefully considered all relevant information regarding Wells Fargo's conduct before determining the appropriate penalty. Wells Fargo did not come forward with information about these practices until after the Bureau had received tips from whistleblowers related to the conduct and the Los Angeles Times had already published articles related to the conduct. Additionally, when the bank did report to the Bureau, in 2015, it did so the same day that the Los Angeles Times was set to publish another article, this time about the lawsuit filed by the Los Angeles City Attorney. As such, Wells Fargo did not self-report, and I would not characterize its actions in this matter as responsible conduct.

**Q: What unique role did the Bureau play in this investigation and action? Could this action have been taken by the Office of the Comptroller of the Currency and the City of Los Angeles without the Bureau?**

A: Since 2011, the Bureau has worked to establish cooperative relationships across the nation's law enforcement community, which allows us to work with many partners at the local, state and national level. The Bureau has different, often broader, authorities than many of its state and local partners and a different mission than many of its federal partners. In this case, the City of Los Angeles was able to get relief for consumers in California, while the Bureau was able to require Wells Fargo to provide nationwide relief. Working together advances our various missions and allows each agency to contribute to the solution to the problems facing the nations' consumers. The Dodd-Frank Wall Street Reform and Consumer Protection Act established the Bureau as the nation's first federal agency whose sole focus is protecting consumers in the financial marketplace, while other regulators, including the OCC, are charged with ensuring the safety and soundness of financial institutions. While different, our two perspectives are often complementary. When we are able to work together, with all of our partners, we can achieve better outcomes for consumers.

*[If time permits]* In addition, we have heard from our partners that our Consumer Complaint Database has been a helpful tool in allowing others to identify trends or emerging issues in their own communities. Our public database is playing a tangible role in producing a shift in the financial industry toward more emphasis on excellent customer service.

**Q: If consumers had their credit report affected by these unauthorized account openings, how will they be made whole? What should they do?**

A: Credit report remediation was not part of our action. The Bank has responsibilities under the Fair Credit Reporting Act regulations to maintain policies regarding the accuracy and integrity of the information they furnish to consumer reporting companies. Consumers who believe their credit reports may have been affected by improper or illegal practices should consider filing a complaint with the Bureau and contacting Wells Fargo and the credit bureaus to dispute any report they believe to be inaccurate. Consumers are frequently in the best position to know whether the information about them in a consumer report is accurate and complete.

***Sensitive and Predecisional Internal Briefing Document DRAFT*****Q: Has the Bureau made any referrals of its findings to the U.S. Department of Justice?**

A: As required by the Dodd-Frank Wall Street Reform and Consumer Protection Act, if the Bureau obtains evidence that a person has engaged in conduct that may constitute a violation of Federal criminal law, the Bureau must transmit such evidence to the Attorney General of the United States, who may institute criminal proceedings under appropriate law. The Consumer Bureau assiduously fulfills its responsibilities under the Dodd-Frank Act. Due to the sensitive nature of criminal investigations, the Bureau does not publicly disclose specific referrals.

*[If asked about criminal referrals more broadly]:* It would be inappropriate for me to talk about whether the Bureau has made a criminal referral in any particular matter. We have read media reports, however, about criminal law enforcement agencies investigating the Bank's conduct.

**Q: How many employees were involved? Why isn't the CFPB taking action against individual employees, especially those who may have been involved, yet received large retirement bonuses after leaving Wells?**

A: The bank terminated about 5,300 employees for these illegal sales practices. The Bureau's action was against Wells Fargo. The Bureau takes enforcement action where appropriate to address violations of consumer-financial laws. In the consent order with Wells Fargo, we were able to ensure full relief for affected consumers, which was one of our main goals. Because of the severity of these violations, Wells Fargo is paying the largest penalty the CFPB has ever imposed. Not only will this action have a significant impact on Wells Fargo, this action should serve notice to the entire industry that financial incentive programs, if not monitored carefully, carry serious risks that can have serious legal consequences.

These are just the first steps. Going forward Wells Fargo must hire an independent consultant to conduct a thorough review of its policies and procedures. Recommendations may include requiring employees to undergo ethical-sales training and reviewing the bank's performance measurements and sales goals to make sure they are consistent with preventing improper sales practices. The independent consultant must work with the bank's board of directors to develop a comprehensive compliance plan that will prevent these sorts of unlawful practices from happening again. The bank must submit this plan to the Bureau for the Bureau to have an opportunity to object. If the Bureau is not satisfied, the Bank must submit a new plan. This process ensures that Wells Fargo's new policies and procedures will serve to protect consumers to the Bureau's satisfaction.

**Q: How and when did the Bureau discover these violations?**

A: In 2013, the Bureau learned of possible problems with Wells Fargo's sales culture from whistleblower complaints. The Bureau evaluated these complaints and the information contained in news articles published in the LA Times in late 2013, and decided to use supervisory tools to look into these issues. In early 2014, the Bureau scheduled an examination of Wells Fargo's deposit operations to begin in early 2015. Wells Fargo contacted the Bureau after being sued by the Los Angeles City Attorney in May of 2015. Supervisory activities continued at Wells Fargo as the Bureau learned about the scope and seriousness of the conduct at issue. The Bureau notified Wells Fargo that an Enforcement investigation was underway in early 2016.

*[Normally, the Bureau does not comment on how its enforcement actions originate or come about.]*

## BACKGROUND INFO

### Other Bureau Publications

- [September 13, 2016](#) – Blog: What you need to know if you were harmed by Wells Fargo
- [September 8, 2016](#) – Consumer Financial Protection Bureau Fines Wells Fargo \$100 Million for Widespread Illegal Practice of Secretly Opening Unauthorized Accounts
- [September 8, 2016](#) – Blog: Hundreds of thousands of accounts secretly created by Wells Fargo Bank employees leads to historic \$100 million fine from the CFPB

### Statutory Authority

Consumer Financial Protection Act, 12 U.S.C. §§ 5531, 5536.

### Other Recent Activity

**March 7, 2017:** Rep. Brad Sherman (CA) and Sen. Sherrod Brown (OH) introduce H.R. 1414, the Justice for Victims of Fraud Act (also introduced in the 2015-16 term), which would amend TILA and EFTA to state that no PDAA shall be enforceable in a dispute over a sham account.

**October 6, 2016:** Letter from HFSC member Congresswoman Nydia Velazquez (NY) to CFPB, SBA, OCC on Wells Fargo sales practices and small business customers. Response sent November 8, 2016.

**September 30, 2016:** Letter from HFSC member Congressman Brad Sherman (CA) on Wells Fargo consumer credit reporting. Response sent October 27, 2016.

**September 29, 2016:** House Committee on Financial Services hearing on Wells Fargo sales practices

**September 21, 2016:** Letter from Senator Joe Donnelly (IN) on the Wells Fargo sales practices enforcement action and the use of arbitration clauses. Response sent September 22, 2016.

**September 20, 2016:** Senate Committee on Banking, Housing, and Urban Affairs hearing on Wells Fargo sales practices. Following the hearing, Director Cordray responded to a number of QFRs from Senator Ben Sasse (NE).

**September 19, 2016:** Letter from Senator Bernard Sanders (VT) to CFPB and OCC on the Wells Fargo sales practices enforcement action and criminal referrals. Response sent October 13, 2016.

**September 16, 2016:** Letter from HFSC Chairman Jeb Hensarling (TX) requesting documents associated with the Wells Fargo enforcement action. Director Cordray provided an initial response on September 23 and a second response on November 10, 2016.

**September 12, 2016:** Letter from Senate Special Committee on Aging Chairman Susan Collins (ME) and Ranking Member Claire McCaskill (MO) on the Wells Fargo enforcement action and older Americans. Response sent October 19, 2016.



1700 G Street NW, Washington, DC 20552

September 27, 2016

Mr. Michael D. Bopp  
Gibson Dunn & Crutcher LLP  
1050 Connecticut Avenue NW  
Washington, DC 20036

*Re: Wells Fargo & Company*

Dear Mr. Bopp:

On behalf of the Consumer Financial Protection Bureau (the "CFPB"), I write in response to your letter, dated September 26, 2016, in which you provided the CFPB with notice, pursuant to 12 CFR 1070.47(a)(3), that Wells Fargo & Company ("Wells Fargo") has received a demand from the United States House of Representatives Financial Services Committee ("HFSC") for certain supervisory communications between Wells Fargo and the CFPB and certain documents produced by Wells Fargo to the CFPB.

The CFPB does not object to Wells Fargo's disclosure of the referenced communications and documents to the HFSC. Please mark any produced materials as "confidential supervisory information" of the CFPB that is subject to 12 CFR 1070.40 *et seq.*

Please contact Edwin Chow, [REDACTED] if you have any questions regarding the above.

Sincerely,

Mary McLeod  
General Counsel

By: Richard G. Lepley  
Principal Deputy General Counsel

[consumerfinance.gov](http://consumerfinance.gov)



1700 G Street NW, Washington, DC 20552

October 3, 2016

Mr. Anand S. Raman  
Skadden, Arps, Slate, Meagher & Flom LLP  
1440 New York Avenue, N.W.  
Washington, DC 20005

Re: Wells Fargo Bank, N.A.

Dear Mr. Raman:

On behalf of the Consumer Financial Protection Bureau (the "CFPB"), I write in response to your letter, dated October 3, 2016, in which you provided the CFPB with notice, pursuant to 12 CFR 1070.47(a)(3), that Wells Fargo Bank, N.A. ("Wells Fargo") has received a demand from the Committee on Financial Services of the United States House of Representatives ("HFSC") for certain confidential information that Wells Fargo provided to the Bureau in connection with the Bureau's sales practice investigation including responses to interrogatories.

The CFPB does not object to Wells Fargo's disclosure of the requested information and documents to the HFSC. Please mark any produced materials as "confidential investigative information" of the CFPB that is subject to 12 CFR 1070.40 *et seq.*

Please contact Anthony Alexis, [REDACTED], if you have any questions regarding the above.

Sincerely,

Mary McLeod  
General Counsel

A handwritten signature in blue ink that reads "Richard G. Lepley". The signature is written in a cursive style with a large, stylized "R" and "L".

By: Richard G. Lepley  
Principal Deputy General Counsel

consumerfinance.gov



1700 G Street NW, Washington, DC 20552

December 8, 2016

Mr. Darren Welch  
Skadden, Arps, Slate, Meagher & Flom LLP  
1440 New York Avenue, N.W.  
Washington, DC 20005

Re: Wells Fargo Bank, N.A.

Dear Mr. Welch:

On behalf of the Consumer Financial Protection Bureau (the "CFPB"), I write in response to your requests to share information pursuant to 12 CFR 1070.47(a)(3), which were contained in a series of letters, the last of which was dated December 2, 2016,



In your November 9, 2016 letter, you asked to disclose four different categories of information. Following a series of discussions, we have specifically identified documents in three of those categories that may be shared. Namely, (1) information and documents that the Bank provided to the CFPB relating to the CFPB's sales practices enforcement investigation, including responses to the interrogatories and document requests in the Civil Investigative Demands that the Bureau issued to the Bank during the course of the sales practices enforcement investigation; and documents provided to the Bureau in advance of and relating to the investigational hearings and the Bureau's interview of PwC representatives, as well as the transcripts of the investigational

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hearings; (2) information and documents that the Bureau provided to the Bank relating to the Bureau's sales practices enforcement investigation; and (3) the following correspondence between Wells Fargo and Edwin L. Chow, Regional Director for the West Region relating to Wells Fargo's sales practices:

- May 4, 2015 email from J. Strother to E. Chow;
- May 8, 2015 letter from E. Chow to Wells Fargo;
- June 8, 2015 letter from Wells Fargo to E. Chow, providing documents;
- June 25, 2015 letter from E. Chow to Wells Fargo; and
- July 10, 2015 letter from Wells Fargo to E. Chow, providing documents.

The CFPB does not object to Wells Fargo's disclosure of the requested information and documents described responsive to (1) to (3) to the Requesting Agencies identified in this letter. Please mark any produced materials as "confidential information" of the CFPB that is subject to 12 CFR 1070.40 *et seq.*

Please contact Kevin J. Rice, [REDACTED], if you have any questions regarding the above.

Sincerely,



Mary McLeod  
General Counsel

JEB HENSARLING, TX, CHAIRMAN

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

MAXINE WATERS, CA, RANKING MEMBER

September 16, 2016

The Honorable Richard Cordray  
 Director  
 Bureau of Consumer Financial Protection  
 1700 G Street, NW  
 Washington, D.C. 20552

Dear Director Cordray:

Last week, the Consumer Financial Protection Bureau (Bureau) levied a \$100 million civil penalty against Wells Fargo Bank, N.A. (Wells Fargo) “for the widespread illegal practice of secretly opening unauthorized deposit and credit card accounts.”<sup>1</sup> According to the Bureau’s Consent Order, Wells Fargo employees opened 1,534,280 potentially unauthorized accounts that resulted in the imposition of fees in excess of \$2 million on unsuspecting consumers.<sup>2</sup> It has since been reported that these actions have been attributed to aggressive “cross-selling,” mostly in Wells Fargo’s Community Banking division, where over 5,000 employees have been fired,<sup>3</sup> and that allegations of this misconduct first surfaced as early as 2011, and were “widely revealed in 2013.”<sup>4</sup>

The Committee is very concerned by these serious allegations and is investigating Wells Fargo’s sales practices and corresponding agreements with the Bureau and the Office of the Comptroller of the Currency to evaluate the application, administration, execution, and effectiveness of Federal laws. Accordingly, to allow the Committee to carry out its oversight responsibilities under the House Rules,<sup>5</sup> please produce the following records by not later than Friday, September 23, 2016:

- (1) All records<sup>6</sup> relating to aforementioned allegations of fraudulent or improper activity by Wells Fargo and/or its officers, employees, or directors;

<sup>1</sup> Wells Fargo is also paying an additional \$35 million penalty to the Office of the Comptroller of the Currency and another \$50 million to the City and County of Los Angeles; *See Consumer Financial Protection Bureau Fines Wells Fargo \$100 Million for Widespread Illegal Practices of Secretly Opening Unauthorized Accounts*, (Sep. 8, 2016), available at <http://www.consumerfinance.gov/about-us/newsroom/consumer-financial-protection-bureau-fines-wells-fargo-100-million-widespread-illegal-practice-secretly-opening-unauthorized-accounts/>.

<sup>2</sup> Consumer Financial Protection Bureau, *Consent Order In the Matter of: Wells Fargo Bank, N.A., 2016-CFPB-0015*, (Sep. 8, 2016), available at [http://files.consumerfinance.gov/f/documents/092016\\_cfpb\\_WFBconsentorder.pdf](http://files.consumerfinance.gov/f/documents/092016_cfpb_WFBconsentorder.pdf).

<sup>3</sup> *See, e.g.*, Adam Davidson, “How Regulation Failed with Wells Fargo,” *THE NEW YORKER*, (Sept. 12, 2016), available at <http://www.newyorker.com/business/currency/the-record-fine-against-wells-fargo-points-to-the-failure-of-regulation>.

<sup>4</sup> *Id.*

<sup>5</sup> Rule X, Rules of the House of Representatives, 114th Cong.

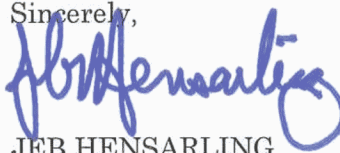
<sup>6</sup> The term “records” means any written, recorded, or graphic matter of any nature whatsoever, regardless of how recorded or preserved, and whether original or copy.

The Hon. Richard Cordray  
September 16, 2016  
Page 2

- (2) Any documents or communications including, but not limited to, e-mails, between CFPB and Wells Fargo employees, officers, and/or directors, in the course of the CFPB's review of Wells Fargo's sales practices; and
- (3) Any documents detailing supervisory policies and procedures of the CFPB that were in force while Wells Fargo was initially alleged to have engaged in the fraudulent or improper activity in 2011, which were designed to detect such fraudulent or improper activity from occurring.

Any questions regarding this request should be directed to Katelyn Christ or Elie Greenbaum of the Committee staff at (202) 225-7502.

Sincerely,



JEB HENSARLING  
Chairman

cc: The Honorable Maxine Waters, Ranking Member

JEB HENSARLING, TX, CHAIRMAN

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

MAXINE WATERS, CA, RANKING MEMBER

September 21, 2016

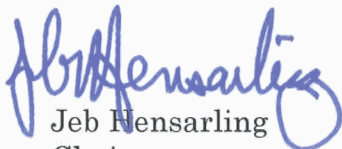
The Honorable Richard Cordray  
Director  
Bureau of Consumer Financial Protection  
1700 G Street, NW  
Washington, DC 20552

Dear Director Cordray:

Last week, as part of a broader inquiry into the facts and circumstances surrounding Wells Fargo Bank's opening of unauthorized accounts and related misconduct, I instructed my staff to schedule a bipartisan staff briefing regarding the Bureau's recent enforcement action against the bank so that interested committee staff could learn more information about the Bureau's investigation and inform the Members of the Financial Services Committee about the facts of the case. At the briefing, which occurred this afternoon, your enforcement and legislative affairs staff declined to answer basic questions about the Bureau's investigation of Wells Fargo, citing a lack of authorization by you to discuss supervisory matters.

Accordingly, I hereby request that you authorize your staff to disclose confidential supervisory information relating to the Wells Fargo matter without further delay. I also request that you instruct your duly authorized staff to meet with appropriate Committee staff by no later than Friday, September 23, at 11:00 am so that matters relating to the Bureau's investigation of Wells Fargo may be freely discussed. Please inform me of your decision by no later than 5:00 pm today.

Yours Respectfully,



Jeb Hensarling  
Chairman

cc: The Honorable Maxine Waters



September 22, 2016

The Honorable Jeb Hensarling  
Chairman  
Committee on Financial Services  
U.S. House of Representatives  
2129 Rayburn House Office Building  
Washington, DC 20515

Dear Chairman Hensarling,

I am in receipt of your letter of September 21, 2016, which requests a follow-up briefing on the Consumer Financial Protection Bureau's enforcement action against Wells Fargo Bank. As you know, Bureau staff participated in a bi-partisan legislative-assistant briefing on this matter on Tuesday, September 20 at the invitation of House Financial Services Committee staff. I understand from your letter that the Committee has additional questions they would like to ask about the Bureau's investigation of Wells Fargo Bank and would like to have Committee staff meet with appropriate Bureau staff to review those issues in more detail. Bureau staff will be available tomorrow to participate in the further briefing now requested by the Committee. As has been the case in briefings responsive to previous Committee information requests on other topics, some of the information Bureau staff will share tomorrow constitutes confidential supervisory information. We do, of course, ask that the information provided in response to this Committee request be treated in accordance with its sensitivity and confidentiality. It is important for you to be aware, however, that other aspects of this matter continue to evolve in directions that cannot be completely foreseen at this point but that necessarily will complicate these discussions. In particular, other federal agencies may now be engaged in law-enforcement activities directly related to the Bureau's work on the Wells Fargo matter, including investigations and inquiries that may be either civil or criminal in nature. Thus the Bureau will be taking care to proceed here in a manner that does not undermine or compromise that important ongoing work of the other federal law-enforcement agencies.

As always, the Bureau will continue to work with the Committee to provide information in furtherance of its legislative interests. Please also know that I would be happy to testify about the Bureau's enforcement action against Wells Fargo at the Committee's upcoming hearing, just as I did earlier this week in front of the Senate Banking Committee. In fact, if the Committee wishes to know more about the Bureau's investigation of Wells Fargo, I am

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certainly in the best position to convey a comprehensive response on various aspects of those issues. Should you have any questions about this response, please contact me directly.

Sincerely,



Richard Cordray  
Director

cc: The Honorable Maxine Waters, Ranking Member, Committee on Financial Services



September 23, 2016

The Honorable Jeb Hensarling  
Chairman  
Committee on Financial Services  
U.S. House of Representatives  
2129 Rayburn House Office Building  
Washington, DC 20515

Dear Chairman Hensarling,

On September 20, 2016, my staff participated in a briefing of Committee staff on the Wells Fargo enforcement matter. The next day, you sent a letter requesting that Bureau staff meet again with Committee staff, to address more questions about the Wells Fargo matter. That follow-up briefing was requested for today. The Bureau agreed to provide this briefing as requested and notified the Committee of its agreement at 1:00 p.m. yesterday. After the Bureau had agreed to provide this briefing, I received yet another letter from you, transmitted last evening after the close of business, stating that the Committee now no longer wishes to receive the requested briefing.

Bureau staff remains prepared to provide the briefing you sought in your September 21 letter and to share information that is helpful to the Committee's investigation of this matter. Ranking Member Maxine Waters's staff continues to be interested in receiving this briefing, and Bureau staff will be providing it to them in the Committee offices today at 2:00 p.m. We would encourage your staff to participate as well.

In your letter transmitted after the close of business yesterday, you also requested that I appear personally to provide a briefing to Committee staff today. I am not available to do so. But as I made clear in my letter yesterday, I would be happy to take part in your Committee hearing next week in order to testify publicly about the Bureau's work on the Wells Fargo enforcement matter, especially given the substantial public interest in this matter. I look forward to that opportunity to address the Bureau's work in investigating Wells Fargo's widespread illegal activity and taking an enforcement action that seeks to halt that activity, fully remunerates consumers, and imposes a substantial civil penalty as a deterrent both to Wells Fargo and to other financial institutions.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Richard Cordray', is written in a cursive style.

Richard Cordray  
Director

cc: The Honorable Maxine Waters, Ranking Member, Committee on Financial Services



1700 G Street, N.W., Washington, DC 20552

September 22, 2016

## Recommendation memorandum for the Director

<b>FROM</b>	Julia Szybala, Attorney-Advisor, [REDACTED] Anne Tindall, Assistant General Counsel, [REDACTED]
<b>THROUGH</b>	Mary McLeod, General Counsel, [REDACTED]
<b>SUBJECT</b>	Response Letter to Chairman Hensarling RE: Enforcement action against Wells Fargo Bank

### Recommendations

We recommend that you review and sign the attached response to Chairman Jeb Hensarling's letter regarding the Bureau's enforcement action against Wells Fargo Bank.

### Background

On September 16, Chairman Hensarling sent a letter to the Bureau requesting information about the Bureau's enforcement action against Wells Fargo Bank. The Bureau's response details the Bureau's investigation into Wells Fargo Bank and the terms of the consent order. The response also includes documents requested by Chairman Hensarling. The deadline to respond to this letter is September 23, 2016.

A copy of the incoming letter from Chairman Hensarling is also **attached**.

### Attachments

Tab 1: Response Letter – 2016.09.23 RC to JH - Wells Fargo  
Tab 2: Incoming Letter – 2016.09.16 JH to RC\_Wells Fargo





1275 First Street NE, Washington, DC 20002

September 23, 2016

The Honorable Jeb Hensarling  
Chairman  
Committee on Financial Services  
U.S. House of Representatives  
2129 Rayburn House Office Building  
Washington, DC 20515

Dear Chairman Hensarling,

Thank you for your letter of September 16, 2016 regarding the Consumer Financial Protection Bureau's enforcement action against Wells Fargo Bank. The Bureau's investigation of Wells Fargo found widespread unlawful sales practices by Wells Fargo employees. The breadth and severity of these violations resulted in the largest penalty imposed by the Bureau to date. This action should serve notice on the entire industry that the effects of financial-incentive programs and sales goals must be carefully monitored, and that failure to conduct such monitoring can carry serious legal and financial consequences.

Bureau staff first became aware of some related issues around Wells Fargo's sales practices through whistleblower tips in mid-2013, and began conducting initial evaluation of the situation at that time. Bureau staff continued to assess those issues internally through 2014, and then began directly engaging Wells Fargo in the spring of 2015. Direct engagement with Wells Fargo and the Bureau's investigation of the sales-practices issues continued throughout the spring, summer, and fall of 2015, leading eventually to the joint resolution of this matter with the Los Angeles City Attorney's Office and the OCC. The Bureau's investigation found that Wells Fargo's incentive-compensation program resulted in nationwide illegal activity by thousands of Wells Fargo employees. These illegal sales practices included opening deposit accounts and transferring funds without consumers' authorization, applying for credit-card accounts without authorization, issuing and activating debit cards without authorization, and creating phony email addresses to enroll customers in online-banking services. These unfair and abusive practices are a clear violation of federal law.

Under the terms of the Consent Order, Wells Fargo will pay full redress to victims, as well as a \$100 million civil monetary penalty, reflecting the severity of these violations and the breadth of the unfair and abusive practices. Additionally, Wells Fargo must retain an independent consultant acceptable to the Bureau to conduct a thorough review of the bank's branch sales practices and to assess whether Wells Fargo's current policies and procedures can be expected to ensure that those practices comply with the law. Based on that review, Wells Fargo's Board must then work with

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the independent consultant to create a compliance plan, which, if acceptable to the Bureau, the bank must implement in order to ensure that these practices do not occur again. The Bureau will be reviewing the results of the independent consultant's review once the compliance plan has been carried out.

Enclosed are a number of documents requested in your letter, including the Bureau's Supervision Enforcement and Fair Lending (SEFL) Integration Memorandum; the SEFL Policy on Continuously Supervised Institutions; the relevant Memoranda of Understanding, Common Interest Agreements, and Access Agreements between the Bureau and the Office of the Comptroller of the Currency and the Los Angeles City Attorney's Office; and supervisory correspondence between the Bureau and Wells Fargo. The Bureau is working to compile additional responsive materials, and Bureau staff will work with Committee staff to determine how we can most efficiently satisfy the Committee's oversight interests in this matter.

Should you have any additional questions about the Bureau's Wells Fargo enforcement matter, please do not hesitate to contact me or have your staff contact Anne Tindall of the Bureau's Legal Division or Catherine Galicia of the Bureau's Office of Legislative Affairs. Ms. Tindall can be reached at [REDACTED], and Mrs. Galicia can be reached at [REDACTED].

Sincerely,



Richard Cordray  
Director

cc: The Honorable Maxine Waters, Ranking Member, Committee on Financial Services

JEB HENSARLING, TX, CHAIRMAN

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

MAXINE WATERS, CA, RANKING MEMBER

September 16, 2016

The Honorable Richard Cordray  
 Director  
 Bureau of Consumer Financial Protection  
 1700 G Street, NW  
 Washington, D.C. 20552

Dear Director Cordray:

Last week, the Consumer Financial Protection Bureau (Bureau) levied a \$100 million civil penalty against Wells Fargo Bank, N.A. (Wells Fargo) “for the widespread illegal practice of secretly opening unauthorized deposit and credit card accounts.”<sup>1</sup> According to the Bureau’s Consent Order, Wells Fargo employees opened 1,534,280 potentially unauthorized accounts that resulted in the imposition of fees in excess of \$2 million on unsuspecting consumers.<sup>2</sup> It has since been reported that these actions have been attributed to aggressive “cross-selling,” mostly in Wells Fargo’s Community Banking division, where over 5,000 employees have been fired,<sup>3</sup> and that allegations of this misconduct first surfaced as early as 2011, and were “widely revealed in 2013.”<sup>4</sup>

The Committee is very concerned by these serious allegations and is investigating Wells Fargo’s sales practices and corresponding agreements with the Bureau and the Office of the Comptroller of the Currency to evaluate the application, administration, execution, and effectiveness of Federal laws. Accordingly, to allow the Committee to carry out its oversight responsibilities under the House Rules,<sup>5</sup> please produce the following records by not later than Friday, September 23, 2016:

- (1) All records<sup>6</sup> relating to aforementioned allegations of fraudulent or improper activity by Wells Fargo and/or its officers, employees, or directors;

<sup>1</sup> Wells Fargo is also paying an additional \$35 million penalty to the Office of the Comptroller of the Currency and another \$50 million to the City and County of Los Angeles; *See Consumer Financial Protection Bureau Fines Wells Fargo \$100 Million for Widespread Illegal Practices of Secretly Opening Unauthorized Accounts*, (Sep. 8, 2016), available at <http://www.consumerfinance.gov/about-us/newsroom/consumer-financial-protection-bureau-fines-wells-fargo-100-million-widespread-illegal-practice-secretly-opening-unauthorized-accounts/>.

<sup>2</sup> Consumer Financial Protection Bureau, *Consent Order In the Matter of: Wells Fargo Bank, N.A., 2016-CFPB-0015*, (Sep. 8, 2016), available at [http://files.consumerfinance.gov/f/documents/092016\\_cfpb\\_WFBconsentorder.pdf](http://files.consumerfinance.gov/f/documents/092016_cfpb_WFBconsentorder.pdf).

<sup>3</sup> *See, e.g.*, Adam Davidson, “How Regulation Failed with Wells Fargo,” *THE NEW YORKER*, (Sept. 12, 2016), available at <http://www.newyorker.com/business/currency/the-record-fine-against-wells-fargo-points-to-the-failure-of-regulation>.

<sup>4</sup> *Id.*

<sup>5</sup> Rule X, Rules of the House of Representatives, 114th Cong.

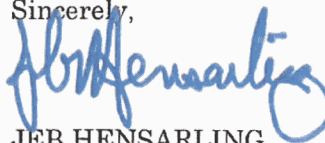
<sup>6</sup> The term “records” means any written, recorded, or graphic matter of any nature whatsoever, regardless of how recorded or preserved, and whether original or copy.

The Hon. Richard Cordray  
September 16, 2016  
Page 2

- (2) Any documents or communications including, but not limited to, e-mails, between CFPB and Wells Fargo employees, officers, and/or directors, in the course of the CFPB's review of Wells Fargo's sales practices; and
- (3) Any documents detailing supervisory policies and procedures of the CFPB that were in force while Wells Fargo was initially alleged to have engaged in the fraudulent or improper activity in 2011, which were designed to detect such fraudulent or improper activity from occurring.

Any questions regarding this request should be directed to Katelyn Christ or Elie Greenbaum of the Committee staff at (202) 225-7502.

Sincerely,



JEB HENSARLING  
Chairman

cc: The Honorable Maxine Waters, Ranking Member

JEB HENSARLING, TX, CHAIRMAN

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

MAXINE WATERS, CA, RANKING MEMBER

November 3, 2016

The Honorable Richard Cordray  
 Director  
 Bureau of Consumer Financial Protection  
 1700 G Street, NW  
 Washington, D.C. 20552

Dear Director Cordray:

On September 16, 2016, the Committee requested records in the possession of the Bureau of Consumer Financial Protection (Bureau) regarding its \$100 million fine of Wells Fargo Bank, N.A. (Wells Fargo) "for the widespread illegal practice of secretly opening unauthorized deposit and credit card accounts."<sup>1</sup> Despite your subsequent assurance that "[t]he Bureau is working to compile additional responsive materials," no additional records have been made available to the Committee to date. Please provide all previously requested information without delay and, in any event, not later than November 17, 2016.<sup>2</sup>

Additionally, by November 10, 2016, please provide all records responsive to Freedom of Information Act (FOIA) request #CFPB-2016-438-F to the Committee.<sup>3</sup> All such records should be produced in unredacted format. Please contact Katelyn Christ or Elie Greenbaum of the Committee staff at (202) 225-7502 if you have any questions regarding this matter.

Sincerely,



SEAN DUFFY

Chairman

Subcommittee on Oversight and Investigations

cc: The Hon. Al Green, Ranking Member

<sup>1</sup> *Consumer Financial Protection Bureau Fines Wells Fargo \$100 Million for Widespread Illegal Practices of Secretly Opening Unauthorized Accounts*, (Sept. 8, 2016), available at <http://www.consumerfinance.gov/about-us/newsroom/consumer-financial-protection-bureau-fines-wells-fargo-100-million-widespread-illegal-practice-secretly-opening-unauthorized-accounts/>.

<sup>2</sup> If there are no responsive records in the Bureau's custody or control, please provide a written representation to this effect not later than November 15<sup>th</sup>.

<sup>3</sup> See letter from Raynell Lazier, FOIA Manager, Operations Division, Bureau, to Ms. Sarah Lynch, Thomas Reuters, re FOIA Request, #CFPB-2016-438-F (Oct. 6, 2016).



1700 G Street, N.W., Washington, DC 20552

November 10, 2016

The Honorable Sean Duffy  
Chairman  
Subcommittee on Oversight and Investigations  
Committee on Financial Services  
2129 Rayburn House Office Building  
Washington, DC 20515

Dear Chairman Duffy:

The enclosed materials represent supplemental documents in response to the House Financial Services Committee's September 16 and November 3, 2016 requests for records related to the Consumer Financial Protection Bureau's enforcement action against Wells Fargo Bank.

Should you have any questions about this response, please do not hesitate to contact me or have your staff contact Anne Tindall of the Bureau's Legal Division or Patrick O'Brien of the Bureau's Office of Legislative Affairs. Ms. Tindall can be reached at [REDACTED] and Mr. O'Brien can be reached at [REDACTED].

Sincerely,

A handwritten signature in black ink, appearing to read "C. Galicia", written in a cursive style.

Catherine Galicia  
Assistant Director for Legislative Affairs

cc: The Honorable Al Green, Ranking Member, Subcommittee on Oversight and Investigations

Enclosures

[consumerfinance.gov](http://consumerfinance.gov)

# SUBPOENA

**BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES OF THE  
CONGRESS OF THE UNITED STATES OF AMERICA**

Hon. Richard Cordray, Director  
To Bureau of Consumer Financial Protection

You are hereby commanded to be and appear before the Committee on Financial Services

of the House of Representatives of the United States at the place, date and time specified below.

to testify touching matters of inquiry committed to said committee or subcommittee; and you are not to depart without leave of said committee or subcommittee.

Place of testimony: _____	
Date: _____	Time: _____

to produce the things identified on the attached schedule touching matters of inquiry committed to said committee or subcommittee; and you are not to depart without leave of said committee or subcommittee.

Place of production: <u>2129 Rayburn House Office Building, Washington, D.C.</u>	
Date: <u>May 2, 2017</u>	Time: <u>5:00 p.m.</u>

To any authorized House Financial Services Committee staff member, the House Sergeant at Arms  
or his designee, or the U.S. Marshals Service. \_\_\_\_\_ to serve and make return.

Witness my hand and the seal of the House of Representatives of the United States,  
at the city of Washington, this 4<sup>th</sup> day of April, 2017.

Attest:  
Karen P. Haas  
Clerk

[Signature]  
Chairman or Authorized Member

**PROOF OF SERVICE**

---

Subpoena for Hon. Richard Cordray, Director  
Bureau of Consumer Financial Protection

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Address 1700 G Street, NW

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Washington, D.C. 20552

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before the Committee on Financial Services

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*U.S. House of Representatives*  
*115th Congress*

---

Served by (print name) \_\_\_\_\_

Title \_\_\_\_\_

Manner of service \_\_\_\_\_

---

Date \_\_\_\_\_

Signature of Server \_\_\_\_\_

Address \_\_\_\_\_

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Hon. Richard Cordray  
Director  
Bureau of Consumer Financial Protection  
1700 G. Street, N.W.  
Washington, D.C. 20052

### SCHEDULE A

In accordance with the attached schedule instructions, you, Richard Cordray, are required to produce in unredacted form all records described below:

1. All records in the possession, custody, or control of the CFPB's Office of General Counsel that were generated between January 1, 2014, and October 30, 2014, containing the terms "litigation hold," "questionnaire," OR "Williams," and which also contain one or more of the following additional terms: "identity," "whistleblower," "Congress," OR "Republican."
2. All records relating to any instance whatsoever, from January 4, 2012–present, in which any CFPB employee directed another federal government employee not to transmit to any Member, Committee, or Subcommittee of Congress records requested or subpoenaed by any Member, Committee, or Subcommittee of Congress.
3. All records indicating the exact dates, amounts, and uses of any funds withdrawn from the Settlement Fund pursuant to the Consent Order in *In re: Ally Financial Inc., No. 2013-CFPB-0010* (Dec. 20, 2013).
4. All records indicating the exact number of natural persons harmed by Ally's alleged discriminatory actions in connection with the CFPB's and the U.S. Department of Justice's December 2013 settlement with Ally.
5. All records indicating the total amount of compensation determined to be paid to qualified victims pursuant to the Consent Order for *In re: Ally Financial Inc., No. 2013-CFPB-0010* (Dec. 20, 2013).
6. All records indicating the final remuneration plan reached in connection with the CFPB's and the U.S. Department of Justice's December 2013 settlement with Ally.
7. All records indicating any of the final processes used, or to be used, in connection with the CFPB's and the U.S. Department of Justice's December 2013 settlement with Ally in order to identify, determine, contact, or notify affected consumers who are entitled to receive monetary relief from the settlement fund.
8. All records indicating any of the final processes used, or to be used, in connection with the CFPB's and the U.S. Department of Justice's December 2013 settlement

Hon. Richard Cordray  
Director  
Bureau of Consumer Financial Protection  
1700 G. Street, N.W.  
Washington, D.C. 200552

with Ally in order to calculate and determine the amount of monetary relief consumers are entitled to receive from the settlement fund.

9. All records indicating any of the final processes used, or to be used, in connection with the CFPB's and the U.S. Department of Justice's December 2013 settlement with Ally in order to remunerate affected consumers or cause affected consumers to be remunerated.
10. All CFPB records released in connection with the November 24, 2015, U.S. House Financial Services Committee Majority Staff Report entitled *Unsafe at Any Bureaucracy: CFPB Junk Science and Indirect Auto Lending*.
11. All e-mails contained in the e-mail accounts associated with Patrice Ficklin that were sent, received, or drafted between August 15, 2015, and October 6, 2015, pertaining to any of the following news reports written by *American Banker* reporter Rachel Witkowski and published in *American Banker* in September 2015: *CFPB Overestimates Potential Discrimination, Documents Show*; *The Inside Story of the CFPB's Battle Over Auto Lending*; or *CFPB's Outside Expert on Disparate Impact Also Advises Banks*.
12. All e-mails contained in the e-mail accounts associated with Patrice Ficklin that were sent, received, or drafted, between August 15, 2015, and October 6, 2015, and which contain any of the following key words: "banker," "reporter," "Witkowski," "markup," "disparities," "PARR," "Siskin," "BLDS," "proxy," "Ally," "Honda," OR "Fifth Third."
13. All records generated by any vendor retained by the CFPB to perform any management consulting services between the beginning of Fiscal Year 2013 and December 18, 2015.
14. All contracts between the CFPB and BLDS, LLC, and all records pertaining to any such contracts.
15. All communications from BLDS, LLC to the CFPB.

Hon. Richard Cordray  
 Director  
 Bureau of Consumer Financial Protection  
 1700 G. Street, N.W.  
 Washington, D.C. 200552

16. All records indicating any instance, of any sort whatsoever, when BLDS, LLC acted as an employee of the CFPB, including the purpose and scope of any such action.
17. All records indicating in what matters in which the CFPB was a party, BLDS, LLC, or any of its employees was employed by a party other than the CFPB.
18. All records contained within the e-mail account associated with Richard Cordray, Mary McLeod, Meredith Fuchs, Anne Tindall, and Catherine Galicia that were sent, received, or drafted between March 2, 2015, and the present, and which contain any of the following key words: "interview!," "depos!," "subpoen!," "contempt," "obstruct!," OR "unsafe at any bureaucracy."
19. All communications relating to pre-dispute arbitration agreements between the CFPB and any of the following entities: (i) American Association for Justice; (ii) National Consumer Law Center; (iii) National Association of Consumer Advocates; (iv) Alliance for Justice; or (v) Public Justice.
20. All communications from one CFPB employee to another CFPB employee relating to pre-dispute arbitration agreements.
21. All records indicating the classes of putative victims with compensable uncompensated harm relating to Global Client Solutions that are eligible to receive compensation from the CFPB's Civil Penalty Fund.
22. All records indicating the basis or rationale for the allocation made from the CFPB's Civil Penalty Fund for putative victims of Global Client Solutions.
23. All communications between the CFPB and any third-party administrator that have distributed payments to putative victims of Global Client Solutions from funds allocated from the CFPB's Civil Penalty Fund.
24. All records indicating: (a) the names of all debt relief service providers for whom the CFPB alleged Global Client Solutions processed putative unlawful advance fees; (b) the number of consumers the CFPB alleged were charged unlawful advance fees by each debt relief service provider for whom Global Client Solutions processed putative unlawful advance fees; (c) the amount of uncompensated harm for each putative victim; and (d) the amount the CFPB allocated to each putative victim.
25. All records contained in the email accounts associated with Members of the Civil Penalty Fund Governance Board, Fund Administrator, and Chief Financial Officer

Hon. Richard Cordray  
 Director  
 Bureau of Consumer Financial Protection  
 1700 G. Street, N.W.  
 Washington, D.C. 200552

16. All records indicating any instance, of any sort whatsoever, when BLDS, LLC acted as an employee of the CFPB, including the purpose and scope of any such action.
17. All records indicating in what matters in which the CFPB was a party, BLDS, LLC, or any of its employees was employed by a party other than the CFPB.
18. All records contained within the e-mail account associated with Richard Cordray, Mary McLeod, Meredith Fuchs, Anne Tindall, and Catherine Galicia that were sent, received, or drafted between March 2, 2015, and the present, and which contain any of the following key words: "interview!," "depos!," "subpoen!," "contempt," "obstruct!," OR "unsafe at any bureaucracy."
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20. All communications from one CFPB employee to another CFPB employee relating to pre-dispute arbitration agreements.
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22. All records indicating the basis or rationale for the allocation made from the CFPB's Civil Penalty Fund for putative victims of Global Client Solutions.
23. All communications between the CFPB and any third-party administrator that have distributed payments to putative victims of Global Client Solutions from funds allocated from the CFPB's Civil Penalty Fund.
24. All records indicating: (a) the names of all debt relief service providers for whom the CFPB alleged Global Client Solutions processed putative unlawful advance fees; (b) the number of consumers the CFPB alleged were charged unlawful advance fees by each debt relief service provider for whom Global Client Solutions processed putative unlawful advance fees; (c) the amount of uncompensated harm for each putative victim; and (d) the amount the CFPB allocated to each putative victim.
25. All records contained in the email accounts associated with Members of the Civil Penalty Fund Governance Board, Fund Administrator, and Chief Financial Officer

Hon. Richard Cordray  
Director  
Bureau of Consumer Financial Protection  
1700 G. Street, N.W.  
Washington, D.C. 200552

that were sent, received, or drafted between August 27, 2014, and the present, and which contain of the following key words: "Global Client Solution!," "Global Holdings," "GCS," "uncompensate!," AND "victim! /2 class!".

26. All records relating to the sales practices of Wells Fargo Bank, N.A. that are described in the CFPB's consent order against Wells Fargo Bank, N.A. filed on September 8, 2016.

27. All records relating to the CFPB's "investigation of Wells Fargo" that is described in your letter to the Committee dated September 23, 2016.

Hon. Richard Cordray  
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**INSTRUCTIONS: For the purpose of this Subpoena:**

1. In complying with this Subpoena, you are required to produce all responsive records that are in your possession, custody, or control. You shall also produce records that you have a legal right to obtain, that you have a right to copy or to which you have access, as well as records that you have placed in the temporary possession, custody, or control of any third party. Subpoenaed records shall not be destroyed, modified, removed, transferred, or otherwise made inaccessible to the Committee.
2. In the event that any entity, organization, or individual denoted in this Subpoena has been, or is also known by any other name than that herein denoted, the Subpoena shall be read also to include that alternative identification.
3. The Committee considers all members of a document "family" to be responsive to the Subpoena if any single "member" of that "family" is responsive, regardless of whether the "family member" in question is "parent" or "child."
4. It shall not be a basis for refusal to produce records that any other person or entity also possesses non-identical or identical copies of the same records.
5. If a date or other descriptive detail set forth in this Subpoena referring to a record is inaccurate, but the actual date or other descriptive detail is known to you or is otherwise apparent from the context of the Subpoena, you are required to produce all records which would be responsive as if the date or other descriptive detail were correct.
6. Records produced in response to this Subpoena shall be produced as they were kept in the normal course of business together with copies of file labels, dividers, or identifying markers with which they were associated when the Subpoena was served.
7. In complying with this Subpoena, be apprised that (unless otherwise determined by the Committee) the Committee does not recognize: any purported non-disclosure privileges associated with the common law including, but not limited to, the deliberative-process privilege, the attorney-client privilege, and attorney work product protections; any purported privileges or protections from disclosure under the Freedom of Information Act; or any purported contractual privileges, such as non-disclosure agreements. Any assertion by a subpoena recipient of any such non-constitutional legal bases for withholding records or other materials shall be of no legal force and effect and shall not provide a justification for such withholding or refusal, unless and only to the extent that the Chairman of the Committee has consented to recognize the assertion as valid. If you withhold records in whole or in part on the basis of a claim of a privilege or protection, you

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are required to follow the following procedure. You may only withhold that portion of a record over which you assert a claim of privilege or protection. Accordingly, you may only withhold a record in its entirety if you maintain that the entire record is privileged or protected. Otherwise you must produce the record in redacted form. In the event that a record is withheld in whole or in part on the basis of privilege or protection you must provide a privilege log containing the following information concerning each discrete claim of privilege or protection: (a) the privilege or protection asserted; (b) the type of record; (c) the date, author, and addressee (d) the relationship of the author and addressee to each other; and (e) a general description of the nature of the record that, without revealing information itself privileged or protected, will enable the Committee to assess your claim of privilege or protection. In the event a record or a portion thereof is withheld under multiple discrete claims of privilege or protection, each claim of privilege or protection must be separately logged. In an event portions of a record are withheld on discrete claims of privilege or protection, each separate claim of privilege or protection within that record must be separately logged. A privilege log must be produced contemporaneously with the withholding of any record in whole or in part on the basis of a privilege or protection. Privilege logs must be produced as a native Microsoft Excel file. All privilege logs must be accompanied by the certification of your counsel in a form compliant with 28 U.S.C. § 1746 that all assertions of privilege or protection contained therein are consistent with these Instructions and are warranted by existing law or by a non-frivolous argument for extending, modifying, or reversing existing law, or for establishing new law. Failure to strictly comply with these provisions constitutes waiver of any asserted privilege or protection. In the Chairman's discretion, this waiver may extend to the subject matter of the underlying records.

8. If any record responsive to this Subpoena was, but no longer is, in your possession, custody, or control, you must file a certificate in a form compliant with 28 U.S.C. § 1746 signed by your counsel and the natural person that you designate as most knowledgeable regarding the circumstances under which the record ceased to be in your possession, custody, or control which: (a) identifies the record (stating its date, author, subject, and recipients); and (b) explains the circumstances under which the record ceased to be in your possession, custody, or control or was placed in the possession, custody, or control of a third party; (c) identifies the person who currently has possession, custody, or control over the record; and (d) identifies each person who authorized the disposition of the record or who had or has knowledge of that disposition.
9. If any record responsive to this Subpoena cannot be located, you must immediately file a certificate in a form compliant with 28 U.S.C. § 1746 signed by your counsel and the natural person that you designate as most knowledgeable regarding the

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circumstances describing with particularity the efforts made to locate the record and the specific reason for its disappearance, destruction or unavailability.

10. This Subpoena is continuing in nature and applies to any newly-discovered information. Any record not produced because it has not been located or discovered by the return date shall be produced immediately upon subsequent location or discovery. If you discover any portion of your response is incorrect in a material respect you must immediately and contemporaneously file with the Committee a certificate in a form compliant with 28 U.S.C. § 1746, signed by your counsel, and the natural person that you designate as most knowledge regarding your document production, setting forth: (1) how you became aware of the defect in the response; (2) how the defect came about (or how you believe it to have come about); and (3) a detailed description of the steps you took to remedy the defect.
11. A cover letter shall be included with each production and include the following:
  - a. A list of each piece of media included in the production with its unique production volume number;
  - b. A list of custodians, identifying the Bates range for each custodian;
  - c. A list of Specifications, identifying the Bates range of documents responsive to each Specification;
  - d. The time zone in which the emails were standardized during conversion; and
  - e. All Bates Prefix and Suffix formats for records contained in the production.
12. You must identify any documents which you believe to contain confidential or proprietary information.
13. In the event a complete response requires the transmission of classified information, provide as much information in unclassified form as possible in your response and send all classified information under separate cover via the Office of House Security.
14. Records must be produced to the Committee in accordance with the attached *Electronic Production Instructions* in order to be considered to be in compliance with the Subpoena. Failure to produce records in accordance with the attached *Electronic Production Instructions*, may, in an exercise of the Committee's discretion, be deemed an act of contumacy.
15. If properties or permissions are modified for any records produced electronically, receipt of such records will not be considered full compliance with the subpoena.



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16. Upon completion of the record production, you must submit a certificate, in a form compliant with 28 U.S.C. § 1746, signed by you and your counsel regarding your record production, stating that: (a) a diligent search has been completed of all records in your possession, custody, or control which reasonably could contain responsive records; (b) the search complies with good forensic practices; (c) records responsive to this subpoena have not been destroyed, modified, removed, transferred, or otherwise made inaccessible to the Committee since the date of receiving the Committee's subpoena or in anticipation of receiving the Committee's subpoena; and (d) all records located during the search that are responsive have been produced to the Committee or withheld in whole or in part on the basis of an assertion of a claim of privilege or protection in compliance with these Instructions.
  
17. When representing a witness or entity before the Committee in response to a subpoena, record request, or request for transcribed interview, counsel for the witness or entity must promptly submit to the Committee a notice of appearance specifying the following: (a) counsel's name, firm or organization, and contact information; and (b) each client represented by the counsel in connection with the proceeding. Submission of a notice of appearance constitutes acknowledgement that counsel is authorized to accept service of process by the Committee on behalf of such client(s), and that counsel is bound by and agrees to comply with all applicable House and Committee rules and regulations

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**Definitions:**

The following definitions apply both to terms within the Subpoena, Schedule A, these Instructions, and these Definitions.

1. The term “record” means any written, recorded, or graphic matter of any nature whatsoever, regardless of how recorded, and whether original or copy, including, but not limited to, the following: memoranda, reports, expense reports, books, manuals, instructions, financial reports, working papers, records, notes, letters, notices, confirmations, telegrams, receipts, appraisals, pamphlets, magazines, newspapers, prospectuses, inter-office and intra-office communications, electronic mail (emails), text messages, instant messages, MMS or SMS messages, contracts, cables, telexes, notations of any type of conversation, telephone call, voicemail, meeting or other communication, bulletins, printed matter, computer printouts, teletypes, invoices, transcripts, diaries, analyses, returns, summaries, minutes, bills, accounts, estimates, projections, comparisons, messages, correspondence, press releases, circulars, financial statements, reviews, opinions, offers, studies and investigations, questionnaires and surveys, and work sheets (and all drafts, preliminary versions, alterations, modifications, revisions, changes, and amendments of any of the foregoing, as well as any attachments or appendices thereto), and graphic or oral records or representations of any kind (including without limitation, photographs, charts, graphs, microfiche, microfilm, videotape, recordings and motion pictures), and electronic, mechanical, and electronic records or representations of any kind (including, without limitation, tapes, cassettes, disks, and recordings) and other written, printed, typed, or other graphic or recorded matter of any kind or nature, however produced or reproduced, and whether preserved in writing, film, tape, disk, videotape or otherwise. A record bearing any notation not a part of the original text is to be considered a separate record. A draft or non-identical copy is a separate record within the meaning of this term. By definition a “communication” (as that term is defined herein) is also a “record” if the means of communication is any written, recorded, or graphic matter of any sort whatsoever, regardless of how recorded, and whether original or copy.
2. The term “records in your possession, custody or control” means (a) records that are in your possession, custody, or control, whether held by you or your employees; (b) records that you have a legal right to obtain, that you have a right to copy, or to which you have access; and (c) records that have been placed in the possession, custody, or control of any third party.
3. The term “communication” means each manner or means of disclosure or exchange of information (in the form of facts, ideas, inquiries, or otherwise), regardless of means utilized, whether oral, electronic, by document or otherwise, and whether in

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- an in-person meeting, by telephone, facsimile, e-mail (desktop or mobile device), text message, MMS or SMS message, regular mail, telexes, releases, or otherwise.
4. "Communication with," "communications from," and "communications between" means any communication involving the related parties, regardless of whether other persons were involved in the communication, and includes, but is not limited to, communications where one party is cc'd or bcc'd, both parties are cc'd or bcc'd, or some combination thereof.
  5. The term "person" is defined as any natural person or any legal entity, including, without limitation, any business or governmental entity or association, and all subsidiaries, divisions, partnerships, properties, affiliates, branches, groups, special purpose entities, joint ventures, predecessors, successors, or any other entity in which they have or had a controlling interest, and any employee, and any other units thereof.
  6. The term "employee" means a current or former: officer, director, shareholder, partner, member, consultant, senior manager, manager, senior associate, permanent employee, staff employee, attorney, agent (whether de jure, de facto, or apparent, without limitation), advisor, representative, attorney (in law or in fact), lobbyist (registered or unregistered), borrowed employee, casual employee, consultant, contractor, de facto employee, independent contractor, joint adventurer, loaned employee, part-time employee, provisional employee, or subcontractor.
  7. The terms "and" and "or" shall be construed broadly and either conjunctively or disjunctively to bring within the scope of this Subpoena any information which might otherwise be construed to be outside its scope. The terms "all," "any," and "each" shall each be construed as encompassing any and all. The singular includes the plural number, and vice versa. The masculine includes the feminine and neuter genders.
  8. The terms "pertaining to," "referring," "relating," or "concerning" with respect to any given subject means anything that constitutes, contains, embodies, reflects, identifies, states, refers to, deals with, or is in any manner whatsoever pertinent to that subject.
  9. The term "indicating" with respect to any given subject means anything showing, evidencing, pointing out or pointing to, directing attention to, making known, stating, or expressing that subject of any sort, form, or level of formality or informality, whatsoever, without limitation.
  10. When referring to a person, "to identify" means to give, to the extent known: (1) the person's full name; (2) present or last known address; and (3) when referring to a natural person, additionally: (a) the present or last known place of employment;

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- (b) the natural person's complete title at their employment; and (c) the individual's business address. When referring to documents, "to identify" means to give, to the extent known the: (1) type of document; (2) general subject matter; (3) date of the document; and (4) author, addressee, and recipient.
11. The term "CFPB" refers to the Bureau of Consumer Financial Protection, an agency of the United States government, and any employees.
  12. The term "Global Client Solutions" refers to Global Client Solutions, LLC, and Global Holdings LLC and any employees thereof.
  13. The term "Ally" refers to Ally Financial, Inc., Ally Bank, and any employees thereof.
  14. The term "BLDS, LLC" refers to the expert analysis, testimony, and consulting firm BLDS, LLC, and any employees thereof.
  15. The term "Wells Fargo Bank, N.A." refers to Wells Fargo Bank, N.A., a subsidiary of Wells Fargo & Company, and its successors and assigns.
  16. The term "Wells Fargo & Company" refers to the American international banking and financial services company Wells Fargo & Company and its subsidiaries and affiliates.
  17. The term "Civil Penalty Fund" bears the meaning set forth in 12 U.S.C. § 5497(d).
  18. The term "vendor" refers to any person that undertakes a contract to provide materials or labor to perform a service or work for the CFPB.
  19. The term "management consulting services" refers to management or support services provided by vendors under the Product Service Code R408 defined by the General Services Administration.
  20. The terms "identify," "determine," "calculate," "contact," "notify," and "remunerate" bear the same meaning as that used in the Consent Order in *In re: Ally Financial Inc., No. 2013-CFPB-0010* (Dec. 20, 2013).
  21. The term "final remuneration plan" refers to the set of records that allow the CFPB to determine which retail installment contracts with consumers are eligible to receive monetary relief per the terms of the Consent Order in *In re: Ally Financial Inc., No. 2013-CFPB-0010* (Dec. 20, 2013).
  22. The term "Settlement Fund" bears the meaning set forth in the Consent Order in *In re: Ally Financial Inc., No. 2013-CFPB-0010* (Dec. 20, 2013).

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23. The term “processes” means any processes, procedures, methodologies, materials, practices, techniques, systems, or other like activity, of any sort, form, or level of formality or informality, whatsoever, without limitation.
24. The term “directed” means ordered, commanded, told, charged, guided, counseled, instructed, opined, recommended, or otherwise advised, in any sort, form, or level of formality or informality, whatsoever, without limitation.
25. The term “pre-dispute arbitration agreements” bears the meaning set forth in a proposed rule published in 81 Fed. Reg. 32,830 and refers to agreements that provide for the arbitration of any future disputes between consumers and providers of certain consumer financial products and services.
26. The term “compensable uncompensated harm” bears the meaning set forth in a final rule published in 78 Fed. Reg. 26,545 and refers to the amount of harm that the victim suffered from the violation for which the Bureau obtained a civil penalty and for which the victim has not received and is not reasonably likely to receive other compensation.
27. The term “debt relief service provider” bears the meaning set forth in the Stipulated Final Judgement and Consent Order in *CFPB v. Global Client Solutions*, No. 2:14-cv-06643 (C.D. Cal. Aug. 27, 2014) (ECF No. 10) and refers to any person that offers or provides any program or service represented, directly or by implication, to renegotiate, settle, or in any way alter the terms of payment or other terms of the debt between a consumer and one or more creditors or debt collectors, including but not limited to, a reduction in the balance, interest rate, or fees owed by a person to a creditor or debt collector.
28. The term “advance fee” bears the meaning set forth in the Stipulated Final Judgement and Consent Order in *CFPB v. Global Client Solutions*, No. 2:14-cv-06643 (C.D. Cal. Aug. 27, 2014) (ECF No. 10) and refers to any fee or consideration requested or received by a debt relief service provider from a consumer for any debt relief service, whether directly or indirectly, that occurs before: (a) the debt relief service provider has renegotiated, settled, reduced, or otherwise altered the terms of a debt pursuant to a settlement agreement, debt management plan, or other valid contractual agreement executed by the consumer; and (b) the consumer has made at least one payment pursuant to that settlement agreement, debt management plan, or other valid contractual agreement between the consumer and the creditor or debt collector.
29. The term “matters” refers to any investigation, negotiation, advocacy, lobbying dispute, inquiry, submission, or action, including, but not limited to, litigation, administrative adjudication, correspondence, representation of any kind including

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for a Potential Action and Request for Response, or representation of any kind for a Notice and Opportunity to Respond and Advise.

30. The term “party” refers to any person involved or contemplating involvement in any act, affair, contract, transaction, judicial proceeding, administrative proceeding, or Congressional proceeding.
31. The character “!” indicates a BOOLEAN root expander.
32. The character /2 indicates the BOOLEAN code for the proceeding word within two words of the subsequent word.

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## ELECTRONIC PRODUCTION INSTRUCTIONS

Record productions shall be prepared according to, and strictly adhere to, the following standards:

1. Records produced shall be organized, identified, and indexed electronically.
2. Only alphanumeric characters and the underscore (“\_”) character are permitted in file and folder names. Special characters are not permitted.
3. Two sets of records shall be delivered, one set to the Majority Staff and one set to the Minority Staff. To the extent the Minority Staff does not have an electronic record review platform, records shall be produced to the Minority Staff in searchable PDF format and shall be produced consistent with the instructions specified in this schedule to the maximum extent practicable.
4. Production media and produced records shall not be encrypted, contain any password protections, or have any limitations that restrict access and use.
5. Records shall be produced to the Committee on one or more CDs, memory sticks, thumb drives, or USB hard drives. Production media shall be labeled with the following information: Case Number, Production Date, Producing Party, Bates Range.
6. Records produced to the Committee shall include an index describing the contents of the production. To the extent that more than one CD, hard drive, memory stick, thumb drive, box, or folder is produced, each CD, hard drive, memory stick, thumb drive, box, or folder shall contain an index describing its contents.
7. All records shall be Bates-stamped sequentially and produced sequentially.
8. When you produce records, you shall identify the paragraph or number in the Committee’s subpoena to which the records respond and add a metadata tag listing that paragraph or number in accordance with **Appendix A**.
9.
  - a. All submissions must be organized by custodian unless otherwise instructed.
  - b. Productions shall include:
    1. A Concordance Data (.DAT) Load File in accordance with metadata fields as defined in **Appendix A**.
    2. A Standard Format Opticon Image Cross-Reference File (.OPT) to link produced images to the records contained in the .DAT file.

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3. A file (can be Microsoft Word, Microsoft Excel, or Adobe PDF) defining the fields and character lengths of the load file.
- c. The production format shall include images, text, and native electronic files. Electronic files must be produced in their native format, i.e., the format in which they are ordinarily used and maintained during the normal course of business. For example, a Microsoft Excel file must be produced as a Microsoft Excel file rather than an image of a spreadsheet. **NOTE:** An Adobe PDF file representing a printed copy of another file format (such as Word Document or Webpage) is NOT considered a native file unless the record was initially created as a PDF.
1. Image Guidelines:
    1. Single or multi page TIFF files.
    2. All TIFF images must have a unique file name, i.e., Bates Number
    3. Images must be endorsed with sequential Bates numbers in the lower right corner of each image.
  2. Text Guidelines:
    1. All text shall be produced as separate text files, not inline within the .DAT file.
    2. Relative paths shall be used to link the associated text file (FIELD: TEXTPATH) to the record contained in the load file.
    3. Associated text files shall be named as the BEGBATES field of each record.
  3. Native File Guidelines:
    1. Copies of original email and native file records/attachments must be included for all electronic productions.
    2. Native file records must be named per the BEGBATES field.
    3. Relative paths shall be used to link the associated native file (FIELD: NATIVEFILELINK) to the record contained in the load file.
    4. Associated native files shall be named as the BEGBATES field of each record.



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- d. All record family groups, *i.e.*, email attachments, embedded files, etc., should be produced together and children files should follow parent files sequentially in the Bates numbering.
- e. Only 1 load file and one Opticon image reference file shall be produced per production volume.
- f. All extracted text shall be produced as separate text files.
- g. Record numbers in the load file should match record Bates numbers and TIFF file names.
- h. All electronic record produced to the Committee should include the fields of metadata listed in **Appendix A**.

## Appendix A

### Production Load File Formatting and Delimiters:

- The first line shall be a header row containing field names.
- Load file delimiters shall be in accordance with the following:
  - Field Separator: ¶ (20)                      Text Qualifier: þ (254)
  - Newline: \n (10)                              Multi-Value Separator: ; (59)
  - Nested Value Separator: \ (92)
- All Date / Time Data shall be split into two separate fields (see below).
  - Date Format: mm/dd/yyyy—*i.e.*, 05/18/2015
  - Time Format: hh:mm:ss A—*i.e.*, 08:39:12 AM

### Required Metadata Fields

Field Name	Sample Data	Description
FIRSTBATES	EDC0000001	First Bates number of native file record/email
LASTBATES	EDC0000001	Last Bates number of native file record/email **The LASTBATES field should be populated for single page records/emails.
ATTACHRANGE	EDC0000001– EDC0000015	Bates number of the first page of the parent record to the Bates number of the last page of the last attachment “child” record
BEGATTACH	EDC0000001	First Bates number of attachment range
ENDATTACH	EDC0000015	Last Bates number of attachment range

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CUSTODIAN	Smith, John	Email: mailbox where the email resided Attachment: Individual from whom the record originated
FROM	John Smith	Email: Sender Native: Author(s) of record **semi-colon should be used to separate multiple entries
TO	Coffman, Janice; LeeW [mailto:LeeW@MSN.com]	Recipient(s) **semi-colon should be used to separate multiple entries
CC	Frank Thompson [mailto:frank_Thompson@cdt.com]	Carbon copy recipient(s) **semi-colon should be used to separate multiple entries
BCC	John Cain	Blind carbon copy recipient(s) **semi-colon should be used to separate multiple entries
SUBJECT	Board Meeting Minutes	Email: Subject line of the email Native: Title of record (if available)
DATE_SENT	10/12/2010	Email: Date the email was sent Native: (empty)
TIME_SENT/TIME_ZONE	07:05 PM GMT	Email: Time the email was sent/ Time zone in which the emails were standardized during conversion. Native: (empty) **This data must be a separate field and cannot be combined with the DATE_SENT field
TIME_ZONE	GMT	The time zone in which the emails were standardized during conversion. Email: Time zone Native: (empty)
NATIVEFILELINK	D:\001\ EDC0000001.msg	Hyperlink to the email or native file record **The linked file must be named per the FIRSTBATES number
MIME_TYPE	MSG	The content type of an Email or native file record as identified/extracted from the header

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FILE_EXTEN	MSG	The file type extension representing the Email or native file record; will vary depending on the email format
AUTHOR	John Smith	Email: (empty) Native: Author of the record
DATE_CREATED	10/10/2010	Email: (empty) Native: Date the record was created
TIME_CREATED	10:25 AM	Email: (empty) Native: Time the record was created **This data must be a separate field and cannot be combined with the DATE_CREATED field
DATE_MOD	10/12/2010	Email: (empty) Native: Date the record was last modified
TIME_MOD	07:00 PM	Email: (empty) Native: Time the record was last modified **This data must be a separate field and cannot be combined with the DATE_MOD field
DATE_ACCESSD	10/12/2010	Email: (empty) Native: Date the record was last accessed
TIME_ACCESSD	07:00 PM	Email: (empty) Native: Time the record was last accessed **This data must be a separate field and cannot be combined with the DATE_ACCESSD field
PRINTED_DATE	10/12/2010	Email: (empty) Native: Date the record was last printed
NATIVEFILESIZE	5,952	Size of native file record/email in KB **Use only whole numbers
PGCOUNT	1	Number of pages in native file record/email
PATH	J:\Shared\Smith J\October Agenda.doc	Email: (empty) Native: Path where native file record was stored including original file name
INTFILEPATH	Personal Folders\Deleted Items\Board Meeting Minutes.msg	Email: original location of email including original file name Native: (empty)
INTMSGID	<000805c2c71b\$7 5977050\$cb 8306d1@MSN>	Email: Unique Message ID Native: (empty)
MD5HASH	d131dd02c5e6eec 4693d9a069 8aff95c	MD5 Hash value of the record

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	2fcab58712467ea b4004583eb 8fb7f89	
TEXTPATH	\TEXT\AAA0001.txt	Path to the record's text file that contains extracted text to be used for processing. Every record has a relative path to its text file in this field. <b>Note:</b> These paths may also be fully qualified; and thus do not have to be relative.
NATIVEFILEPATH	\NATIVES\MES SAGE1.msg; \NATIVES\ATT ACHMENT1.doc	Path to the record's native file. Every record has a relative path to its native file in this field. <b>Note:</b> These paths may also be fully qualified; and thus do not have to be relative.
HANDWRITTEN	YES	Field should be marked "YES" if the record has any handwritten notes or other text that is not contained in the text file
REDACTED	YES	Field should be marked "YES" if the record contains any redactions, "NO" otherwise

Metadata Fields Required Upon Specific Request

TAGS	FirstPass\Respon sive; FirstPass\ForQC	If requested—a list of tags assigned to the record. Multiple tags are separated by the multi-value separator, for example: "A; B; C", and nested tags are denoted using the nested value separator, for example: "X\Y\Z". Tags for attachments will appear under the custom field "ATTACHMENT_TAGS".
FOLDERS	JohnDoeDocs\First Pass	If requested—a list of folders of which the record is a part. Multiple folders are separated by the multi-value separator, for example: "A; B; C", and nested folders are denoted using the nested value separator, for example: "X\Y\Z". Folders for attachments will appear under the custom field "ATTACHMENT_FOLDERS".



May 2, 2017

The Honorable Jeb Hensarling  
 Chairman  
 Committee on Financial Services  
 U.S. House of Representatives  
 2129 Rayburn House Office Building  
 Washington, DC 20515

Dear Chairman Hensarling:

I write in response to the House Financial Services Committee's subpoena for Consumer Financial Protection Bureau records, dated April 4, 2017. As emphasized in previous correspondence, the Bureau remains committed to facilitating the Committee's oversight interests with respect to the Bureau's work.

During the Committee's April 5, 2017 hearing on the Bureau's 2016 Semi-Annual Reports, at which I testified, you stated that issuance of this subpoena was necessary because document requests "pending from subpoenas in the last Congress [] were never complied with." This statement mischaracterizes the facts. As described in detail below, the Bureau has worked diligently to comply with all of the Committee's oversight requests, including its only prior document subpoena to the Bureau, issued on December 18, 2015. In response to the Committee's December 18 subpoena, the Bureau produced more than 18,000 pages of responsive material as well as substantial narrative responses. These responses explained why the production of additional documents is impracticable, and sometimes even impossible, without further guidance from Committee staff—including several cases where additional responsive documents simply do not exist.

Moreover, Bureau staff and Committee staff were engaged in productive negotiations through the end of the last Congress regarding certain subpoena items which the Committee believed to be outstanding. In the course of those conversations,<sup>1</sup> Committee staff agreed with Bureau staff's

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<sup>1</sup> These conversations included telephone conferences on August 31, 2016 and September 16, 2016, during which Bureau staff walked through each item of the December 18, 2015 subpoena and identified which had been satisfied and which required further collaboration between Bureau staff and Committee staff. At Committee staff's request, Bureau staff summarized in writing this status information. Email from Anne Tindall, Assistant Gen. Couns., CFPB to Elie Greenbaum, Couns., Comm. on Fin. Servs., U.S. H.R. (Sept. 23, 2016 5:32 PM ET). The Bureau—again at Committee staff's request—also reiterated in writing the steps taken for all items the Bureau believed it had satisfied. Email from Anne Tindall, Assistant Gen. Couns., CFPB to Elie Greenbaum, Couns., Comm. on Fin. Servs., U.S. H.R. (Oct. 5, 2016 3:31 PM ET). Bureau staff and Committee staff continued discussion throughout 2016, negotiating search parameters and exchanging search reports for certain subpoena items, holding additional telephone conferences on October 7, October 13, October 27, November 22, December 9, and December 15, and exchanging numerous emails in that same period.

assessment that the Bureau had provided documents and information sufficient to satisfy 21 of the items in the December 18 subpoena, and further, that certain items needed clarification or narrowing in scope in order for further production to be practicable.<sup>2</sup> Where Committee staff worked with Bureau staff to clarify its interests and craft appropriate search parameters, the Bureau conducted additional review and made supplemental productions.<sup>3</sup> In the last of the conversations between Bureau staff and Committee staff on December 15, 2016, both parties agreed to a path forward regarding the specific subpoena items that the Committee views as outstanding and to continue to work together in the 115<sup>th</sup> Congress to meet the Committee's oversight needs. The Bureau has made every effort to meet those needs and, in fact, has already complied fully with several of the items contained in the Committee's April 4, 2017 subpoena.

In the letter accompanying the April 4 subpoena, and again in statements during the Committee's April 5 hearing, you described the Bureau's attempts to comply with the Committee's many oversight requests as obstruction. The Bureau's long and substantial record of facilitating the Committee's oversight belies this characterization.<sup>4</sup> When Committee requests have been clear and reasonably calculated to identify documents relevant to stated Committee interests, the Bureau has efficiently identified and produced requested materials. In other cases, when requests have been overly broad or unclear, Bureau staff has consistently contacted Committee staff in attempts to initiate and maintain collaborative discussions so that the Bureau may promptly identify and produce the documents of interest to the Committee.<sup>5</sup>

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<sup>2</sup> For some of the items that are now in the Committee's April 4, 2017 subpoena, Committee staff had actually agreed to provide further guidance before the Bureau would be expected to make additional productions. Committee staff has yet to provide the promised guidance.

<sup>3</sup> These productions continued through December 2016, on a time table set by Committee staff.

<sup>4</sup> The Bureau's record of compliance is indisputable. As noted above, Committee staff recognized the Bureau's production of records and/or narrative explanations sufficient to satisfy the Committee's information needs with respect to 21 of the 36 items on the Committee's December 18, 2015 subpoena. The Bureau believes it has satisfied those needs with respect to several additional items, and has long awaited pledged guidance on the scope of the remaining items. Furthermore, in the last Congress, the Bureau received scores of oversight requests from this Committee alone, in addition to the December 18 subpoena, and the Bureau made substantial efforts to comply with all of them.

<sup>5</sup> For certain requests, the Bureau has explained to the Committee that its productions must accommodate substantial privacy and confidentiality interests. In those instances, the Bureau has nonetheless sought to accommodate the Committee's requests by other means, such as through offering in camera review, briefings, or production of equivalent material that does not impinge on these interests. Though the Committee has insisted that it does not recognize any non-disclosure privileges, including the deliberative process privilege, judicial precedent and longstanding principles of inter-branch comity do not support this blanket rejection of all agency privileges. *See, e.g.,* Order, *Comm. on Oversight and Gov't Reform v. Lynch*, 1: 12-cv-01332-ABJ (D.D.C. Jan. 19, 2016) (affirming that predecisional and deliberative agency records are protected by deliberative process privilege). Indeed, inter-branch comity and good faith negotiations have a long history as fruitful and important tools by which the needs of coequal branches can be met in the course of responding to congressional requests. *See* Mem. for the Heads of Exec. Departments and Agencies regarding Procedures Governing Resps. to Cong. Reqs. for Info. (Nov. 4, 1982) ("Historically, good faith negotiations between Congress and the Executive Branch have minimized the need for invoking executive privilege, and this tradition of accommodation should continue as the primary means of resolving conflicts between the Branches."); Op. of the Att'y Gen. for the President, *Assertion of Exec. Privilege in Resp. to a Cong. Subpoena*, 5 Op. O.L.C. 27, 31 (1981) ("The accommodation required [between the Branches] is not simply an

The Committee's insistence that the Bureau does not respond to congressional oversight—despite the Bureau's extensive compliance and its efforts to be transparent about obstacles to production, to be proactive in resolving them, and to seek further guidance and collaboration when necessary—puts at risk the good faith and collaborative process essential for the Bureau to understand and address the Committee's oversight interests. The Bureau has at all times been candid with the Committee and its staff about impediments to production and how they can be resolved. Bureau staff will continue working with Committee staff to furnish the materials you need to satisfy the Committee's oversight interests. I am confident we can resolve these matters to your satisfaction when both parties engage one another with the comity and respect that undergirds the constitutionally-based accommodations process.

Description of the documents produced today, along with additional narrative information, discussion of the Bureau's efforts to comply with the Committee's previous, similar or identical requests, and identification of areas of needed staff-level clarification and scoping, follow.

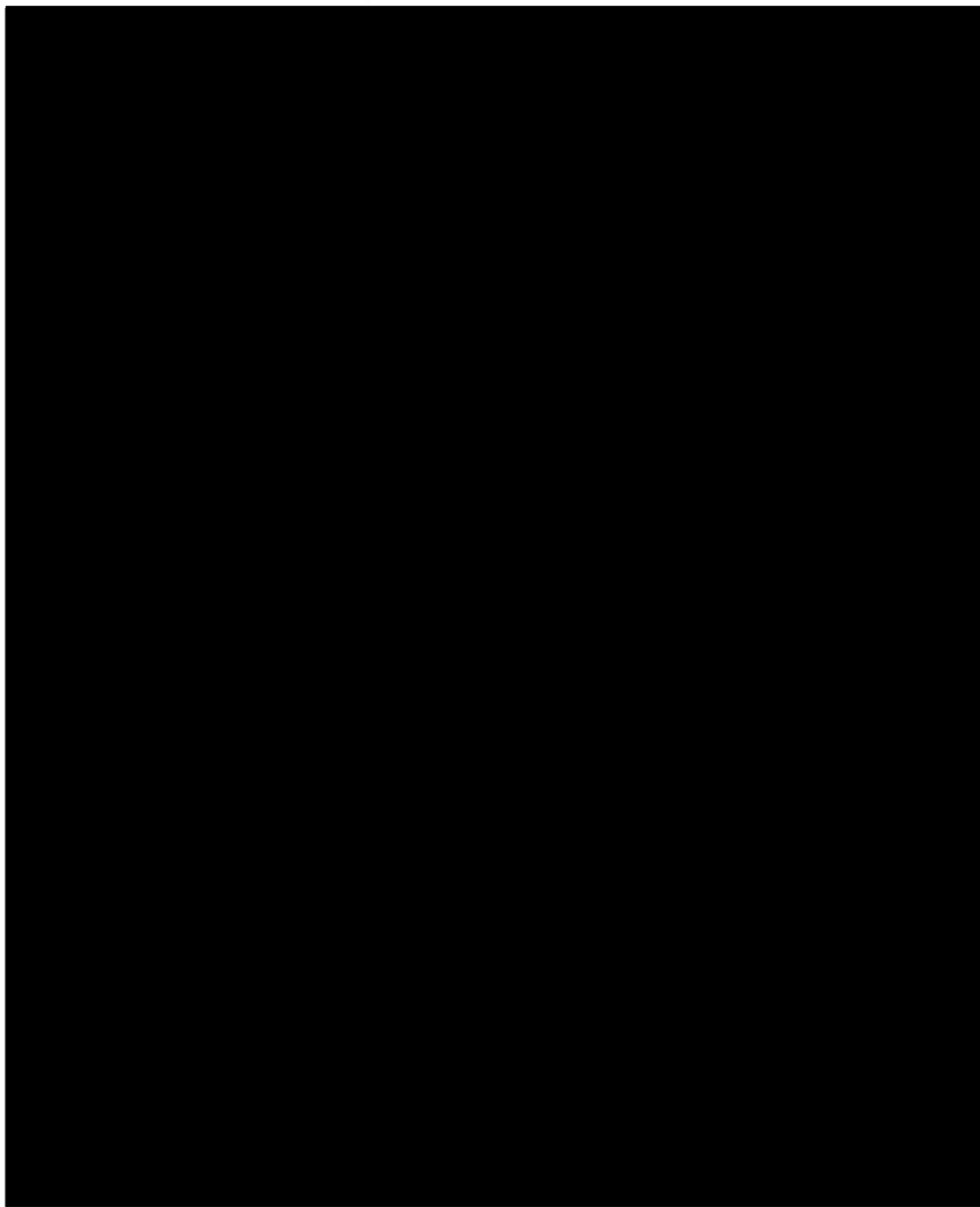
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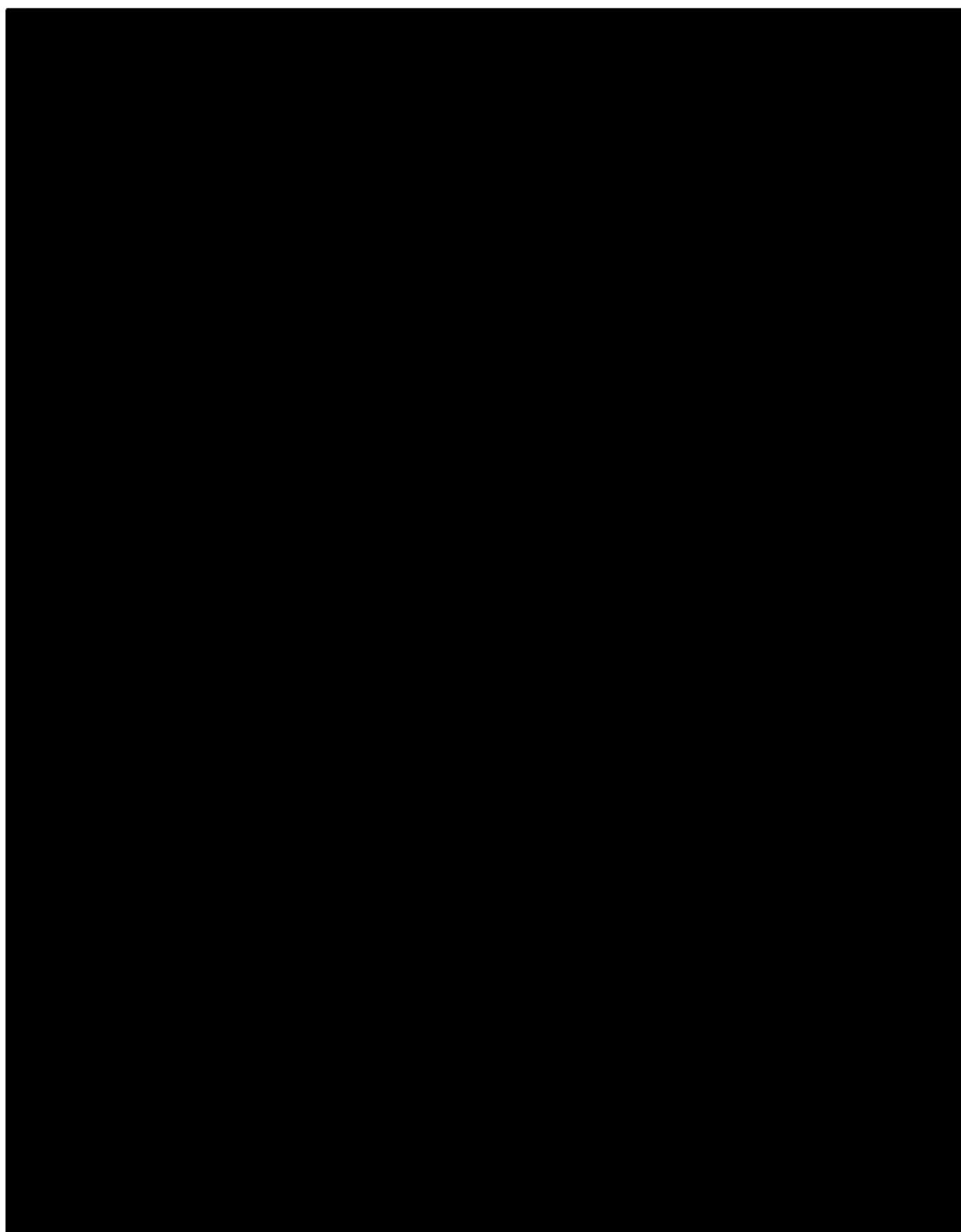

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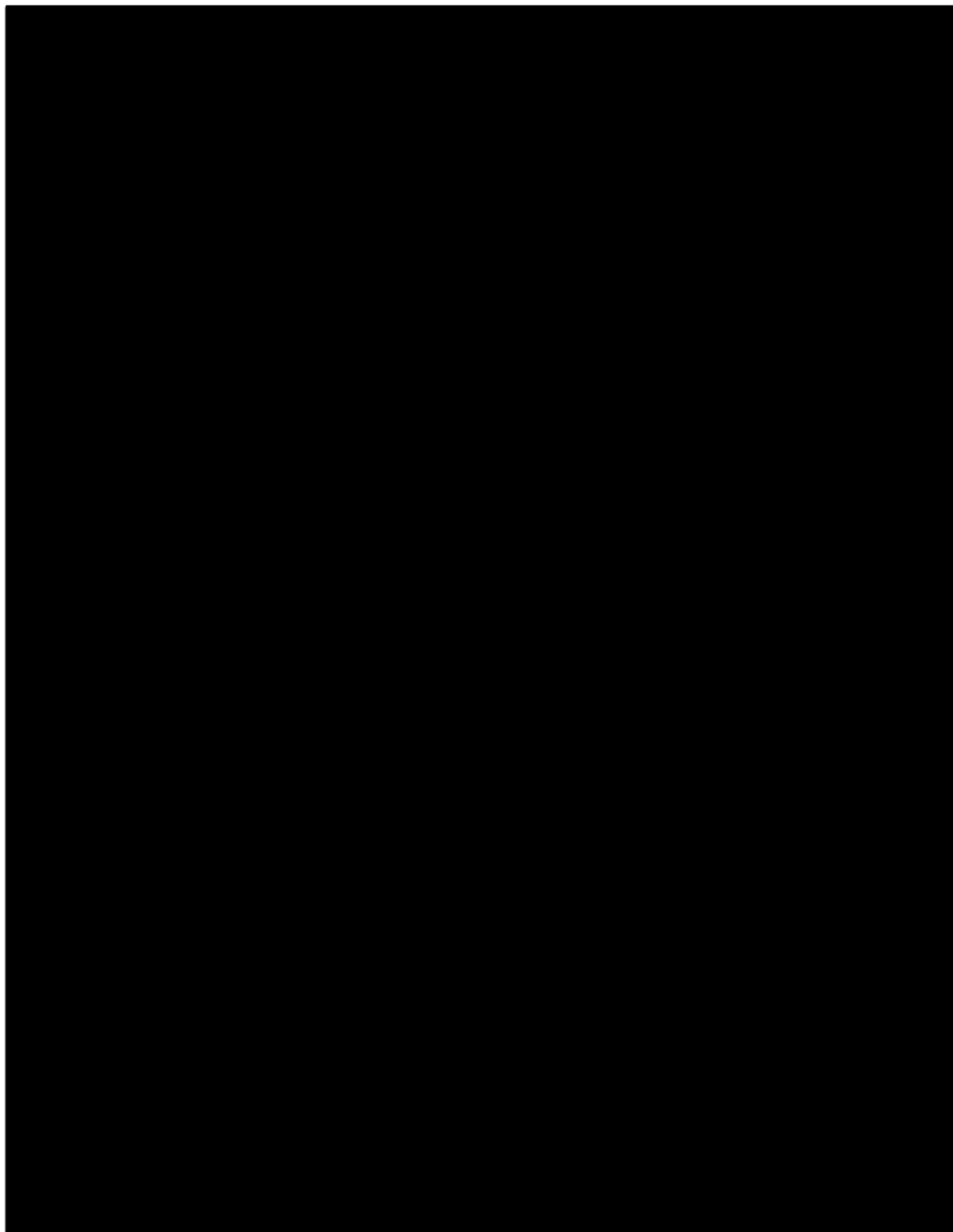
exchange of concessions or a test of political strength. It is an obligation of each Branch to make a principled effort to acknowledge, and if possible to meet, the legitimate needs of the other Branch.”).

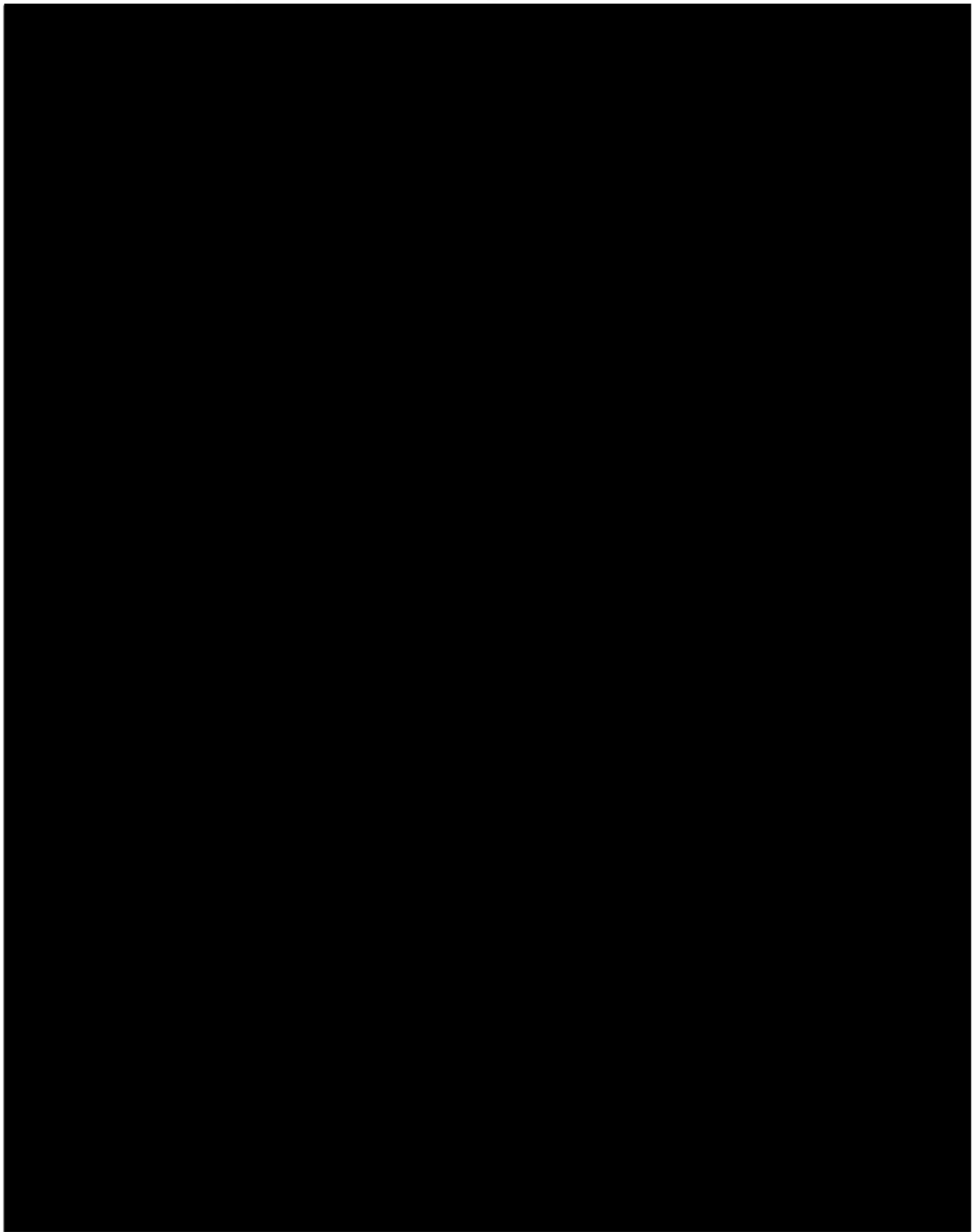


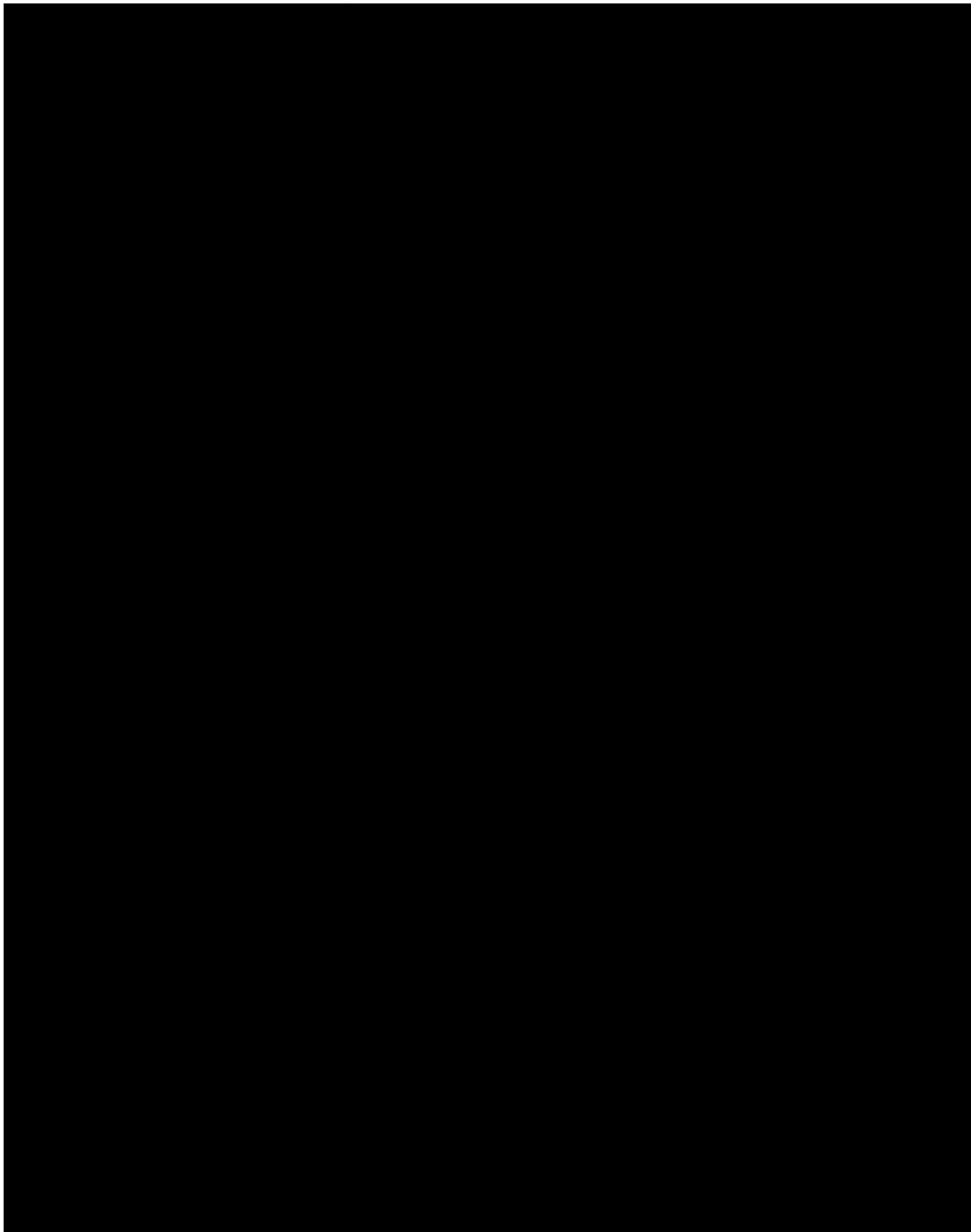


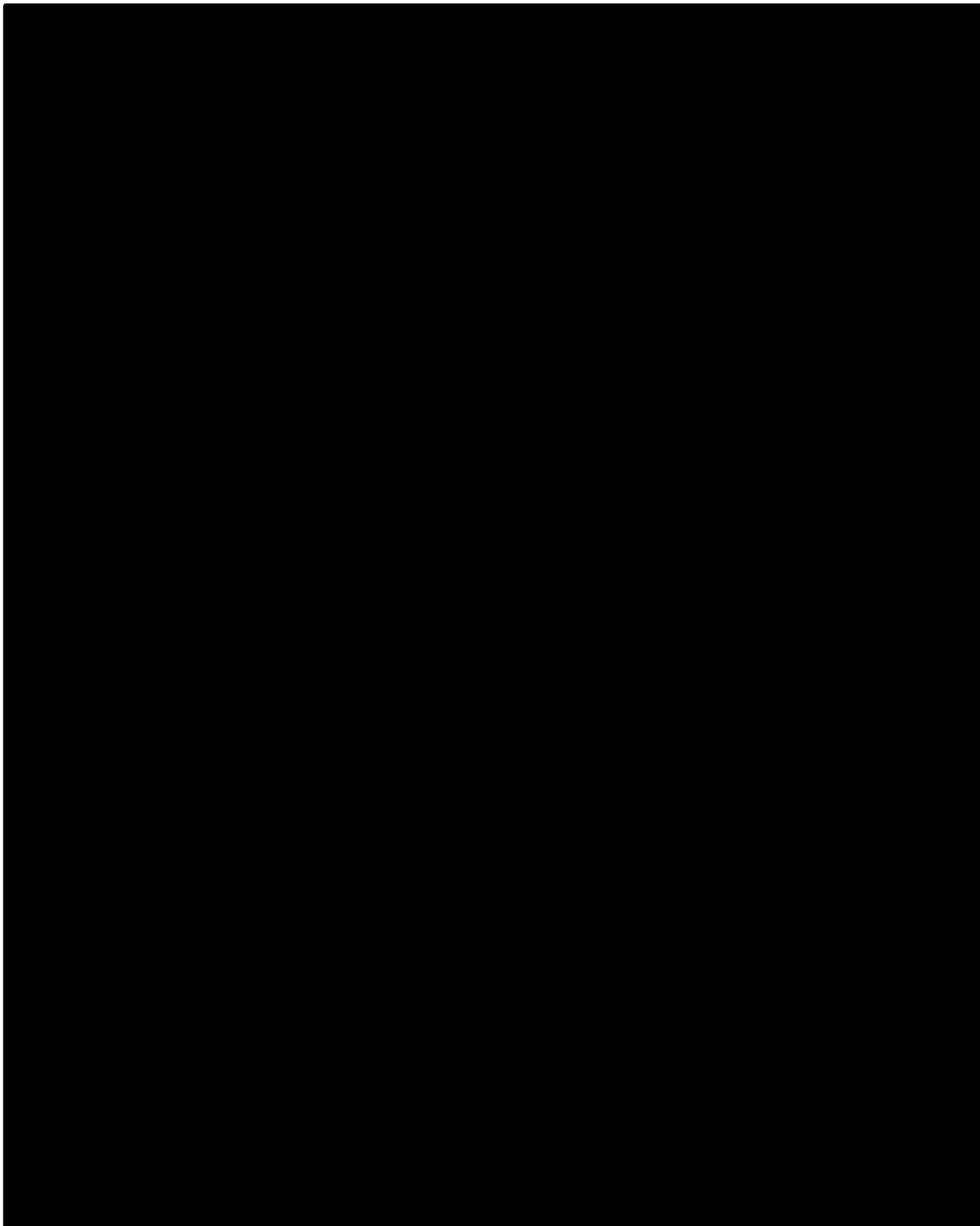


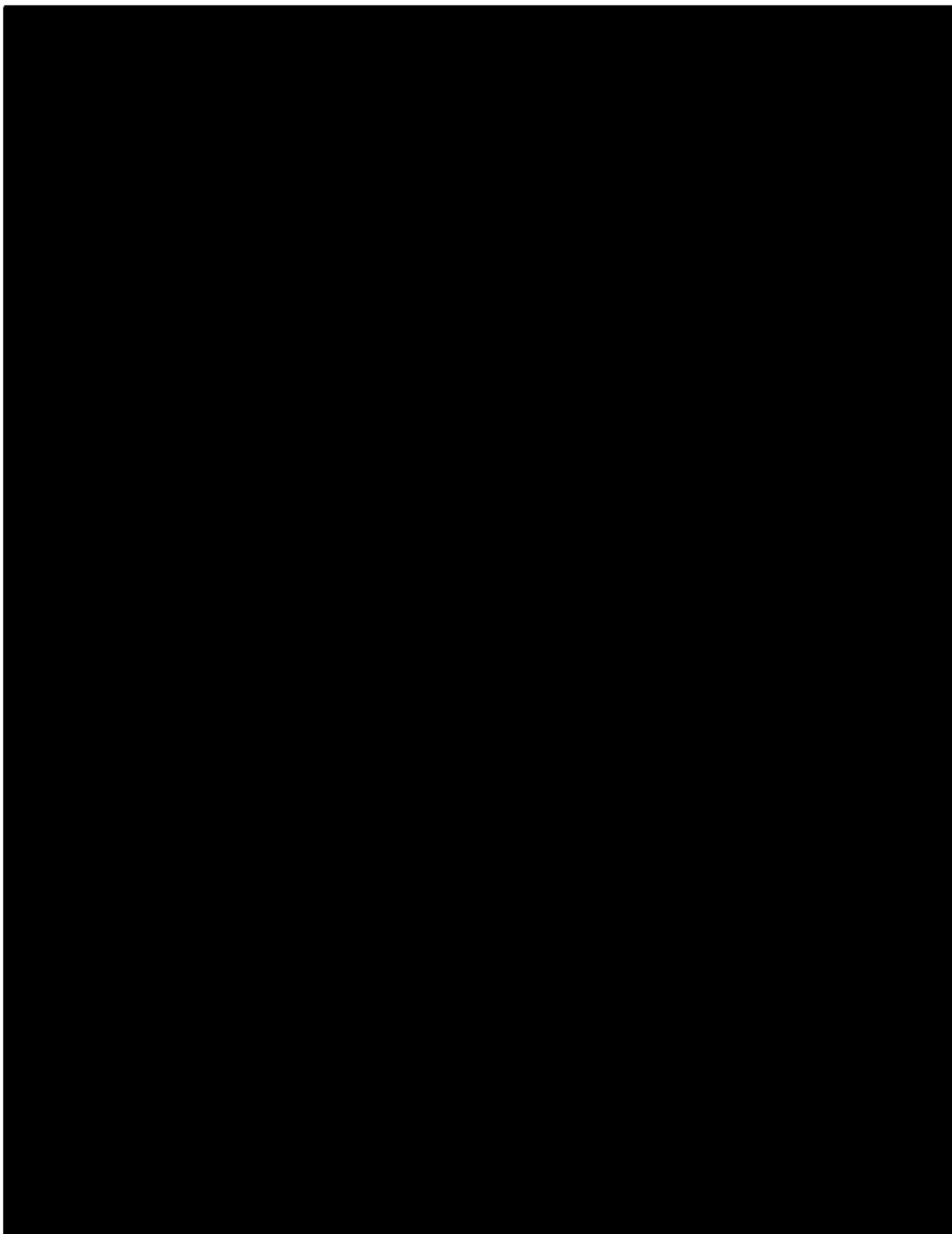


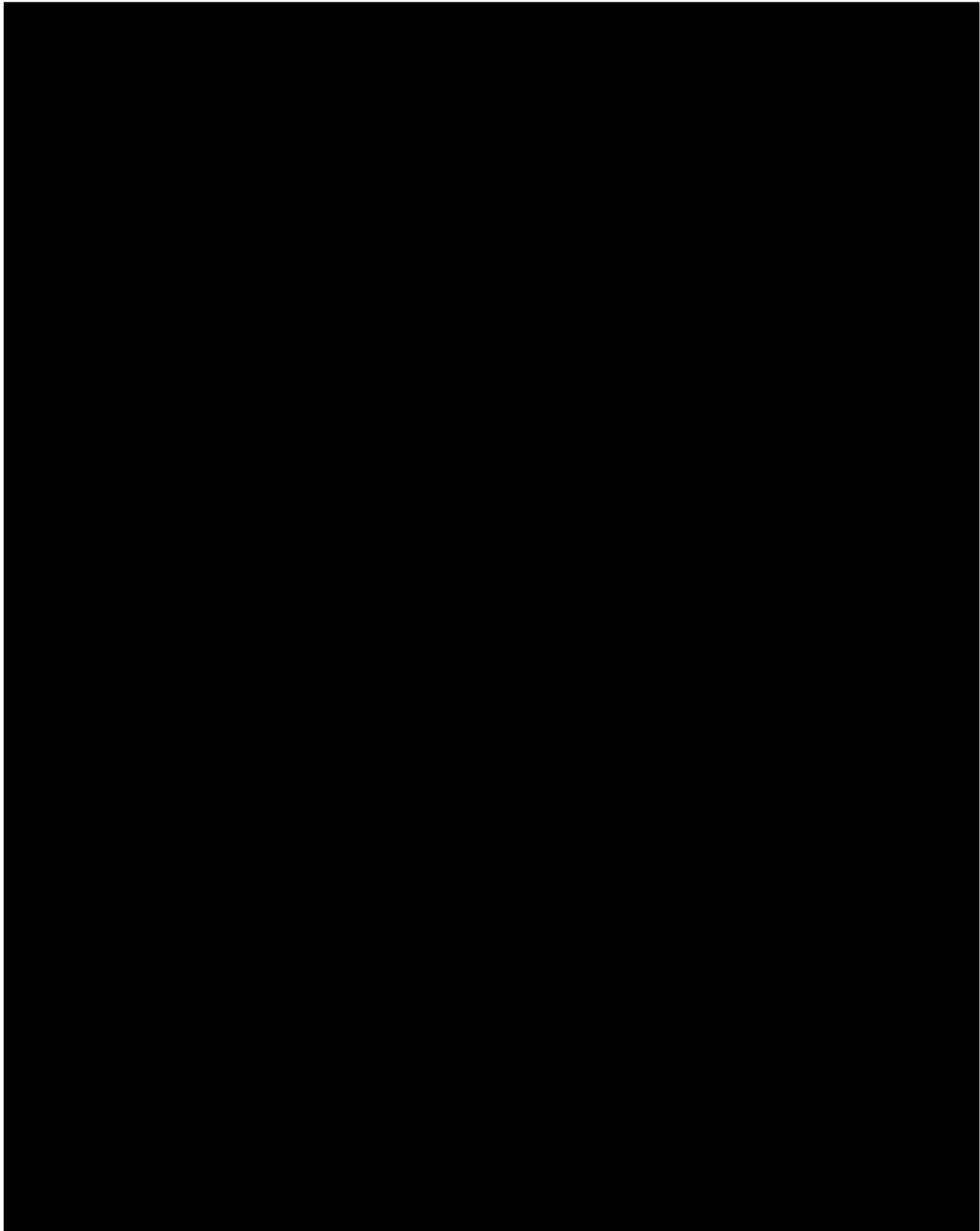


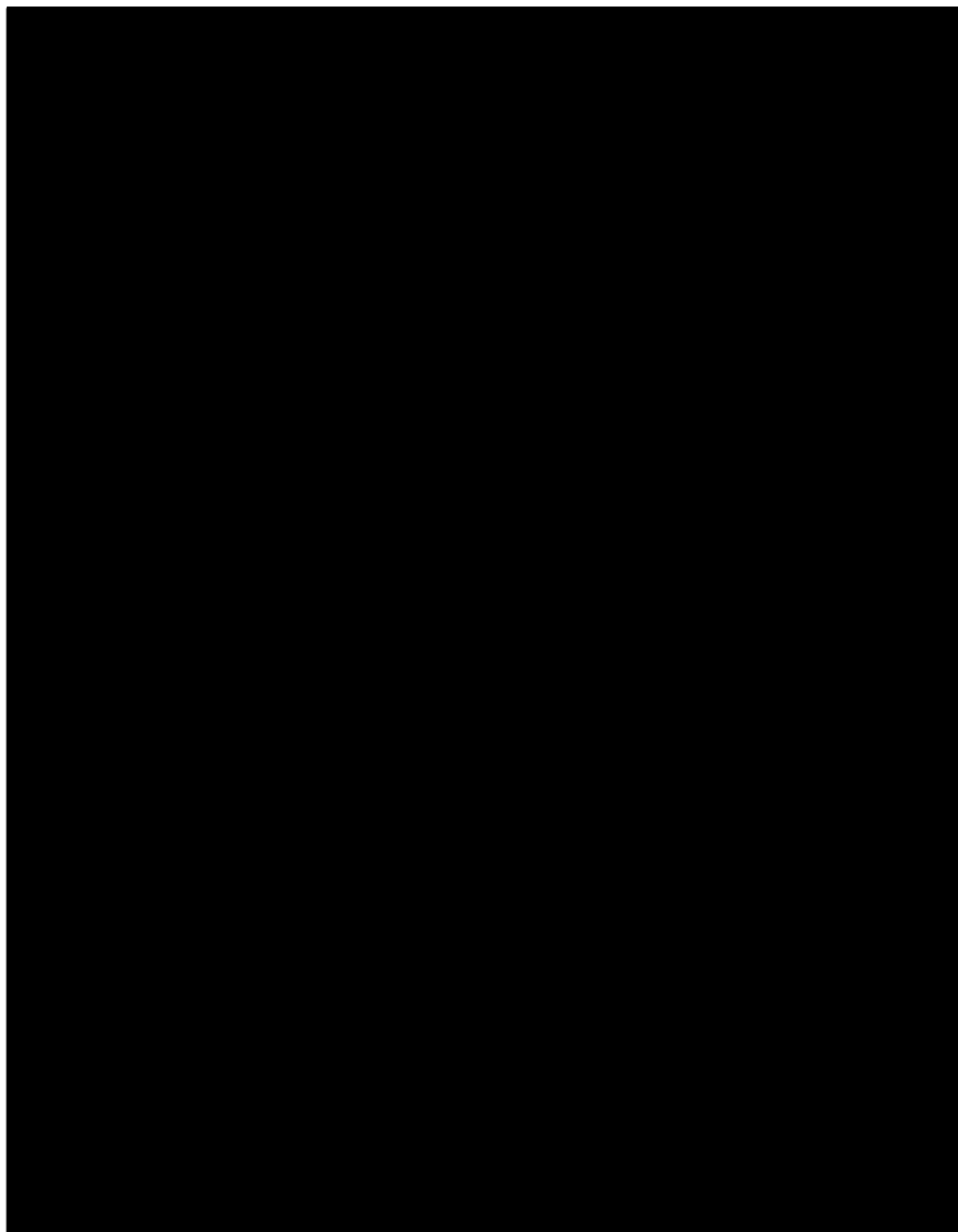




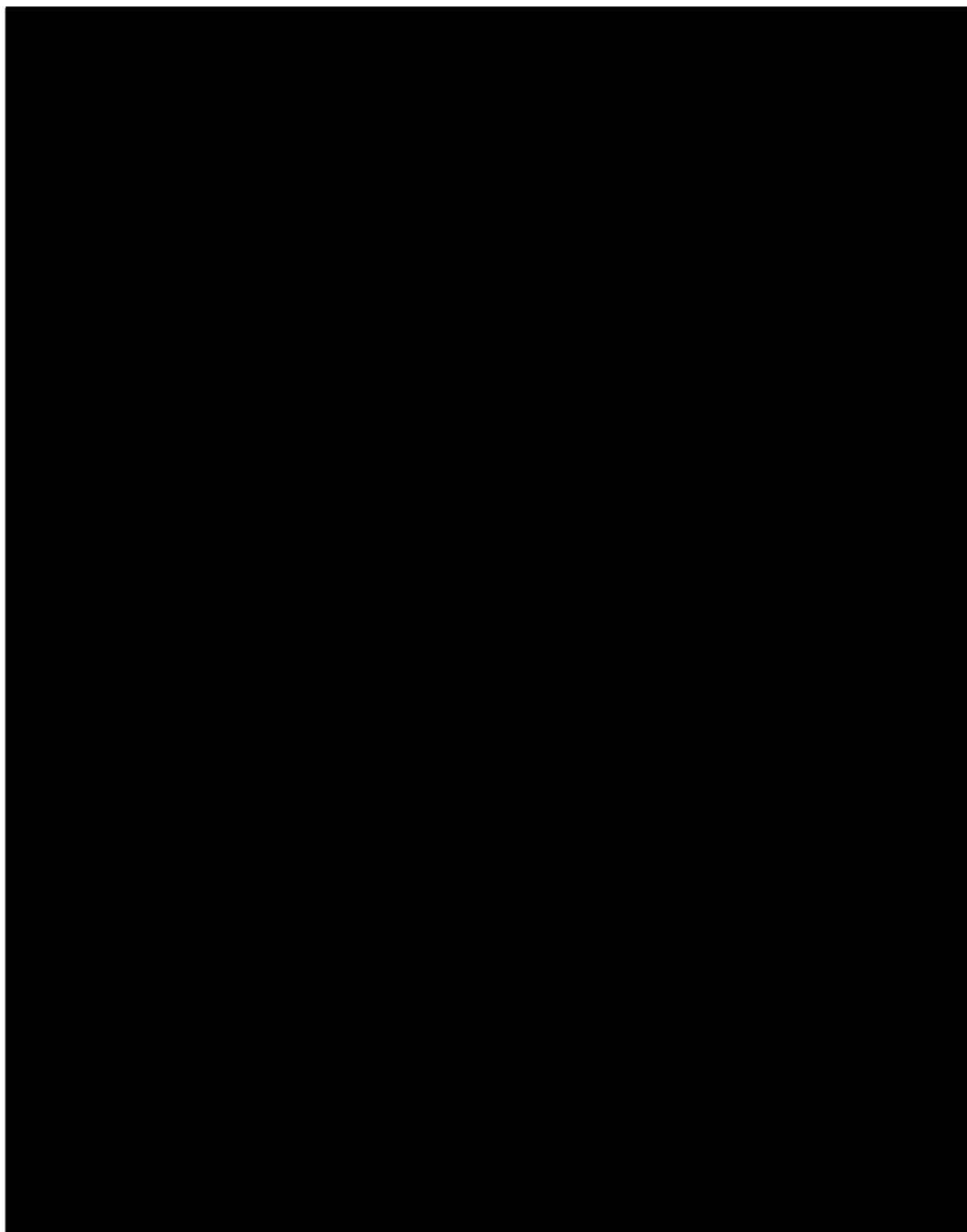


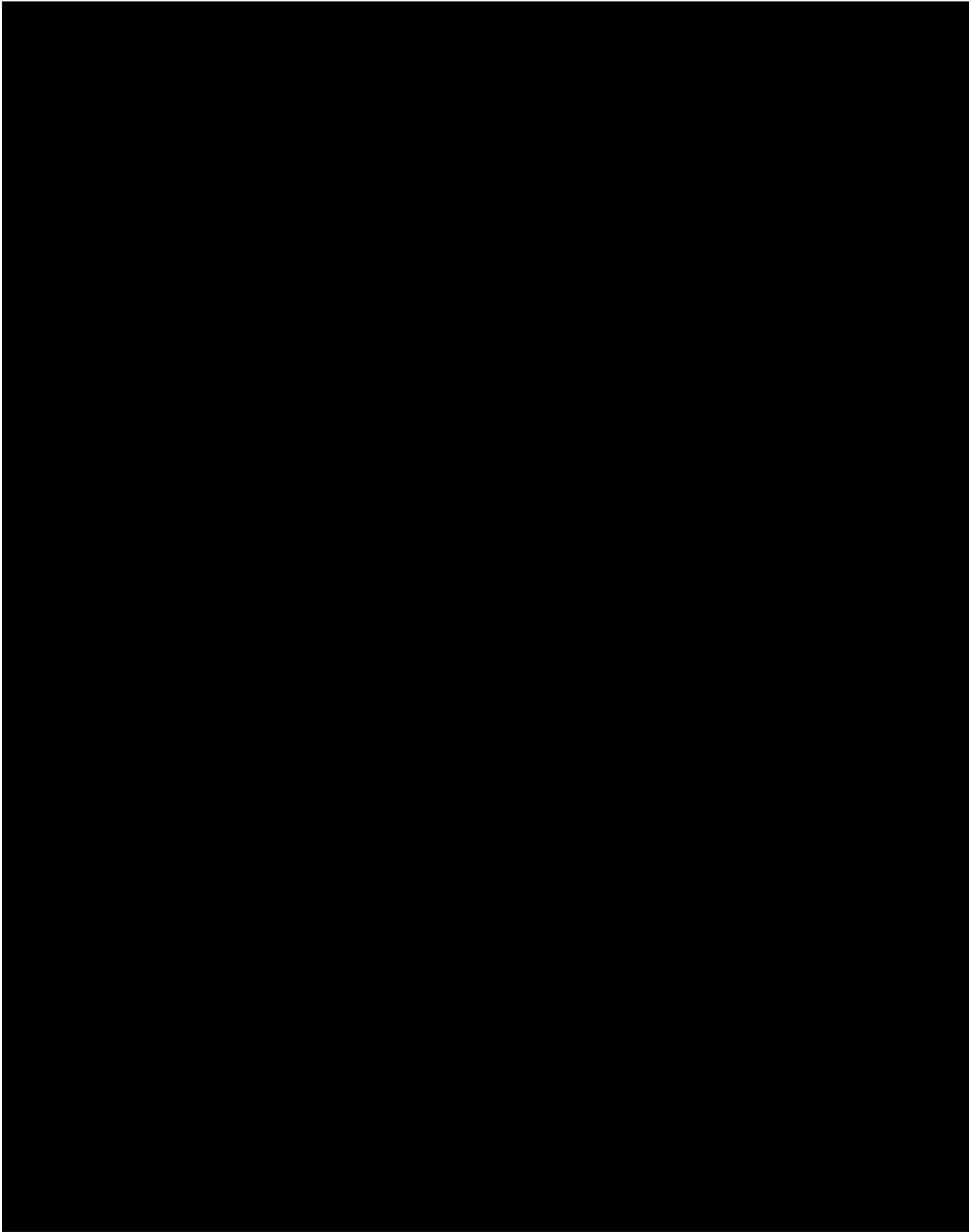


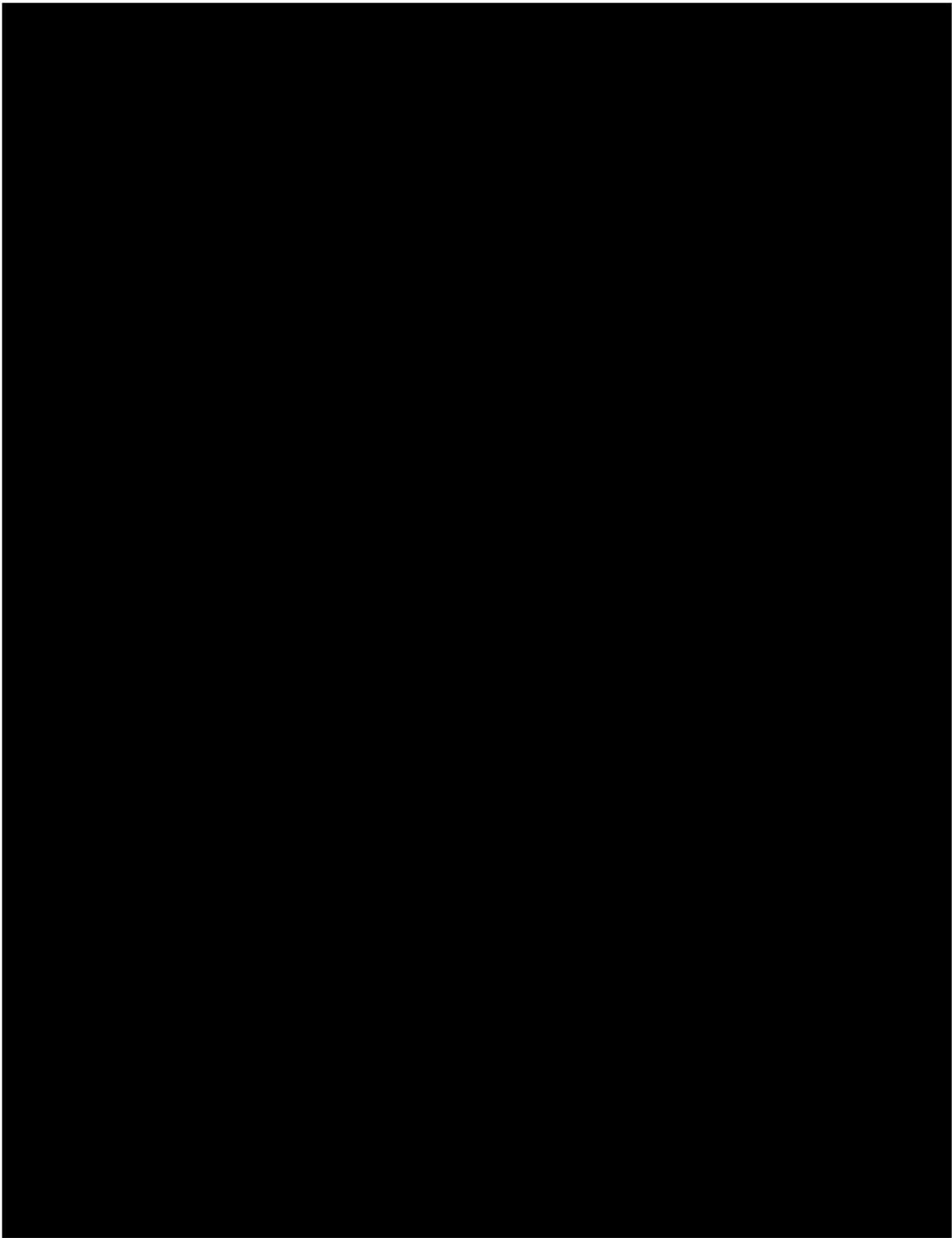


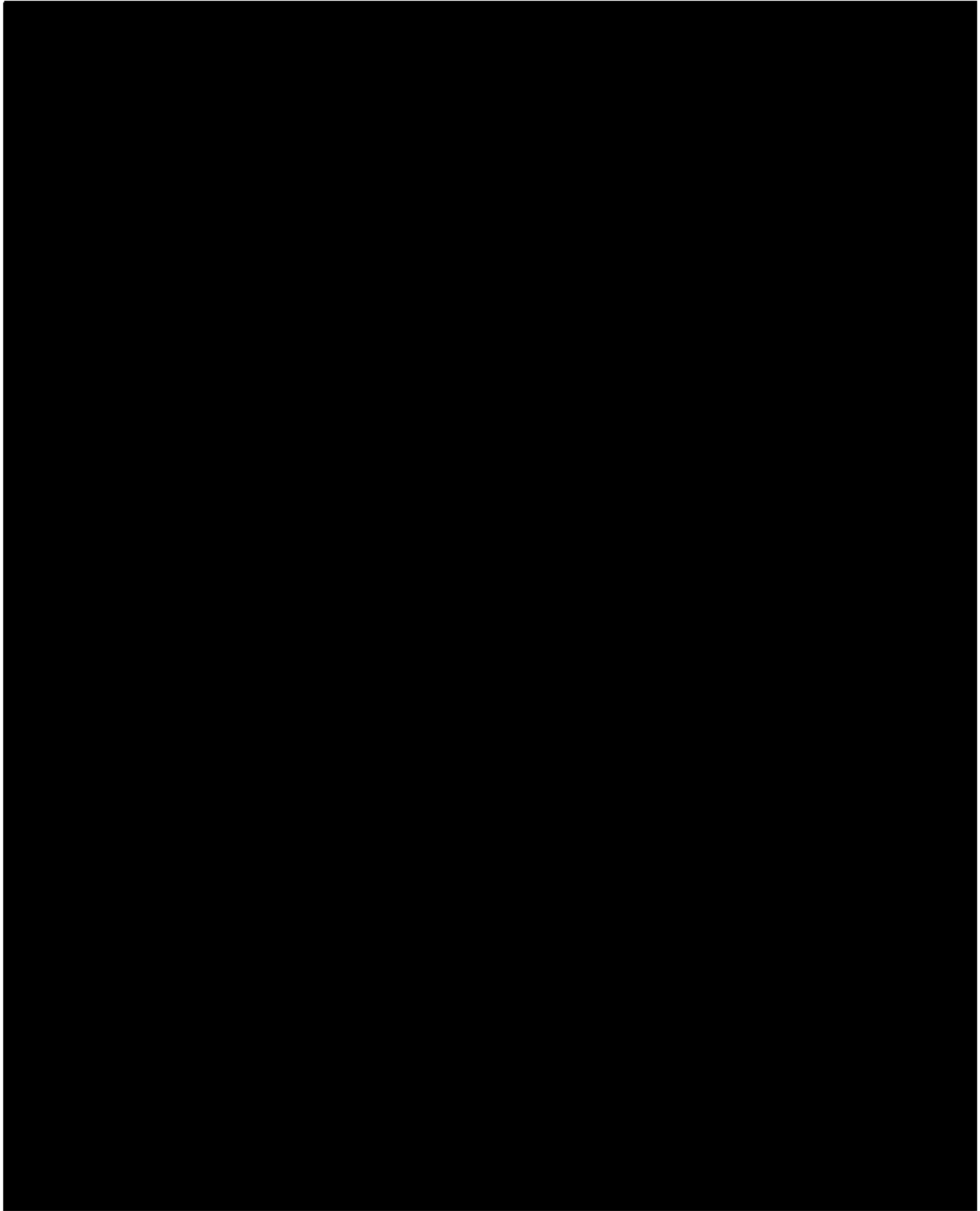












**26. All records relating to the sales practices of Wells Fargo Bank, N.A. that are described in the CFPB's consent order against Wells Fargo Bank, N.A. filed on September 8, 2016.**

Enclosed with this production is the material provided to the Bureau by Wells Fargo in response to the Bureau's Civil Investigative Demands (CIDs) requiring production of documents related to Wells Fargo sales practices. These materials formed the basis of the findings described in the Bureau's Consent Order with Wells Fargo. If the Committee seeks any additional information about Wells Fargo sales practices, the Bureau welcomes a discussion with Committee staff to identify the Committee's outstanding interests and determine how we can satisfy them.

**27. All records relating to the CFPB's "investigation of Wells Fargo" that is described in your letter to the Committee dated September 23, 2016.**

The Bureau's September 23, 2016 letter to which this item refers<sup>44</sup> was a response to the Committee's September 16, 2016 request for several categories of documents relating to the Bureau's Wells Fargo enforcement action. As part of that response, the Bureau produced to the Committee: the Bureau's Supervision, Enforcement and Fair Lending (SEFL) Integration Memorandum; the SEFL Policy on Continuously Supervised Institutions; the Memoranda of Understanding, Common Interest Agreements and Access Agreements between the Bureau and the Office of the Comptroller of the Currency and the Los Angeles City Attorney's Office; and

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<sup>44</sup> Though we assume the referenced letter is the Bureau's September 23, 2016 response to the Committee's September 16, 2016 letter regarding Wells Fargo, the Bureau actually sent two letters to the Committee on September 23, 2016 regarding the Wells Fargo matter. The second letter was the final reply in a series of correspondence about a staff briefing on the Wells Fargo matter. In that second September 23 letter, the Bureau offered to address the Committee's interest in Wells Fargo both through a staff briefing by Bureau subject matter experts, and through testimony from Director Cordray at the Committee's hearing on Wells Fargo. The Committee declined both of those offers.

supervisory correspondence between the Bureau and Wells Fargo. In a supplemental production on November 7, 2016, the Bureau produced the CIDs sent to Wells Fargo by the Bureau during the course of our investigation, as well as transcripts of the testimony of Wells Fargo officials taken by the Bureau pursuant to those CIDs. Those documents are reproduced today for your reference.

As noted above, enclosed with today's production are additional materials representing the documents produced to the Bureau by Wells Fargo in response to the Bureau's CIDs. This material, in conjunction with the material previously produced, comprises the key documentation of the Bureau's investigation of Wells Fargo. As always, we are happy to work with the Committee to determine how we can facilitate any outstanding oversight interests the Committee may have in this matter.

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The enclosed production and narrative discussion above represent a good faith and substantial response to the Committee's 27 itemized production demands. The Bureau looks forward to working with the Committee to appropriately scope and refine any outstanding requests in order to facilitate production of additional materials. We are confident that productive dialogue between the Bureau and Committee will clarify our mutual understanding of the status of these inquiries and enable the expedient satisfaction of the Committee's oversight interests.

The enclosed documents contain confidential information of the Consumer Financial Protection Bureau. 12 C.F.R. 1070.40 et seq. prohibits recipients of the Bureau's confidential information from further disclosing the information either orally or in writing, except in specified circumstances, without first obtaining the prior permission of the Bureau. The documents may also be subject to disclosure restrictions set forth in other Federal laws, including but not limited to the Freedom of Information Act, 5 U.S.C. § 552, the Trade Secrets Act, 18 U.S.C. § 1905, the Procurement Integrity Act, 41 U.S.C. § 2102, and the Privacy Act of 1974, 5 U.S.C. § 552a. The Bureau therefore requests that the Committee protect this information from any disclosure that would cause an unwarranted invasion of privacy or harm to any of the interests served by the law and policy prohibiting the public release of these documents or exempting them from disclosure.

The Bureau is providing these materials to you without waiving applicable protections and will assert those protections to keep sensitive information from being disclosed without appropriate authorization. The Bureau also trusts that the Committee will reach out to receive that input prior to any further dissemination of confidential records to the press or public, via the Committee website, or through other means.

Should you have any questions about this response, please contact me or have your staff contact Steven Bressler in the Bureau's Legal Division or Patrick O'Brien of the Office of Legislative Affairs. Mr. Bressler can be reached at [REDACTED], and Mr. O'Brien can be reached at [REDACTED]. As always, I would be happy to meet with you in person to discuss these matters.

Sincerely,



Richard Cordray  
Director

cc: The Honorable Maxine Waters, Ranking Member, Committee on Financial Services

WAGNER:

Thank you, Mr. Chairman.

And, Director Cordray, thank you for appearing here today before us. I want to ask you today about the widespread failure in consumer protection that occurred at Wells Fargo over a number of years regarding fraudulent sales practices in which Wells Fargo fired 5,300 employees for opening, gosh, up to 1.5 million deposits and credit card accounts without the customers' knowledge or consent.

Sir, despite receiving more than 140,000 pages of responsive records from Wells Fargo, the OCC, and the CFPB, this committee to date has seen no evidence that the CFPB had an ongoing independent investigation relating to Wells Fargo sales practices prior to May 8, 2015. This is 4 days after Wells Fargo informed the CFPB that the L.A. city attorney filed a civil complaint against the bank that same day, and over 500 days, sir, after the original article by the L.A. Times first broke the story about fraudulent accounts at Wells.

Director Cordray, there is a binder just to your right, sir. It has got a congressional seal on it. Will you grab it please?

The binder to your right, sir. You don't care to take the binder?

All right. It is in front of you. There are documents, sir, I am going to be referencing. Perhaps you would like to reference them also.

And I would like the record to reflect that the gentleman has ignored the binder that Congress has put in front of him.

I will be referencing-and I would like-appreciate it if you would keep your answers very, very short, sir. Simply yes or no on most of them.

CORDRAY:

I am quite familiar with the background...

WAGNER:

Sir, do you recall when you first read the December 2013 L.A. Times article I am referring to?

CORDRAY:

Beg your pardon? Have I read that article?

WAGNER:

When did you first read the article?

CORDRAY:

I do not know when I first read that article.

WAGNER:

At the Senate Banking Committee's hearing in September 2016 on Wells Fargo-well let me ask you, did you read it?



CORDRAY:  
I have read that article.

WAGNER:  
All right.

CORDRAY:  
I don't recall when I first read it.

WAGNER:  
All right. At the Senate Banking Committee's hearing in September 2016 on Wells Fargo, L.A. City Attorney Michael Feuer noted in his testimony that upon reading the L.A. Times article he, quote, "immediately instructed his staff to investigate the allegations."

Do you believe that was an appropriate response? Yes or no?

CORDRAY:  
I believe that Mike Feuer and his team conducted...

WAGNER:  
Was that an appropriate response? Yes or no?

CORDRAY:  
... in exemplary fashion throughout this case.

WAGNER:  
Did you also instruct your staff-your staff-to immediately investigate the allegations made in the L.A. Times article after you read it? Yes or no?

CORDRAY:  
Actually, we had had previous indication that there might be problems at Wells Fargo...

WAGNER:  
Did you instruct them? Yes or no?

CORDRAY:  
We had two whistleblower tips earlier...

WAGNER:  
Did you instruct them? Yes or no? I will get to that in a moment, sir. I am asking you a yes or no question.

CORDRAY:

So it wasn't the L.A. Times article the tipped us off to the fact...

WAGNER:

All right. I will...

CORDRAY:

... that there might be a problem.

WAGNER:

Let me reclaim my time. Did the CFPB first initiate- first initiate a supervisory review of Wells Fargo branch sales practices on May 8, 2015?

CORDRAY:

No, that is not correct. That is not a correct...

WAGNER:

Exhibit one in the binder that you prefer not to look at in front of you is a letter dated March 3rd-it is up here for review, also-dated March 3, 2016 from Edwin Chow, an employee of yours, a CFPB regional direct for the west region, where indicated to Wells Fargo that the CFPB, and this is a quote, "initiated a supervisory review of Wells Fargo's branch sales practices on May 8, 2015."

Mr. Chairman, I would like to enter this letter in the hearing.

HENSARLING:

Without objection.

WAGNER:

Are you denying that the CFPB initiated its supervisory review of Wells Fargo's branch sales practices on May 8, 2015? Yes or no?

CORDRAY:

We actually had engaged in supervisory activity prior to that time.

WAGNER:

Did the CFPB notify Wells Fargo on March 3, 2016 that the CFPB had decided to...

Mr. Lynch. Mr. Chairman?

WAGNER:

... refer this matter to enforcement, sir?

CORDRAY:

That is the key point that I want to make sure you are clear on, OK?

Mr. Lynch. Mr. Chairman?

CORDRAY:

We were engaged in-what is happening?

Mr. Lynch. Just a point of parliamentary...

HENSARLING:

Clerk will suspend.

For what purpose does the gentlemen from Massachusetts seek recognition?

Mr. Lynch. Mr. Chairman, I am just wondering, according to the rules am I entitled to any of the documents that we are questioning the witness on? Because I would really like to get copies of the documents, if I could.

HENSARLING:

They will be provided to all members.

Mr. Lynch. But we are doing the investigation now, and I was just wondering if I could get copies of -- if copies of the documents have been provided to all the members as under the rules are required?

HENSARLING:

Members may request copies of the documents and they will be provided to members after the request.

Time...

LYNCH:

May I make it a formal request to get the documents, please?

HENSARLING:

I am sorry, would the gentleman repeat the question?

LYNCH:

May I get documents then? I guess I have to ask for them.

HENSARLING:

Apparently they are being provided to you as we speak.

LYNCH:

Thank you, Mr. Chairman. Appreciate that.

HENSARLING:

Clerk will start the clock again.

Gentlelady is once again recognized.

WAGNER:

Are you denying, sir, the CFPB initiated a supervisory review of Wells Fargo branch sales practices on May 8th, 2015? Yes or no?

CORDRAY:

Well, no. A moment ago you said "enforcement investigation," and as I said...

CLAY:

Mr. Chairman...

CORDRAY:

... in my introductory...

CLAY:

Excuse me.

Mr. Chairman, is it possible for...

HENSARLING:

Gentlelady will suspend.

For what purpose does the gentleman from Missouri seek recognition?

CLAY:

I would love to see these documents, too. The gentlewoman has raised some interesting points and I think they-that the documents should be shared with the committee.

HUIZENGA:

Mr. Chairman?

CORDRAY:

Mr. Chairman?

WATERS:

Will the gentleman yield?

CORDRAY:

Mr. Chairman...

CLAY:

I will yield.

WATERS:

Mr. Chairman, why don't we just give the documents to all the members over here?

HENSARLING:

They will be provided in a timely fashion. They are not violative of any committee rules, and I think so far what the gentlelady has alluded to is also put onto the committee screens.

Gentlelady from Missouri is recognized yet again.

WAGNER:

Can I have my time restored, Mr. Chairman, please?

HENSARLING:

The time was stopped.

WAGNER:

Did the CFPB, sir, notify Wells Fargo on March 3rd, 2016 that the CFPB had decided to refer this matter to enforcement? Yes or no?

CORDRAY:

Yes. When that happened there had been previous work done on the matter.

WAGNER:

OK. But you do not deny that the CFPB represented in writing that it referred this matter to enforcement on March 3rd, 2016. That is correct?

CORDRAY:

So let me clarify this for you. The letter-and I am...

WAGNER:

Sir, my time is limited and I have a lot of question.

CORDRAY:

I understand. The letter dated March 3rd is a point at which we have decided that the matter has risen to a level where it is no longer a supervisory matter and, in fact, has become an enforcement matter.

WAGNER:

Reclaiming my time, did the CFPB refer this matter to enforcement around the same time that the L.A. city attorney began settlement negotiations with Wells Fargo?

CORDRAY:

Yes, but that is not when we initiated work on the matter.

WAGNER:

Wow. What an amazing coincidence because, in fact, the CFPB referred this Wells Fargo matter to enforcement on March 3rd, 2016. The L.A. city attorney referred it on March 2nd, 2016. What an amazing coincidence.

Did the CFPB, sir...

CORDRAY:

These aren't coincidences. We are in contact with local officials...

WAGNER:

Sir, reclaiming my time...

CORDRAY:

We are in contact with officials around the country...

WAGNER:

... did the CFPB first request...

CORDRAY:

... and we work cooperatively with them.

WAGNER:

Director Cordray, did the CFPB first request that Wells Fargo delay the destruction of records relating to its branch sales practices on May 8th, 2015?

CORDRAY:

I am sorry, say that again?

WAGNER:

Did the CFPB first request that Wells Fargo delay the destruction of records relating to its branch sales practices on May 8th, 2015?

CORDRAY:

Consistent with the fact that it had become-it had migrated and graduated into an enforcement action, yes.

WAGNER:

Edwin Chow's letter from the CFPB, Mr. Chairman, I would like to enter into the record as exhibit three.

HENSARLING:

Without objection.

WAGNER:

Sir, so you agree. So you do not deny that the CFPB first requested on May 8th, 2015 that Wells Fargo delay the destruction of records pertaining to its branch sales practices. Yes or no?

CORDRAY:

So that is just a reminder of obligations...

WAGNER:

Is that a yes or no, sir?

CORDRAY:

... that already exist under the law, so.

WAGNER:

Is that when you sent the request? Yes or no?

CORDRAY:

That is a reminder of the obligations that already exist under the law, yes.

WAGNER:

I will take the reminder as a yes.

Was it the first time that the CFPB made this request to Wells Fargo, then why didn't the CFPB produce those records to this committee, given the fact that such records would be responsive to the committee's record request of September 16, 2016, which is exhibit five, Mr. Chairman, that I would like to have-that is in your binder that I would also like to have...

HENSARLING:

Without objection.

WAGNER:

... entered into the record.

CORDRAY:

So, I am sorry, we have given you documents, and if there are more documents that you want we are happy to work with your staff, so.

WAGNER:

We have been asking for documents, as everyone on this side of the aisle has referenced, for hundreds and hundreds and hundreds of days, sir, and you are in woeful compliance.

Let me move on.

CORDRAY:

If there are documents you don't have, happy to try to provide them.

WAGNER:

Director Cordray, I want to stay on this measure. Did the CFPB first request on May 8, 2015 that Wells Fargo produce items such as sales practice policies and actions taken by the bank regarding fraudulent sales practices at the bank? Yes or no?

CORDRAY:

Those are the compelled production of documents...

WAGNER:

Yes or no, sir?

CORDRAY:

... that became very significant to this investigation.

WAGNER:

Yes or no, sir?

CORDRAY:

Yes.

WAGNER:

All right. Good. So you do not deny that the CFPB first-first requested that Wells Fargo produced this information on May 8, 2015.

CORDRAY:

No. I don't, and that is not correct. And you are conflating things, and I don't want you to build on that in an erroneous fashion.

WAGNER:

Well, let me move on then. If you are saying that this...

CORDRAY:

They are already...



WAGNER:  
... isn't the first time...

CORDRAY:  
No.

WAGNER:  
If you are saying this isn't the first time the CFPB requested this information from Wells Fargo, then why didn't the CFPB produce those records to this committee...

CORDRAY:  
Look, first...

WAGNER:  
... given that such records would be responsive to the committee's request of September 16, 2016, which is exhibit five that has been put in. I have a few more.

CORDRAY:  
First of all...

WAGNER:  
Director, did the CFPB ever contact Wells Fargo about its fraudulent branch sales practices before Wells Fargo informed the CFPB on May 4, 2015? Yes or no?

CORDRAY:  
We had had supervisory activity prior to that time and subsequent to that time, which ultimately resulted...

WAGNER:  
I will take that as a yes. Were you aware that the earliest correspondence between the CFPB and the Wells Fargo that you have produced is the Edwin Chow letter of May 8, 2015?

CORDRAY:  
There was supervisory activity prior to that time...

WAGNER:  
All right. Let's get to that.

CORDRAY:  
... and subsequent to that time.

WAGNER:

Is this the earliest correspondence between the CFPB and Wells Fargo pertaining to the bank's sales practices?

CORDRAY:

I don't know exactly, but...

WAGNER:

All right. Well, I will leave that.

Did the CFPB depose or interview only three Wells Fargo employees in connection with the fraudulent accounts scandal?

CORDRAY:

The CFPB took the only depositions that occurred in this case.

WAGNER:

Three? Were they three? Yes or no, three?

CORDRAY:

The only ones that occurred in this case...

WAGNER:

Were they three, sir?

CORDRAY:

... we took them. We took them, so.

WAGNER:

Is that correct? That is correct then. Yes.

Wow. You tout CFPB's investigation as both independent and comprehensive. Director Cordray, only interviewing three employees for such widespread cases of fraudulent practices where 5,300 employees were fired does not seem very comprehensive to me, sir.

In your letter to this committee on September 23, 2016 you indicate that bureau staff first became aware of some related issues around Wells Fargo. This was well over a year before either initiating a supervisory review or containing the bank about fraudulent practices, sir. It is most concerning.

I don't have much time left.

CORDRAY:

So, let me...

WAGNER:

No, I am going to close here, sir. And then...

CORDRAY:

OK. You don't want to give me a chance to respond? That is OK.

WAGNER:

... can yield or not.

Director Cordray, from the minimal-minimal records you have given to this committee thus far, and based on your testimony, the only conclusion there is to draw regarding the Wells Fargo scandal is that the CFPB was asleep at the wheel-asleep at the wheel, Director Cordray, under your leadership...

CORDRAY:

That is not correct.

WAGNER:

... and that your investigation...

CORDRAY:

That is not correct.

WAGNER:

... in this matter was far from independent and comprehensive, sir.

You have claimed that the CFPB was created to root out this kind of widespread consumer harm, but the L.A. Times, the OCC, the L.A. city attorney all got there before you did, sir. I would encourage you...

HENSARLING:

Time...

WAGNER:

... after your testimony to...

HENSARLING:

Time of the gentlelady...

WAGNER:

... revise your remarks, sir.

HENSARLING:

Time of the gentlelady has expired.

WAGNER:

I would yield back my time.





February 1, 2017

**Via E-Mail**

Mr. Darren Welch  
Skadden, Arps, Slate, Meagher & Flom LLP  
1440 New York Avenue, N.W.  
Washington, DC 20005-2111  
[REDACTED]

**Re: Wells Fargo Bank, N.A.**

Dear Mr. Welch:

I write in response to your January 23, 2017 request on behalf of Wells Fargo Bank, N.A. (Wells Fargo) to share a presentation entitled "Analytical Results for Simulated Funding and Unauthorized Credit Card Litigation Claims" dated June 21, 2016 (the "PwC Presentation"), which was provided to the Bureau on June 22, 2016 in connection with the Consumer Financial Protection Bureau's ("CFPB") sales practice investigation. On behalf of the CFPB and in accordance with 12 C.F.R. § 1070.47(a)(2), I authorize you to disclose the PwC Presentation to the following:

[REDACTED]

Additionally, please accept this letter as confirmation that you are permitted to share the information with your auditor, KPMG.

In making these disclosures, please take appropriate steps to protect the information's confidentiality, including informing your counterparties that this information is "confidential information" of the CFPB, subject to 12 CFR part 1070.

Please provide the required notice to Kevin J. Rice at [REDACTED], and feel free to contact him, [REDACTED] if you have any questions regarding the above.

Sincerely,

Mary McLeod  
General Counsel

By:   
Sonya White  
Deputy General Counsel

**Bressler, Steven (CFPB)**

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**From:** Bressler, Steven (CFPB)  
**Sent:** Thursday, June 1, 2017 6:45 PM  
**To:** Coleman, John (CFPB); France, Elizabeth (CFPB); Szybala, Julia (CFPB); Frisone, Joseph (CFPB); Friedl, Kevin (CFPB); Ploch, Amanda (CFPB); More, Isabella (CFPB); Nedimala, Himali (CFPB)  
**Cc:** Fulton, Kate (CFPB)  
**Subject:** FW: April 4, 2017 subpoena  
**Attachments:** April 4 Production Summary Chart.pdf

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**From:** Bressler, Steven (CFPB)  
**Sent:** Thursday, June 01, 2017 6:43 PM  
**To:** 'Dewey, Samuel'  
**Cc:** Galicia, Catherine (CFPB); O'Brien, Patrick (CFPB); Clark, Joseph; Greenbaum, Elie; Gammello, Joe; Sisto, Brett; Peto, Lisa; Burris, Kevin; Read, Jennifer; Morgan, Hallee; Johnson, Brian  
**Subject:** April 4, 2017 subpoena

Sam,

With respect to the Committee's April 4 subpoena, we are happy to discuss the specifics of the Bureau's responses and any information the Committee believes to be outstanding. We do not understand your prior characterization of our response as "complete default," given the Bureau's production of a 19-page narrative response and 64,000 pages of material on this subpoena's return date and its previous production of over 18,000 pages in response to the subpoena issued in the last Congress (which overlaps substantially with the April 4, 2017 subpoena). The Bureau is eager to cure any inadvertent deficiencies in its productions or simply to provide additional information that would assist the Committee, but it cannot do so unless the Committee clearly and specifically identifies the records or information it believes are missing from these productions. To facilitate further discussion, I have attached a table summarizing the status of each item of the April 4 subpoena.

As the Bureau explained at length in its May 2, 2017 response to the April 4 subpoena, the Bureau has made a robust response to the subpoena—on May 2 as well as in previous productions—and has been clear with Committee staff when further production is impracticable or impossible without clarification of the scope and the nature of the Committee's legislative interests and collaboration on feasible searches reasonably likely to identify records responsive to those interests.

You have stated that the burden of proposing workable parameters rests with the Bureau and that the Bureau has not carried its burden with respect to the April 4 subpoena. However, many of the requests in the April 4 subpoena relate to previous requests that Bureau staff and Committee staff discussed on multiple occasions last year. In those discussions, Bureau staff proposed search and review approaches for a number of requests, where the Bureau had sufficient understanding of the Committee's interests to frame approaches reasonably likely to identify responsive material. Where Committee staff worked with Bureau staff to agree on such search proposals, the Bureau completed review and made supplemental productions last year. Details of these discussions are included in the Bureau's May 2 letter and the correspondence referenced within it. Based on these discussions and review of its productions to date, the Bureau believes that it has produced material sufficient to satisfy a substantial number of items on the April 4 subpoena, as

detailed in the attached table. To the extent the Committee articulates concrete interests that have not been satisfied or records it believes have not been produced, Bureau staff will be happy to propose an approach to supplement its productions.

For several other requests, the Bureau explained that it could not produce the requested records, either because they did not exist or because they were not in the Bureau's custody or control. In those cases, the Bureau provided related information or records to the extent they existed and were within the Bureau's custody or control (including through offers of staff briefings), and with respect to many requests, Committee staff agreed that no further production was required. Items in this category are detailed in the attached table.

In the remaining cases, the Bureau identified specific barriers to search and production for discrete requests and explained how issues with these requests, including breadth and lack of a clearly articulated legislative interest, left Bureau staff unable to develop or propose searches reasonably likely to identify material useful to the Committee. The Bureau requested guidance from the Committee, precisely so that Bureau staff would be able to propose reasonable search parameters, reach agreement with the Committee on an approach, and proceed with review and production. Your email notes that the Bureau often possesses information necessary to frame reasonable requests, such as an understanding of Bureau staff and functions. We agree that the Committee and the Bureau can only agree on reasonable search and review approaches when Committee staff has the predicate facts necessary to scope its requests and when Bureau staff has a clear understanding of the information the Committee seeks. For that reason, Bureau staff spent substantial time on staff-to-staff calls last year answering questions necessary for Committee staff to frame the guidance the Bureau requested and offered staff briefings to aid the Committee in interpreting records and refining its requests. Committee staff agreed to provide guidance based on those discussions, but the Bureau has not yet received it. Subpoena items where the Bureau has made partial productions and awaits guidance to allow supplemental productions are described in detail in the attached table.

The Bureau relied on the guidance provided by Committee staff last year—including staff recognition that requested material had been produced or did not exist. The Bureau further assumed that additional guidance Committee staff had agreed to provide for other requests had been pledged in good faith and would be forthcoming and that reiterating that information to the Committee was not necessary. The Bureau described these discussions generally in its May 2, 2017 letter but, rather than spend more of its limited time reconstructing these discussions, the Bureau focused between receipt of the subpoena and its return date on collecting and producing information and records to the greatest extent possible.

If the Committee will articulate which items in the subpoena it views to be incomplete and identify what material related to those requests the Committee believes is absent from the Bureau's extensive productions, we will be happy to explain the specific circumstances, including confirming where responsive documents do not exist and describing the methodology the Bureau used to identify the material it produced. We will also work with you to design supplemental searches where doing so is likely to identify additional material relevant to the Committee's stated interests.

Thank you,  
Steve

**Steven Y. Bressler**

Assistant General Counsel for Litigation & Oversight  
Consumer Financial Protection Bureau  
Tel: [REDACTED]

[consumerfinance.gov](http://consumerfinance.gov)

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**Summary of Bureau Response to April 4 Subpoena  
& Related Staff-Level Discussions**

Item	Status
	

Item	Status
[REDACTED]	

Item	Status
	

Item	Status
26	On May 2, 2017, the Bureau produced the material provided to the Bureau by Wells Fargo in response to the Bureau's CIDs. If the Committee identifies specific additional records it believes are responsive to this request, the Bureau would be happy to determine whether those documents exist and are in its custody or control.
27	The Bureau had previously produced internal policy memoranda, memoranda of understanding, access agreements, correspondence between the Bureau and Wells Fargo, civil investigative demands sent to Wells Fargo, and transcripts of the testimony of Wells Fargo officials taken by the Bureau pursuant to those CIDs. The Bureau re-produced these materials in response to the April 4 subpoena, in addition to documents Wells Fargo provided in response to the Bureau's CIDs (see Item 26 above). If the Committee identifies specific additional records it believes are responsive to this request or would like to offer guidance regarding the scope of the request, the Bureau would be happy to determine whether additional responsive materials can be provided.

**Szybala, Julia (CFPB)**

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**From:** Szybala, Julia (CFPB)  
**Sent:** Friday, September 16, 2016 10:14 AM  
**To:** Rainey, Zol (CFPB)  
**Cc:** Boison, Elizabeth (CFPB); Tindall, Anne (CFPB)  
**Subject:** Timeline Document  
**Attachments:** (CSI) Wells Timeline for Hearing Prep 4.1.docx

Hi Zol,

Attached is the most recent version of the timeline document, which has incorporated minor revisions from Edwin and his team.

Please let me know if you have any questions.

Thanks,

**Julia Szybala**

Counsel  
Consumer Financial Protection Bureau  
Office: [REDACTED]

CONFIDENTIAL SUPERVISORY INFORMATION  
 PRIVILEGED & CONFIDENTIAL (9/15/16 1 pm DRAFT)

Date	Action	External Stakeholder	Comments
10.3.2013	L.A. Times Article: Wells Fargo Accuses Workers of Opening Fake Accounts to Meet Goals, L.A. Times		<a href="http://articles.latimes.com/2013/oct/03/business/la-fi-1004-wells-fargo-firings-20131004">http://articles.latimes.com/2013/oct/03/business/la-fi-1004-wells-fargo-firings-20131004</a>
12.21.2013	L.A. Times Article: Wells Fargo's Pressure-Cooker Sales Culture Comes at a Cost		<a href="http://www.latimes.com/business/la-fi-wells-fargo-salepressure-20131222-story.html">http://www.latimes.com/business/la-fi-wells-fargo-salepressure-20131222-story.html</a>
12.28.2013	L.A. Times Article: Times Investigation of Wells Fargo Culture Provokes Strong Reaction		<a href="http://articles.latimes.com/2013/dec/28/business/la-fi-mo-wells-fargo-sales-pressure-20131228">http://articles.latimes.com/2013/dec/28/business/la-fi-mo-wells-fargo-sales-pressure-20131228</a>
1.3.2014	CFPB exam staff circulates the L.A. Times article within the agency		
4.2014	For CFPB's annual exam prioritization process, W. Region submits the Wells Deposit IPL as having a 5 (highest) risk rating based on field market intelligence (FMI) such as the L.A. Times articles		
6.19.2014	OSP concurs that Wells Fargo's deposit operations were high risk and designated examinations of this IPL during 2015 as a "must do"		
1.2015	CFPB assigns an EIC to Wells deposits exam, scheduled to commence 12.27.2015		
4.3.2015	First OCC Exam report on Branch Sales Practices	OCC	Report had minimal findings; found that risk oversight of branch sales practices was generally effective
5.4.2015	Wells SVP and GC calls W. Regional Director to notify of LA Lawsuit		Not effective self-reporting, per the Bureau's Responsible Conduct Bulletin

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5.4.2015	City of Los Angeles files suit/news articles ensue	City of LA	RD notifies Senior SEFL management
5.8.2015	W. Region shares CFPB Letter, as approved by OSE and OSP, with ENF and OSP		
5.8.2015	CFPB letter to Wells		Letter requested a comprehensive description of the company's consumer financial service sales policies and practices in this area, and copies of any and all work Wells Fargo may have performed to date, or have planned, to look into these allegations
6.8.2105	Wells responds to 5.8.2015 Letter		
6.10.2015	Region discusses with OSP		
6.25.2015	CFPB follow-up letter to Wells		Requesting additional information, including internal investigation results
6.26.2015	Second OCC Report issued on Branch Sales Practices	OCC	Withdrew First OCC Report; included MRAs with requirements that the Bank obtain independent reviews of both branch practices and consumer harm
7.10.2015	Wells Response Received by CFPB		Review of materials
8.14.2015	Prudentials contacted	OCC/FRB	Initial discussion and invited Prudentials (OCC/FRB) to first Update Meeting 8.20.2015
8.20.2015	First CFPB Update Meeting with Wells	OCC/FRB	Prudentials (OCC/FRB) also attend; CFPB learns that third-party review underway in response to OCC second exam report; third-party reports requested for CFPB
8.20.2015	CFPB receives second OCC Branch Sales Practices exam report, dated 6.26.2015	OCC	OCC MRAS are very strong. OCC taking own monitoring action – may resolve through MRA, MOU or move to ENF. FRB is monitoring.
8.24.2015	CFPB receives first OCC Branch Sales Practices exam report, dated 4.3.2015	OCC	Upon request, OCC sent the first OCC branch sales report to CFPB in which they found Community Banking sales practice risk oversight was “generally effective.”
9.28.15	CFPB exam scoping process for Wells' deposits IPL begins, with intent to commence exam, including		Branch sales practices ultimately carved out of deposits exam, per 2.26.16 decision of SEFL Associate Director.



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	branch sales practices, on 12.27.2015		
10.26.2015	Wells orally provides CFPB initial consumer harm estimate due to sales practices		Initial cut. Also contains information for 2013 and 2014.
11.18.2015	Internal Wells Customer Harm Response		Follow up to the 10.26.2015 Discussion.
12.4.2015	CFPB update meeting with Wells	OCC/FRB	Prudentials (OCC/FRB) attend
12.18.2015	Region consults OSP and ENF on next steps		Discussion on course of action to include subsequent letter to Wells
1.13.2016	Region, OSP, and ENF continue discussion of potential supervisory information-request letter		This supervisory information-request letter was not sent, given the opening of an ENF investigation
2.11.2016	RD meeting with Wells to discuss consumer harm		
2.26.2016	OSE memo to SEFL Associate Director recommending ENF as tool choice; SEFL Associate Director determines after discussion and review, including information recently received from the West Region, that the matter is appropriately referred to ENF		
3.3.2016	W. Region notifies Wells Fargo that the matter had been transferred from Supervision to Enforcement		
3.7.2016	ENF's Opening Investigation Memo		
7.12.2016	Settle or Sue Authority Granted		
9.2.2016	Recommendation Memo to Enter into Consent Order		
9.6.2016	Consent Order signed and filed		

RC

**From:** RC  
**Sent:** Thursday, June 8, 2017 12:52 PM  
**To:** Coleman, John (CFPB)  
**Cc:** McLeod, Mary (CFPB); Galicia, Catherine (CFPB); Fulton, Kate (CFPB); Howard, Jennifer (CFPB); Bressler, Steven (CFPB); O'Brien, Patrick (CFPB); Ehrlich, Jeffrey (CFPB)  
**Subject:** RE: Wells Documents  
**Attachments:** Letter -- Response to Chairman Hensarling 6.9.17.docx

Here is a draft letter to the Chairman. I continue to think it is important that I take the opportunity to “correct the record” on the issues raised in the staff report, especially the mischaracterization of my testimony, but also on their mischaracterization of the Bureau’s work here and how it should be perceived. Let me know your thoughts  
thx  
RC

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**From:** Coleman, John (CFPB)  
**Sent:** Wednesday, June 07, 2017 5:48 PM  
**To:** RC  
**Cc:** McLeod, Mary (CFPB); Galicia, Catherine (CFPB); Fulton, Kate (CFPB); Howard, Jennifer (CFPB)  
**Subject:** Wells Documents

Rich,

Per your request, I am attaching several documents and emails related to Wells Fargo:

- 1) Our correspondence with the Committee related to Wells Fargo, which consists of:
  - a. A September 16, 2016 letter from Chairman Hensarling;
  - b. A September 21, 2016 letter from Chairman Hensarling asking that you authorize Bureau staff to disclose CSI;
  - c. A September 22, 2016 letter from you to Chairman Hensarling regarding a further staff briefing;
  - d. A September 22, 2016 letter from Chairman Hensarling to you asking you to brief staff the next day;
  - e. A September 23, 2016 letter from you to Chairman Hensarling in response to the previous letter;
  - f. A September 23, 2016 letter from you to Chairman Hensarling responding to the September 16, 2016 information request;
  - g. A November 3, 2016 letter from Chairman Duffy to you requesting complete and additional information;
  - h. A November 10, 2016 response from Catherine Galicia (we provided CIDs and investigational hearing transcripts);
  - i. The April 4, 2017 subpoena seeking, inter alia, “records relating to the sales practices of Wells Fargo Bank” described in our consent order (item 26), and “records relating to the CFPB’s ‘investigation of Wells Fargo’ that is described in” the September 23, 2016 letter;
  - j. Our May 2, 2017 response to the subpoena (see specifically pages 17-18);
  - k. An email from last Thursday, June 1, 2017, concerning the April 4, 2017 subpoena, including the specifications described above.
- 2) Excerpts of the April 5, 2017 testimony transcript related to Wells, as well as the full transcript;
- 3) A document provided to you as part of your preparation for the April 5, 2017 hearing;
- 4) A timeline of relevant events prepared by SEFL staff and provided to the Front Office on September 16, 2016. We do not have a record that this previously has been provided to you, but staff who helped you

prepare for your September Senate testimony and April House testimony had seen this document, or some version of it; and

- 5) Correspondence with Wells Fargo related to HFSC requests to Wells for information;

Note that we are continuing to work on a narrative document setting forth our back and forth with the committee on this issue, which will include additional facts not included in the formal written correspondence. We will share that with you as soon as it's ready.

Best,

John



1700 G Street NW, Washington, DC 20552

June 9, 2017

The Honorable Jeb Hensarling  
Chairman, Committee on Financial Services  
United States House of Representatives  
2129 Rayburn House Office Building  
Washington, DC 20515

Dear Chairman Hensarling:

I am writing to correct the record in various respects concerning the Committee staff report issued earlier this week. To begin with, it is unclear to me what the official status of the staff report may be, given that on the front page an explicit disclaimer is provided – which I do not recall ever seeing before – that the report “has not been officially adopted by the Committee on Financial Services and may not necessarily reflect the views of its Members.” I also understand that the staff report was not shared in any way with the Ranking Member, or perhaps any other committee members, before it was released.

The staff report purports to follow up on a “comprehensive investigation” that the Committee had launched last September into two specific questions: “(1) how and why Wells Fargo allowed these fraudulent activities to occur at a disturbing scale across the Bank for well over a decade; and (2) whether or not federal financial regulators were effective in detecting and remedying Wells Fargo’s fraudulent branch sales practices.” As the staff report notes, the Wells Fargo practices at issue here – “the practice of defrauding customers by opening millions of unneeded, and at times, unauthorized bank accounts” – appear to have dated back at least to May 2001.

*The Original Focus of the Committee Investigation*

This week’s staff report devotes no time or effort whatsoever to addressing the first question, of how and why Wells Fargo allowed these fraudulent activities to occur at a disturbing scale across the Bank for well over a decade. In this respect, it is notable that the Consumer Financial Protection Bureau did not even open its doors until July 2011, more than ten years after these activities commenced, and did not reach a steady-state in staffing and operations until 2013 or 2014. During that entire time before the inception of the Consumer Bureau, nothing occurred to address or halt any of Wells Fargo’s fraudulent practices.

Nor does the staff report devote any time or effort to addressing the key part of the second question, of whether or not federal financial regulators were effective in remedying Wells Fargo’s fraudulent branch sales practices. Of course, the actual effect of these practices on consumers – and whether they have now been finally stopped at Wells Fargo, as well as whether any similar practices have occurred or will be occurring in the future at any other banks or financial companies – has been the focus of the work done by the Consumer Financial Protection

Bureau, in conjunction with its partners in this matter, the Los Angeles City Attorney's office and the Office of the Comptroller of the Currency.

Although the staff report never quite manages to say so, the work we and our partners have done and are doing in this matter has now halted and remedied Wells Fargo's fraudulent practices. The investigation we jointly conducted led to the entry of orders – including the CFPB's Order dated September 4, 2016 – that publicly exposed and detailed these practices for the first time. As the staff report notes, it was only at that point that “the world learned of one of the worst banking scandals in years.” The public orders, which culminated our joint efforts to identify, diagnose, and address what exactly had occurred, led immediately to considerable follow-on activity by Congress, other federal officials and agencies, and other public officials around the country that continue to reverberate to this day.

In addition, our resolution of these matters is proving effective in remedying Wells Fargo's fraudulent practices. That resolution, as embodied in the CFPB's Order, covers four areas. First, the 26-page Order itself publicly exposes and details the wrongdoing that occurred, so that it can be known and understood by the public and by other public officials. No other allegations or accounts of what happened carry the same authoritative status as the terms of this Order – and those reached by our partners – based as they are on the results of our joint investigation into these matters.

Second, the CFPB's Order specifies that Wells Fargo must halt these fraudulent practices and put in place a detailed compliance regimen to ensure they cannot happen again. The details of this preventive relief include: (1) conduct provisions directed at Wells Fargo and its officers, agents, servants, employees, and attorneys” to prevent any further improper sales practices; (2) the installation of an independent consultant to ensure that Wells Fargo's policies and procedures will now forestall any such conduct in the future, including training, monitoring, evaluation of sales goals, and development of a specific compliance plan; (3) provisions addressing the role of the Wells Fargo Board of Directors to be actively engaged in ensuring compliance with the terms of the Order, including timely reporting by management and timely and appropriate corrective action to remedy any deficiencies; (4) recordkeeping and reporting requirements to the Bureau; and (5) ongoing requirements to maintain cooperation and compliance with the Bureau as Wells Fargo implements the terms of the Order. The staff report never suggests that these provisions do not effectively remedy Wells Fargo's improper practices.

Third, the CFPB's Order requires Wells Fargo to make individual consumers whole for the harm they may have sustained as a result of the improper practices. This requirement is described and effectuated in the Order, which requires retention of an independent consulting firm to identify and provide redress to all affected consumers; development and submission to the CFPB of a written plan detailing the steps, recommendations, deadlines, and timeframes as outlined in the redress plan; procedures for locating, notifying, and compensating affected consumers; and the involvement of Wells Fargo's Internal Audit department in ensuring that consumer redress is carried out as specified. The staff report never suggests that these provisions do not effectively provide redress to harmed consumers.

Fourth, the CFPB's Order imposed a civil monetary penalty of \$100 million on Wells Fargo for the improper sales practices as specified in the Order. This is by far the largest civil monetary penalty that the Bureau has imposed on any party in its history. This penalty was in addition to

further penalties imposed by the Los Angeles City Attorney's office and the OCC. The amount of the penalty assessed by the Bureau was determined by taking into account the statutory factors for calculating such penalties set out in 12 U.S.C. 5565(c)(3), which include the state of mind of the offender, the gravity of the violation, the severity of the risks to or losses of the consumer, which may take into account the number of products or services sold or provided, and such other matters as justice shall require, which typically involves considerations about the deterrence of future violations. The staff report does not take issue with the amounts of the penalties imposed in this matter.

The remaining portion of the questions that are the stated focus of the Committee's investigation is whether the federal financial regulators were effective in detecting Wells Fargo's fraudulent branch sales practices. Again, at the outset the staff report acknowledges that these practices went on for at least a decade before the Bureau even was created at all, and even longer before the Bureau reached steady-state in staffing and operations. And the staff report implicitly recognizes that the CFPB, in conjunction with its partners, has now both detected and remedied the violations that occurred as a result of these practices.

#### *The Bureau's Cooperation with the Committee*

Nonetheless, the bulk of the staff report does not focus on any of the above issues, and instead devolves into various misstatements and allegations about the extent of the Bureau's cooperation with its investigation. I am writing in part to correct the record on these particular points.

The first area concerns the claim made in the staff report that "the CFPB has not cooperated with the Committee's investigation to date." The insinuation is that the Bureau, and I myself, refused to brief the committee staff about the CFPB's work on these matters. Nothing could be further from the truth, and the staff report selectively mentions only some of the communications back and forth on this issue. As the staff report notes, CFPB representatives were first asked to brief the committee staff about these matters on September 20, 2016, and they did so. (The staff report misstates the date of this briefing, which it incorrectly states as September 21.) During the briefing, certain questions were asked that sought information about certain supervisory matters on which the CFPB representatives were unsure they had the authority to respond. They thus indicated they would seek such authority and report back. The next day, September 21, you sent me a letter asking for a second briefing from CFPB representatives with authority to answer such questions. Although the staff report never mentions it, on the following day, September 22, I responded to you in a letter and agreed that CFPB representatives would provide the requested follow-up briefing the next day, September 23. At the close of business on September 22, however, you sent me yet another letter stating that the Committee now no longer wanted to receive the requested follow-up briefing.

Although again the staff report never mentions it, CFPB representatives did in fact continue to offer to provide – and did provide – such a follow-up briefing. Minority committee staff agreed to the scheduling of this briefing, and the majority committee staff were invited to attend as well. The minority committee staff showed up and conducted the follow-up briefing with CFPB representatives on September \_\_, 2016, but the majority committee staff declined to attend, even though they did not indicate that they were unavailable to do so. The majority committee staff never scheduled any further follow-up briefing with CFPB representatives, who remained – and continue to remain – available at any time to address any further questions.

Instead, as noted in the staff report, a hurried exchange of letters occurred between yourself and myself about an upcoming hearing on these matters in front of the Committee, which was prompting the requests for these briefings. As you were aware, I had agreed to testify publicly before the Senate Banking Committee on these same issues involving the Wells Fargo matter. Along with Wells Fargo CEO John Stumpf, the Comptroller, and a representative from the Los Angeles City Attorney's office, I did testify in the Senate on September 20, 2016. In that hearing, I answered all of their questions regarding Wells Fargo's sales practices and our investigation and resolution of those matters.

I was aware that your Committee was planning to hold a similar hearing, and I assumed that I and others would be asked to testify at that hearing as well. Indeed, I offered to do so on multiple occasions – including in my letters to you dated September 22 and September 23 – but you were not willing to agree to have me testify publicly. The day after my Senate testimony, the initial briefing with the House committee staff occurred. At the close of business on September 22, you asked to have me come and give a non-public briefing to committee staff the next day, but on that late notice I was unavailable to do so (though, as I noted, CFPB representatives were available to do so before you canceled the follow-up briefing). I did reiterate, however, my willingness to testify publicly in front of the Committee at the hearing to be held the following week. Again, you declined to have me testify publicly, and that hearing occurred on September 29 where only Wells Fargo CEO John Stumpf was permitted to testify.

My first opportunity to address any of the Wells Fargo issues before the Committee occurred in my required testimony on our Semi-Annual Report, which occurred on April 5, 2017. The staff report also suggests two areas of potential disagreement around interpretations of my testimony, and I am glad to have the chance to correct the record on those areas of potential disagreement.

First, the staff report indicates an inability to corroborate my statement that the CFPB conducted an “independent and comprehensive” investigation of the Wells Fargo sales practices. The potential disagreement here seems to stem from differing interpretations of the terms “independent” and “comprehensive.” As I see it, we worked closely together with our partners, the Los Angeles City Attorney's office and the OCC, to ascertain the facts and reach a resolution of the issues involved. So we were not operating “independently” in the sense that we would be operating in other cases where we would be the lone government enforcement actor involved. Nonetheless, we had an obligation, which we fulfilled, to make our own independent judgment about the underlying facts and whether they could be sufficiently verified and documented for purposes of either filing a complaint or framing an order. And we did that.

In particular, we contributed importantly to the joint investigation in several ways. First, we were able to exercise our authority to issue Civil Investigative Demands for documents from Wells Fargo, documents that were essential to the investigation and that we were able to obtain through our CIDs. All of this information about the investigation has been provided to the Committee. Second, we were able to take the only sworn testimony in the investigation, based on our authority to conduct administrative hearings – akin to depositions – of Wells Fargo officials. Third, we were able to broaden the scope of the matter and the relief sought and obtained beyond the boundaries of the State of California, which was the outer limit on the relief that could be secured by the Los Angeles City Attorney's office based on its claims brought

under state law. Our ability to investigate and establish violations of federal law was essential to securing nationwide relief through the enforcement action and the CFPB's Order.

In all of these respects, we conducted our inquiries independently to satisfy our obligation to determine that Wells Fargo had in fact violated federal law, and had in fact opened millions of deposit and credit card accounts without the knowledge or consent of consumers. In doing so, we relied where possible on work done by our partners as well, which was excellent work and crucial to the success of the joint investigation. It would not have made any sense for us to repeat the same work done by others, as long as we satisfied our own independent obligation to ascertain, verify, and document the facts and to determine that violations of federal law had occurred which had harmed consumers.

As to whether our investigation was "comprehensive," in my mind it was in the sense that it thoroughly canvassed the factual and legal issues at stake in the enforcement investigation, which concerned Wells Fargo's fraudulent sales practices, their effects on consumers, the consequent violations of the law, and the imposition of legal relief sufficient to remedy past violations and prevent future violations. Obviously, other work remains on-going to this day, as the terms of the CFPB's Order contemplated by installing an independent consultant as a monitor and ensuring continuing reporting of the implementation of compliance plans. We also have consulted with other public officials about further work they may be undertaking in this and related areas, which could bring further matters to light. But there are no real grounds to quibble over this definitional point of what it means to conduct a "comprehensive" investigation of an enforcement matter of this type.

Similarly, the staff report alleges that it is unable to corroborate my statement that the CFPB "engaged in supervisory activity" of these matters at Wells Fargo prior to May 2015. Again, we seem to have differing interpretations of what is meant by the phrase "supervisory activity." In the staff report, as best I can tell, this phrase appears to be interpreted narrowly to refer only to supervisory activity involving direct contact with Wells Fargo. That is not my understanding of the meaning of this phrase "supervisory activity," which typically involves various kinds of activity prior to an actual examination being conducted at an institution. The usage in the staff report seems instead to refer only to what I would consider to be an actual "examination" itself. But that does not happen in a vacuum, and is the result of various preliminary considerations that occur before any examination can be prioritized and scheduled. As the staff report itself indicates, prior to May 2015, the CFPB's regional supervisory staff had made the decision to schedule "an examination of [retail banking sales practices] to commence in 2015." What that means is that we had identified and submitted a Wells Fargo Deposit Account IPL [Individual Product Line] as a proposed examination topic into the Bureau's annual exam prioritization process in the Spring of 2014. Based on various field market intelligence, which included the investigative reports we had seen in the Los Angeles Times, regional supervisory staff had evaluated this examination topic as having a 5 (highest) risk rating as justifying supervisory attention. Within the Bureau, the Office of Supervision Policy had concurred that based on this preliminary field market intelligence, Wells Fargo's deposit operations were "high risk" and designated and scheduled an examination of this aspect of the bank's operations, including assigning an examiner-in-chief to head up the supervisory activity in this regard. The staff report notes that there is no evidence that any such examination actually occurred, but that was because as the situation unfolded with further developments, the Bureau moved its focus beyond supervision to the enforcement investigation that ultimately concluded in the CFPB's Order and



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In the end, I am quite proud of the CFPB team that has worked on the Wells Fargo matter, including those who worked with our partners to push forward and complete the enforcement action that resulted in the CFPB's Order comprehensively addressing the issue of improper sales practices. Within about two years of the Bureau reaching steady-state in its staffing and operations, they cracked open and resolved what the staff report stated was "one of the worst banking scandals in years," which had already festered for more than fifteen years, including more than ten years before the CFPB was even created.

In closing, we will continue to seek ways to cooperate with your oversight requests and to work toward an amicable resolution of any disagreements over what information you are seeking in order to fulfill those functions.

Sincerely,

Richard Cordray  
Director

cc: The Honorable Maxine Waters

RC

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**From:** RC  
**Sent:** Thursday, June 8, 2017 12:58 PM  
**To:** Coleman, John (CFPB)  
**Cc:** McLeod, Mary (CFPB); Galicia, Catherine (CFPB); Fulton, Kate (CFPB); Howard, Jennifer (CFPB); Bressler, Steven (CFPB); O'Brien, Patrick (CFPB); Ehrlich, Jeffrey (CFPB)  
**Subject:** RE: Wells Documents  
**Attachments:** Letter -- Response to Chairman Hensarling 6.9.17.docx

Disregard the prior version, as this one is slightly updated thx  
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- 1) Our correspondence with the Committee related to Wells Fargo, which consists of:
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  - 4) A timeline of relevant events prepared by SEFL staff and provided to the Front Office on September 16, 2016. We do not have a record that this previously has been provided to you, but staff who helped you prepare for your September Senate testimony and April House testimony had seen this document, or some version of it; and
  - 5) Correspondence with Wells Fargo related to HFSC requests to Wells for information;

Note that we are continuing to work on a narrative document setting forth our back and forth with the committee on this issue, which will include additional facts not included in the formal written correspondence. We will share that with you as soon as it’s ready.

Best,

John



1700 G Street NW, Washington, DC 20552

June 9, 2017

The Honorable Jeb Hensarling  
Chairman, Committee on Financial Services  
United States House of Representatives  
2129 Rayburn House Office Building  
Washington, DC 20515

Dear Chairman Hensarling:

I am writing to correct the record in various respects concerning the Committee staff report issued earlier this week. To begin with, it is unclear to me what the official status of the staff report may be, given that on the front page an explicit disclaimer is provided – which I do not recall ever seeing before – that the report “has not been officially adopted by the Committee on Financial Services and may not necessarily reflect the views of its Members.” I also understand that the staff report was not shared in any way with the Ranking Member, or perhaps any other committee members, before it was released.

The staff report purports to follow up on a “comprehensive investigation” that the Committee had launched last September into two specific questions: “(1) how and why Wells Fargo allowed these fraudulent activities to occur at a disturbing scale across the Bank for well over a decade; and (2) whether or not federal financial regulators were effective in detecting and remedying Wells Fargo’s fraudulent branch sales practices.” As the staff report notes, the Wells Fargo practices at issue here – “the practice of defrauding customers by opening millions of unneeded, and at times, unauthorized bank accounts” – appear to have dated back at least to May 2001.

*The Original Focus of the Committee Investigation*

This week’s staff report devotes no time or effort whatsoever to addressing the first question, of how and why Wells Fargo allowed these fraudulent activities to occur at a disturbing scale across the Bank for well over a decade. In this respect, it is notable that the Consumer Financial Protection Bureau did not even open its doors until July 2011, more than ten years after these activities commenced, and did not reach a steady-state in staffing and operations until 2013 or 2014. During that entire time before the inception of the Consumer Bureau, nothing occurred to address or halt any of Wells Fargo’s fraudulent practices.

Nor does the staff report devote any time or effort to addressing the key part of the second question, of whether or not federal financial regulators were effective in remedying Wells Fargo’s fraudulent branch sales practices. Of course, the actual effect of these practices on consumers – and whether they have now been finally stopped at Wells Fargo, as well as whether any similar practices have occurred or will be occurring in the future at any other banks or financial companies – has been the focus of the work done by the Consumer Financial Protection

Bureau, in conjunction with its partners in this matter, the Los Angeles City Attorney's office and the Office of the Comptroller of the Currency.

Although the staff report never quite manages to say so, the work we and our partners have done and are doing in this matter has now halted and remedied Wells Fargo's fraudulent practices. The investigation we jointly conducted led to the entry of orders – including the CFPB's Order dated September 4, 2016 – that publicly exposed and detailed these practices for the first time. As the staff report notes, it was only at that point that “the world learned of one of the worst banking scandals in years.” The public orders, which culminated our joint efforts to identify, diagnose, and address what exactly had occurred, led immediately to considerable follow-on activity by Congress, other federal officials and agencies, and other public officials around the country that continue to reverberate to this day.

In addition, our resolution of these matters is proving effective in remedying Wells Fargo's fraudulent practices. That resolution, as embodied in the CFPB's Order, covers four areas. First, the 26-page Order itself publicly exposes and details the wrongdoing that occurred, so that it can be known and understood by the public and by other public officials. No other allegations or accounts of what happened carry the same authoritative status as the terms of this Order – and those reached by our partners – based as they are on the results of our joint investigation into these matters.

Second, the CFPB's Order specifies that Wells Fargo must halt these fraudulent practices and put in place a detailed compliance regimen to ensure they cannot happen again. The details of this preventive relief include: (1) conduct provisions directed at Wells Fargo and its officers, agents, servants, employees, and attorneys” to prevent any further improper sales practices; (2) the installation of an independent consultant to ensure that Wells Fargo's policies and procedures will now forestall any such conduct in the future, including training, monitoring, evaluation of sales goals, and development of a specific compliance plan; (3) provisions addressing the role of the Wells Fargo Board of Directors to be actively engaged in ensuring compliance with the terms of the Order, including timely reporting by management and timely and appropriate corrective action to remedy any deficiencies; (4) recordkeeping and reporting requirements to the Bureau; and (5) ongoing requirements to maintain cooperation and compliance with the Bureau as Wells Fargo implements the terms of the Order. The staff report never suggests that these provisions do not effectively remedy Wells Fargo's improper practices.

Third, the CFPB's Order requires Wells Fargo to make individual consumers whole for the harm they may have sustained as a result of the improper practices. This requirement is described and effectuated in the Order, which requires retention of an independent consulting firm to identify and provide redress to all affected consumers; development and submission to the CFPB of a written plan detailing the steps, recommendations, deadlines, and timeframes as outlined in the redress plan; procedures for locating, notifying, and compensating affected consumers; and the involvement of Wells Fargo's Internal Audit department in ensuring that consumer redress is carried out as specified. The staff report never suggests that these provisions do not effectively provide redress to harmed consumers.

Fourth, the CFPB's Order imposed a civil monetary penalty of \$100 million on Wells Fargo for the improper sales practices as specified in the Order. This is by far the largest civil monetary penalty that the Bureau has imposed on any party in its history. This penalty was in addition to

further penalties imposed by the Los Angeles City Attorney's office and the OCC. The amount of the penalty assessed by the Bureau was determined by taking into account the statutory factors for calculating such penalties set out in 12 U.S.C. 5565(c)(3), which include the state of mind of the offender, the gravity of the violation, the severity of the risks to or losses of the consumer, which may take into account the number of products or services sold or provided, and such other matters as justice shall require, which typically involves considerations about the deterrence of future violations. The staff report does not take issue with the amounts of the penalties imposed in this matter.

The remaining portion of the questions that are the stated focus of the Committee's investigation is whether the federal financial regulators were effective in detecting Wells Fargo's fraudulent branch sales practices. Again, at the outset the staff report acknowledges that these practices went on for at least a decade before the Bureau even was created at all, and even longer before the Bureau reached steady-state in staffing and operations. And the staff report implicitly recognizes that the CFPB, in conjunction with its partners, has now both detected and remedied the violations that occurred as a result of these practices.

#### *The Bureau's Cooperation with the Committee*

Nonetheless, the bulk of the staff report does not focus on any of the above issues, and instead devolves into various misstatements and allegations about the extent of the Bureau's cooperation with its investigation. I am writing in part to correct the record on these particular points.

The first area concerns the claim made in the staff report that "the CFPB has not cooperated with the Committee's investigation to date." The insinuation is that the Bureau, and I myself, refused to brief the committee staff about the CFPB's work on these matters. Nothing could be further from the truth, and the staff report selectively mentions only some of the communications back and forth on this issue. As the staff report notes, CFPB representatives were first asked to brief the committee staff about these matters on September 20, 2016, and they did so. (The staff report misstates the date of this briefing, which it incorrectly states as September 21.) During the briefing, certain questions were asked that sought information about certain supervisory matters on which the CFPB representatives were unsure they had the authority to respond. They thus indicated they would seek such authority and report back. The next day, September 21, you sent me a letter asking for a second briefing from CFPB representatives with authority to answer such questions. Although the staff report never mentions it, on the following day, September 22, I responded to you in a letter and agreed that CFPB representatives would provide the requested follow-up briefing the next day, September 23. At the close of business on September 22, however, you sent me yet another letter stating that the Committee now no longer wanted to receive the requested follow-up briefing.

Although again the staff report never mentions it, CFPB representatives did in fact continue to offer to provide – and did provide – that follow-up briefing on September 23. Minority committee staff attended, but the majority committee staff declined to attend, even though they did not indicate that they were unavailable to do so. The majority committee staff never scheduled any further follow-up briefing with CFPB representatives, who remained – and continue to remain – available at any time to address any further questions.

Instead, as noted in the staff report, a hurried exchange of letters occurred between yourself and myself about an upcoming hearing on these matters in front of the Committee, which was prompting the requests for these briefings. As you were aware, I had agreed to testify publicly before the Senate Banking Committee on these same issues involving the Wells Fargo matter. Along with Wells Fargo CEO John Stumpf, the Comptroller, and a representative from the Los Angeles City Attorney's office, I did testify in the Senate on September 20, 2016. In that hearing, I answered all of their questions regarding Wells Fargo's sales practices and our investigation and resolution of those matters.

I was aware that your Committee was planning to hold a similar hearing, and I assumed that I and others would be asked to testify at that hearing as well. Indeed, I offered to do so on multiple occasions – including in my letters to you dated September 22 and September 23 – but you were not willing to agree to have me testify publicly. The day after my Senate testimony, the initial briefing with the House committee staff occurred. At the close of business on September 22, you asked to have me come and give a non-public briefing to committee staff the next day, but on that late notice I was unavailable to do so (though, as I noted, CFPB representatives were available to do so before you canceled the follow-up briefing). I did reiterate, however, my willingness to testify publicly in front of the Committee at the hearing to be held the following week. Again, you declined to have me testify publicly, and that hearing occurred on September 29 where only Wells Fargo CEO John Stumpf was permitted to testify.

My first opportunity to address any of the Wells Fargo issues before the Committee occurred in my required testimony on our Semi-Annual Report, which occurred on April 5, 2017. The staff report also suggests two areas of potential disagreement around interpretations of my testimony, and I am glad to have the chance to correct the record on those areas of potential disagreement.

First, the staff report indicates an inability to corroborate my statement that the CFPB conducted an “independent and comprehensive” investigation of the Wells Fargo sales practices. The potential disagreement here seems to stem from differing interpretations of the terms “independent” and “comprehensive.” As I see it, we worked closely together with our partners, the Los Angeles City Attorney's office and the OCC, to ascertain the facts and reach a resolution of the issues involved. So we were not operating “independently” in the sense that we would be operating in other cases where we would be the lone government enforcement actor involved. Nonetheless, we had an obligation, which we fulfilled, to make our own independent judgment about the underlying facts and whether they could be sufficiently verified and documented for purposes of either filing a complaint or framing an order. And we did that.

In particular, we contributed importantly to the joint investigation in several ways. First, we were able to exercise our authority to issue Civil Investigative Demands for documents from Wells Fargo, documents that were essential to the investigation and that we were able to obtain through our CIDs. All of this information about the investigation has been provided to the Committee. Second, we were able to take the only sworn testimony in the investigation, based on our authority to conduct administrative hearings – akin to depositions – of Wells Fargo officials. Third, we were able to broaden the scope of the matter and the relief sought and obtained beyond the boundaries of the State of California, which was the outer limit on the relief that could be secured by the Los Angeles City Attorney's office based on its claims brought under state law. Our ability to investigate and establish violations of federal law was essential to securing nationwide relief through the enforcement action and the CFPB's Order.

In all of these respects, we conducted our inquiries independently to satisfy our obligation to determine that Wells Fargo had in fact violated federal law, and had in fact opened millions of deposit and credit card accounts without the knowledge or consent of consumers. In doing so, we relied where possible on work done by our partners as well, which was excellent work and crucial to the success of the joint investigation. It would not have made any sense for us to repeat the same work done by others, as long as we satisfied our own independent obligation to ascertain, verify, and document the facts and to determine that violations of federal law had occurred which had harmed consumers.

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Director

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RC

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**Cc:** McLeod, Mary (CFPB); Fulton, Kate (CFPB); Howard, Jennifer (CFPB); Bressler, Steven (CFPB); O'Brien, Patrick (CFPB); Ehrlich, Jeffrey (CFPB); Martinez, Zixta (CFPB)  
**Subject:** RE: Wells Documents  
**Attachments:** Letter -- Response to Chairman Hensarling 6.9.17.docx

I understand you are pondering over this letter. In the meantime, I had yet another go at it and here is the latest version, with minor edits to what you already had

Thx  
 RC

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**From:** Galicia, Catherine (CFPB)  
**Sent:** Thursday, June 08, 2017 1:01 PM  
**To:** RC; Coleman, John (CFPB)  
**Cc:** McLeod, Mary (CFPB); Fulton, Kate (CFPB); Howard, Jennifer (CFPB); Bressler, Steven (CFPB); O'Brien, Patrick (CFPB); Ehrlich, Jeffrey (CFPB); Martinez, Zixta (CFPB)  
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+Zixta

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1700 G Street NW, Washington, DC 20552

June 9, 2017

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United States House of Representatives  
2129 Rayburn House Office Building  
Washington, DC 20515

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The staff report purports to follow up on a “comprehensive investigation” that the Committee had launched last September into two specific questions: “(1) how and why Wells Fargo allowed these fraudulent activities to occur at a disturbing scale across the Bank for well over a decade; and (2) whether or not federal financial regulators were effective in detecting and remedying Wells Fargo’s fraudulent branch sales practices.” As the staff report notes, the Wells Fargo practices at issue here – “the practice of defrauding customers by opening millions of unneeded, and at times, unauthorized bank accounts” – appear to have dated back at least to May 2001.

*The Original Focus of the Committee Investigation*

This week’s staff report devotes no time or effort whatsoever to addressing the first question, of how and why Wells Fargo allowed these fraudulent activities to occur at a disturbing scale across the Bank for well over a decade. In this respect, it is notable that the Consumer Financial Protection Bureau did not even open its doors until July 2011, more than ten years after these activities commenced, and did not reach a steady-state in staffing and operations until 2013 or 2014. During that entire time before the inception of the Consumer Bureau, nothing occurred to address or halt any of Wells Fargo’s fraudulent practices.

Nor does the staff report devote any time or effort to addressing the key part of the second question, of whether or not federal financial regulators were effective in remedying Wells Fargo’s fraudulent branch sales practices. Of course, the actual effect of these practices on consumers – and whether they have now been finally stopped at Wells Fargo, as well as whether any similar practices have occurred or will be occurring in the future at any other banks or financial companies – has been the focus of the work done by the Consumer Financial Protection

Bureau, in conjunction with its partners in this matter, the Los Angeles City Attorney's office and the Office of the Comptroller of the Currency.

Although the staff report never quite manages to say so, the work we and our partners have done and are doing in this matter has now halted and remedied Wells Fargo's fraudulent practices. The investigation we jointly conducted led to the entry of orders – including the CFPB's Order dated September 4, 2016 – that publicly exposed and detailed these practices for the first time. As the staff report notes, it was only at that point that “the world learned of one of the worst banking scandals in years.” The public orders, which culminated our joint efforts to identify, diagnose, and address what exactly had occurred, led immediately to considerable follow-on activity by Congress, other federal officials and agencies, and other public officials around the country that continue to reverberate to this day.

In addition, our resolution of these matters is proving effective in remedying Wells Fargo's fraudulent practices. That resolution, as embodied in the CFPB's Order, covers four areas. First, the 26-page Order itself publicly exposes and details the wrongdoing that occurred, so that it can be known and understood by the public and by other public officials. No other allegations or accounts of what happened carry the same authoritative status as the terms of this Order – and those reached by our partners – based as they are on the results of our joint investigation into these matters. The CFPB's Order, in fact, has been the impetus to the first congressional hearings on these matters in both the Senate and the House.

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#### *The Bureau's Cooperation with the Committee*

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In particular, we contributed importantly to the joint investigation in several ways. First, we were able to exercise our authority to issue Civil Investigative Demands for documents from Wells Fargo, documents that were essential to the investigation and that were only obtained through our CIDs. All of this information about the investigation has been provided to the Committee. Second, we were able to take the only sworn testimony in the investigation, based on our authority to conduct administrative hearings – akin to depositions – of Wells Fargo officials. That information has also been provided to the Committee. Third, we were able to broaden the scope of the matter and the relief sought and obtained beyond the boundaries of the State of California, which was the outer limit on the relief that could be secured by the Los Angeles City Attorney's office based on its claims brought under state law. Our ability to

investigate and establish violations of federal law was essential to securing nationwide relief through the enforcement action and the CFPB's Order.

In all of these respects, we conducted our inquiries independently to satisfy our obligation to determine that Wells Fargo had in fact violated federal law, and had in fact opened millions of deposit and credit card accounts without the knowledge or consent of consumers. In doing so, we relied where possible on work done by our partners as well, which was excellent work and crucial to the success of the joint investigation. It would not have made any sense for us to repeat the same work done by others, as long as we satisfied our own independent obligation to ascertain, verify, and document the facts and to determine that violations of federal law had occurred which had harmed consumers.

As to whether our investigation was "comprehensive," in my mind it was in the sense that it thoroughly canvassed the factual and legal issues at stake in the enforcement investigation, which concerned Wells Fargo's fraudulent sales practices, their effects on consumers, the consequent violations of the law, and the imposition of legal relief sufficient to remedy past violations and prevent future violations. Obviously, other work remains on-going to this day, as the terms of the CFPB's Order contemplated by installing an independent consultant as a monitor and ensuring continuing reporting of the implementation of compliance plans. We also have consulted with other public officials about further work they may be undertaking in this and related areas, which could bring further matters to light. But there are no real grounds to quibble over this definitional point of what it means to conduct a "comprehensive" investigation of an enforcement matter of this type.

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supervision to the enforcement investigation that ultimately concluded in the CFPB's Order and all the results that flowed from its Order. In the meantime, as the staff report acknowledges, the Bureau completed a number of previously scheduled examinations of Wells Fargo during this period that led to substantial corrective actions and consumer redress in a number of other areas.

The staff report further makes the misleading and inaccurate claim that the Bureau failed to cooperate by providing responsive documents to the Committee as requested. The staff report mentions pages of documents for the initial rounds of the Bureau's production – 176 pages and 834 pages, respectively – and contrasts this production with Wells Fargo, which is said to have produced over 140,000 pages of records. In fact, the Bureau's production to date in response to the Committee has totaled over 57,000 pages of records in an effort to comply with the broadly worded requests. In an effort to obscure this substantial response, the staff report complains instead about which documents have been produced and which supposedly have not. One complaint is that the Bureau's production has been redundant of documents received either from Wells Fargo or the OCC, though the same point could be made in reverse, since the investigation of the bank has led to many documents existing in both the Bureau's records and in the records of the bank and the other agency, many of which have likely been produced to the Committee in duplicate or even triplicate. As for whether the Bureau should be producing certain categories of documents rather than others, CFPB staff have consistently and repeatedly sought further guidance from the committee staff about how to narrow and target its inquiries and the appropriate response. We have renewed this request for further guidance again and again, including recently, to no avail. Instead, the staff report simply reiterates again that the CFPB must produce “*all* responsive records” in any way “relating to the CFPB's investigation of Wells Fargo,” without further clarification as to what kinds of records it believes have not been forthcoming. Here again, I renew our willingness to stand ready to work with committee staff to address the proper response to these document requests, if committee staff is willing to do so.

In the end, I am quite proud of the CFPB team that has worked on the Wells Fargo matter, including those who worked with our partners to push forward and complete the enforcement action that resulted in the CFPB's Order comprehensively addressing the issue of improper sales practices. Within about two years of the Bureau reaching steady-state in its staffing and operations, they cracked open and resolved what the staff report correctly stated was “one of the worst banking scandals in years,” after this scandal had already festered for more than fifteen years, including more than ten years before the CFPB was even created. Clearly they have performed a tremendous public service here.

In closing, we will continue to seek ways to cooperate with your oversight requests and to work toward an amicable resolution of any disagreements over what information you are seeking in order to fulfill those functions.

Sincerely,

Richard Cordray  
Director

cc: The Honorable Maxine Waters



1700 G Street NW, Washington, DC 20552

June 9, 2017

The Honorable Jeb Hensarling  
Chairman, Committee on Financial Services  
United States House of Representatives  
2129 Rayburn House Office Building  
Washington, DC 20515

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Similarly, the staff report alleges that it is unable to corroborate my statement that the CFPB "engaged in supervisory activity" of these matters at Wells Fargo prior to May 2015. Again, we seem to have differing interpretations of what is meant by the phrase "supervisory activity." In the staff report, as best I can tell, this phrase appears to be interpreted narrowly to refer only to supervisory activity involving direct contact with Wells Fargo. That is not my understanding of the meaning of this phrase "supervisory activity," which typically involves various kinds of activity prior to an actual examination being conducted at an institution-, and often subsequently as well. The usage in the staff report seems instead to refer only to what I would consider to be an actual "examination" itself. But that does not happen in a vacuum, and typically is the result of various preliminary considerations that occur before any examination can be prioritized and scheduled- and conducted. As the staff report itself indicates, prior to May 2015, the CFPB's regional supervisory staff had made the decision to schedule "an examination of [retail banking sales practices] to commence in 2015." What that means is that we had identified and submitted a Wells Fargo Deposit Account IPL [Individual Product Line] as a proposed examination topic into the Bureau's annual exam prioritization process in the Spring of 2014. Based on various field market intelligence, which included the investigative reports we had seen in the *Los Angeles Times* and a small number of whistleblower reports, regional supervisory staff had evaluated this examination topic as having a 5 (highest) risk rating as justifying supervisory attention. Within the Bureau, the Office of Supervision Policy had concurred that based on this preliminary field market intelligence, Wells Fargo's deposit operations were "high risk" and designated and scheduled an examination of this aspect of the bank's operations, including assigning an examiner-in-chief to head up the supervisory activity in this regard. The staff report notes that there is no evidence that any such examination actually occurred, but that was because

as the situation unfolded with further developments, the Bureau moved its focus beyond supervision to the enforcement investigation that ultimately concluded in the CFPB's Order and all the results that flowed from its Order. In the meantime, as the staff report ~~does~~ acknowledge~~acknowledges~~, the Bureau ~~did complete~~completed a number of previously scheduled examinations of Wells Fargo during this period that led to substantial corrective actions and consumer redress in a number of other areas.

The staff report further makes the misleading and inaccurate claim that the Bureau failed to cooperate by providing responsive documents to the Committee as requested. The staff report mentions pages of documents for the initial round~~rounds~~ of the Bureau's production – 176 pages and 834 pages, respectively – and contrasts this production with Wells Fargo, which is said to have produced over 140,000 pages of records. In fact, the Bureau's production to date in response to the Committee has totaled over 57,000 pages of records in an effort to comply with the broadly worded requests. In an effort to obscure this substantial response, the staff report complains instead about which documents have been produced and which supposedly have not. One complaint is that the Bureau's production has been redundant of documents received either from Wells Fargo or the OCC, though the same point could be made in reverse, since the investigation of the bank has led to many documents existing in both the Bureau's records and in the records of the bank and the other agency, many of which have likely been produced to the Committee in duplicate or even triplicate. As for whether the Bureau should be ~~produce~~producing certain categories of documents rather than others, CFPB staff have consistently and repeatedly sought further guidance from the committee staff about how to narrow and target its inquiries and the appropriate response. We have renewed this request for further guidance again and again, including recently, to no avail. Instead, the staff report simply reiterates again that the CFPB must produce “all responsive records” in any way “relating to the CFPB's investigation of Wells Fargo,” without further clarification as to what kinds of records it believes have not been forthcoming. Here again, I will renew our willingness to stand ready to work with ~~the~~ committee staff to address the proper response to these document requests, if the committee staff is willing to do so.

In the end, I am quite proud of the CFPB team that has worked on the Wells Fargo matter, including those who worked with our partners to push forward and complete the enforcement action that resulted in the CFPB's Order comprehensively addressing the issue of improper sales practices. Within about two years of the Bureau reaching steady-state in its staffing and operations, they cracked open and resolved what the staff report correctly stated was “one of the worst banking scandals in years,” which~~after this scandal~~ had already festered for more than fifteen years, including more than ten years before the CFPB was even created. Clearly they have performed a tremendous public service here.

In closing, we will continue to seek ways to cooperate with your oversight requests and to work toward an amicable resolution of any disagreements over what information you are seeking in order to fulfill those functions.

Sincerely,

Richard Cordray

Director

cc: The Honorable Maxine Waters



**Coleman, John (CFPB)**

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**From:** Coleman, John (CFPB)  
**Sent:** Friday, June 9, 2017 9:35 PM  
**To:** Fulton, Kate (CFPB)  
**Cc:** McLeod, Mary (CFPB); Galicia, Catherine (CFPB); Howard, Jennifer (CFPB); Martinez, Zixta (CFPB); Ehrlich, Jeffrey (CFPB); D'Angelo, Chris (CFPB); Chow, Edwin (CFPB); Szybala, Julia (CFPB); Bressler, Steven (CFPB)  
**Subject:** RE: Wells Documents  
**Attachments:** Letter -- Response to Chairman Hensarling 6.9.17 (JC edits and suggestions).docx

Kate,

Attached are a few edits and comments, mostly noting those assertions I can currently verify and those I cannot verify. I separately sent you Edwin's comments, which I do not believe are inconsistent with mine. Note that because Rich has accelerated the timeline for our review, I have not had the opportunity to run these comments by my colleagues in the Legal Division (who probably have a better handle on the underlying facts and better judgments vis-à-vis interactions with the Committee and its staff). If we proceed along this current path, which I do not recommend (see below), I would strongly urge that we delay an additional few days to ensure a more thorough review of the letter.

In general, this exercise has convinced me (and again, I speak only for myself here) that this approach is unwise. This matter does not appear to have gained traction with the press or the public generally, and even if it were otherwise, it is not clear to me how a letter to Chairman Hensarling would become public. Further, debating the facts pertaining to the lead-up and conduct of our Wells matter presents two significant risks. First, we could say something that is contradicted by various documents that the Committee either already has or will obtain from us or others in the future. In only a few hours and based on a necessarily incomplete understanding of the existing record, I have found a number of instances in which I think we overstate or misstate the record, and I am probably better intentioned than others. Second, it seems especially unwise to assert facts in response to the staff report based on documents that the staff has not yet obtained because (they would say, unfairly I think) we have not complied with the Committee's subpoena. Recall that the threatened contempt proceeding is based not on Rich's statements during the hearing that we had engaged in "supervisory activity" prior to LA's lawsuit and conducted an "independent and comprehensive" investigation, but on our alleged failure to provide documents, particularly internal documents, in response to the subpoena. Reliance on internal documents will, therefore, only highlight that we have not yet provided such documents to the Committee.

Rich's desire to defend the good work of our SEFL colleagues in this matter, as well as his own veracity and integrity, is perfectly understandable. I think it preferable, however, to allow parties other than the Bureau to make these points. And in this regard, I believe the Committee staff's own appendix in combination with other publicly available information provides sufficient basis for them to do so.

Although I would recommend no correspondence from Rich, if it is necessary to send something, I would recommend a much shorter letter that: (1) respectfully disagrees with the staff's characterization of both our investigation of Wells and our response to their subpoena, and (2) pledges to continue our good faith efforts to comply with the subpoena. If necessary, such a letter could even include a brief response to the allegation that Rich misled the Committee by stating at the April hearing that we had engaged in "supervisory activity" prior to LA's lawsuit, by noting (as in the current letter) that supervisory activity includes preliminary work done internally (see, e.g., Exam Manual), and that Rich has always been clear with the Committee that the Bureau's work during 2014 was internal and that we did not contact the institution until the Spring of 2015 (see 9.23.16 Letter at 1 ("Bureau staff continued to assess those issues internally through 2014, and then began directly engaging Wells Fargo in the spring of 2015.")). I am happy to draft such a letter for folks to consider, but will not be able to do so

tonight.

I am happy to discuss further, but will be unavailable until mid-afternoon tomorrow. You should feel free to share this email with Rich tomorrow night, but I didn't do so here because I wanted to give others a chance to disagree, weigh-in, etc.

Best,

John

**From:** RC

**Sent:** Friday, June 09, 2017 3:13 PM

**To:** Coleman, John (CFPB); Chow, Edwin (CFPB)

**Cc:** McLeod, Mary (CFPB); Galicia, Catherine (CFPB); Fulton, Kate (CFPB); Howard, Jennifer (CFPB); Martinez, Zixta (CFPB); Ehrlich, Jeffrey (CFPB); D'Angelo, Chris (CFPB)

**Subject:** Re: Wells Documents

If anyone has any edits to propose on the letter, they are welcome but get them to me by end of day today or Saturday pls

Thx

RC

**From:** RC

**Sent:** Friday, June 09, 2017 11:36 AM

**To:** Coleman, John (CFPB); Chow, Edwin (CFPB)

**Cc:** McLeod, Mary (CFPB); Galicia, Catherine (CFPB); Fulton, Kate (CFPB); Howard, Jennifer (CFPB); Martinez, Zixta (CFPB); Ehrlich, Jeffrey (CFPB); D'Angelo, Chris (CFPB)

**Subject:** FW: Wells Documents

As I work on a responsive letter to the Chairman about the recent staff report, a key point is the document attached here on our supervisory timeline, which contains a chart of events that I am relying on (and that jibes with my own recollection, except that one item not included in the chart but of which I understood myself to be aware at the time of my testimony was that we also had a couple of whistleblower tips on related issues in 2013). The timeframe for sending the letter is urgent, probably as soon as Monday, and so as we do the important work of scrubbing the accuracy of the potential representations I would be making in my letter (a draft of which is also attached), it is important to accomplish all we can on that TODAY thx

RC

**From:** Coleman, John (CFPB)

**Sent:** Wednesday, June 07, 2017 5:48 PM

**To:** RC

**Cc:** McLeod, Mary (CFPB); Galicia, Catherine (CFPB); Fulton, Kate (CFPB); Howard, Jennifer (CFPB)

**Subject:** Wells Documents

Rich,

Per your request, I am attaching several documents and emails related to Wells Fargo:

- 1) Our correspondence with the Committee related to Wells Fargo, which consists of:
  - a. A September 16, 2016 letter from Chairman Hensarling;
  - b. A September 21, 2016 letter from Chairman Hensarling asking that you authorize Bureau staff to disclose CSI;
  - c. A September 22, 2016 letter from you to Chairman Hensarling regarding a further staff briefing;

- d. A September 22, 2016 letter from Chairman Hensarling to you asking you to brief staff the next day;
  - e. A September 23, 2016 letter from you to Chairman Hensarling in response to the previous letter;
  - f. A September 23, 2016 letter from you to Chairman Hensarling responding to the September 16, 2016 information request;
  - g. A November 3, 2016 letter from Chairman Duffy to you requesting complete and additional information;
  - h. A November 10, 2016 response from Catherine Galicia (we provided CIDs and investigational hearing transcripts);
  - i. The April 4, 2017 subpoena seeking, inter alia, "records relating to the sales practices of Wells Fargo Bank" described in our consent order (item 26), and "records relating to the CFPB's 'investigation of Wells Fargo' that is described in" the September 23, 2016 letter;
  - j. Our May 2, 2017 response to the subpoena (see specifically pages 17-18);
  - k. An email from last Thursday, June 1, 2017, concerning the April 4, 2017 subpoena, including the specifications described above.
- 2) Excerpts of the April 5, 2017 testimony transcript related to Wells, as well as the full transcript;
  - 3) A document provided to you as part of your preparation for the April 5, 2017 hearing;
  - 4) A timeline of relevant events prepared by SEFL staff and provided to the Front Office on September 16, 2016. We do not have a record that this previously has been provided to you, but staff who helped you prepare for your September Senate testimony and April House testimony had seen this document, or some version of it; and
  - 5) Correspondence with Wells Fargo related to HFSC requests to Wells for information;

Note that we are continuing to work on a narrative document setting forth our back and forth with the committee on this issue, which will include additional facts not included in the formal written correspondence. We will share that with you as soon as it's ready.

Best,

John



1700 G Street NW, Washington, DC 20552

June 9, 2017

The Honorable Jeb Hensarling  
Chairman, Committee on Financial Services  
United States House of Representatives  
2129 Rayburn House Office Building  
Washington, DC 20515

Dear Chairman Hensarling:

I am writing to correct the record in various respects concerning the Committee staff report issued earlier this week. To begin with, it is unclear to me what the official status of the staff report may be, given that on the front page an explicit disclaimer is provided – which I do not recall ever seeing before – that the report “has not been officially adopted by the Committee on Financial Services and may not necessarily reflect the views of its Members.” I also understand that the staff report was not shared in any way with the Ranking Member, or perhaps any other committee members, before it was released.

The staff report purports to follow up on a “comprehensive investigation” that the Committee had launched last September into two specific questions: “(1) how and why Wells Fargo allowed these fraudulent activities to occur at a disturbing scale across the Bank for well over a decade; and (2) whether or not federal financial regulators were effective in detecting and remedying Wells Fargo’s fraudulent branch sales practices.” As the staff report notes, the Wells Fargo practices at issue here – “the practice of defrauding customers by opening millions of unneeded, and at times, unauthorized bank accounts” – appear to have dated back at least to May 2001.

Comment [JRCL1]: I suggest cutting this portion of the letter. First, the official status of the committee report seems fairly irrelevant now, given the public statements of Chairman Hensarling. Second, these seem like minor points to include at the outset of the letter.

*The Original Focus of the Committee Investigation*

~~This Last~~ week’s staff report devotes no time or effort whatsoever to addressing the first question, of how and why Wells Fargo allowed these fraudulent activities to occur at a disturbing scale across the Bank for well over a decade. In this respect, it is notable that the Consumer Financial Protection Bureau did not even open its doors until July 2011, more than ten years after these activities commenced, and did not reach a steady-state in staffing and operations until 2013 or 2014. During that entire time before the inception of the Consumer Bureau, nothing occurred to address or halt any of Wells Fargo’s fraudulent practices.

Nor does the staff report devote any time or effort to addressing the key part of the second question, of whether or not federal financial regulators were effective in remedying Wells Fargo’s fraudulent branch sales practices. Of course, the actual effect of these practices on consumers – and whether they have now been finally stopped at Wells Fargo, as well as whether any similar practices have occurred or will be occurring in the future at any other banks or financial companies – has been the focus of the work done by the Consumer Financial Protection

Bureau, in conjunction with its partners in this matter, the Los Angeles City Attorney's office and the Office of the Comptroller of the Currency.

Although the staff report never quite manages to say so, the work we and our partners have done and are doing in this matter has now halted and remedied Wells Fargo's fraudulent practices. The investigation we jointly conducted led to the entry of orders – including the CFPB's Order dated-issued on September 48, 2016 – that publicly exposed and detailed these practices for the first time. As the staff report notes, it was only at that point that “the world learned of one of the worst banking scandals in years.” The public orders, which culminated our joint efforts to identify, diagnose, and address what exactly had occurred, led immediately to considerable follow-on activity by Congress, other federal officials and agencies, and other public officials around the country that continue to reverberate to this day.

In addition, our resolution of these matters is proving effective in remedying Wells Fargo's fraudulent practices. That resolution, as embodied in the CFPB's Order, covers four areas. First, the 26-page Order itself publicly exposes and details the wrongdoing that occurred, so that it can be known and understood by the public and by other public officials. No other allegations or accounts of what happened carry the same authoritative status as the terms of this Order – and those reached by our partners – based as they are on the results of our joint investigation into these matters. The CFPB's Order, in fact, has been the impetus to the first congressional hearings on these matters in both the Senate and the House.

Second, the CFPB's Order specifies that Wells Fargo must halt these fraudulent practices and put in place a detailed compliance regimen to ensure they cannot happen again. The details of this preventive relief include: (1) conduct-a provisions directed at Wells Fargo and its “officers, agents, servants, employees, and attorneys” to prevent any further improper sales practices; (2) the installation of an independent consultant to ensure that Wells Fargo's policies and procedures will now forestall any such conduct in the future, including training, monitoring, evaluation of sales goals, and development of a specific compliance plan; (3) provisions addressing the role of the Wells Fargo Board of Directors to be actively engaged in ensuring compliance with the terms of the Order, including timely reporting by management and timely and appropriate corrective action to remedy any deficiencies; (4) recordkeeping and reporting requirements to the Bureau; and (5) ongoing requirements to maintain cooperation and compliance with the Bureau as Wells Fargo implements the terms of the Order. The staff report never suggests that these provisions do not effectively remedy Wells Fargo's improper practices.

Third, the CFPB's Order requires Wells Fargo to make individual consumers whole for the harm they may have sustained as a result of the improper practices. This requirement is described and effectuated in the Order, which requires retention of an independent consulting firm to identify and provide redress to all affected consumers; development and submission to the CFPB of a written plan detailing the steps, recommendations, deadlines, and timeframes as outlined in the redress plan; procedures for locating, notifying, and compensating affected consumers; and the involvement of Wells Fargo's Internal Audit department in ensuring that consumer redress is carried out as specified. The staff report never suggests that these provisions do not effectively provide redress to harmed consumers.

Fourth, the CFPB's Order imposed a civil monetary penalty of \$100 million on Wells Fargo for the improper sales practices as specified in the Order. This is by far the largest civil monetary

**Comment [JRC2]:** Just note that this assertion is arguable given the LA Times stories, the City of LA's complaint. See, e.g., E. Scott Reckard, *Wells Fargo Accuses Workers of Opening Fake Accounts to Meet Goals*, L.A. Times, Oct. 3, 2013, <http://articles.latimes.com/2013/oct/03/business/la-fi-1004-wells-fargo-firings-20131004>; E. Scott Reckard, *Wells Fargo's Pressure-Cooker Sales Culture Comes at a Cost*, L.A. Times, Dec. 21, 2013, <http://www.latimes.com/business/la-fi-wells-fargo-sale-pressure-20131222-story.html>; <http://www.latimes.com/business/la-fi-wells-fargo-suit-20150505-story.html>; [http://assets.bwbx.io/documents/users/iqjWHBFdfxIU/rPxi\\_pVaKx2Y/v0](http://assets.bwbx.io/documents/users/iqjWHBFdfxIU/rPxi_pVaKx2Y/v0).

In this respect, note that the decision memo for this matter states: “[T]he bank's wrongdoing was publicly exposed in late 2013, when a series of Los Angeles Times articles discussed the bank's “pressure-cooker sales culture.” Decision Memo at 7.

**Comment [JRC3]:** See comment JRC2

**Comment [JRC4]:** Legal cannot yet substantiate this statement, which would require access to the redress plan, independent consultant reports, etc., submitted to SEFL.

**Comment [JRC5]:** Again, the public was aware of Wells' conduct prior to the issuance of our order because of LA Times and LA City Attorney's suit.

**Comment [JRC6]:** This is arguable. The Board Report is 113 pages long and was based on 100 interviews and the review of 35 million documents. See Board Report at 2, available at <https://www.wellsfargo.com/assets/pdf/about/investor-relations/presentations/2017/board-report.pdf>.

**Comment [JRC7]:** Wouldn't it be all three orders?

**Comment [JRC8]:** The order contains a single provision (not provisions) directing these individuals not to engage in UDAAPs with respect to sales practices.

penalty that the Bureau has imposed on any party in its history. This penalty was in addition to further penalties imposed by the Los Angeles City Attorney's office and the OCC. The amount of the penalty assessed by the Bureau was determined by taking into account the statutory factors for calculating such penalties set out in 12 U.S.C. 5565(c)(3), which include the state of mind of the offender, the gravity of the violation, the severity of the risks to or losses of the consumer, which may take into account the number of products or services sold or provided, and such other matters as justice shall require, which typically involves considerations about the deterrence of future violations. The staff report does not take issue with the amounts of the penalties imposed in this matter.

**Comment [JRC9]:** This is true, but note that this statement may prompt a request for our decision memo in this case. That memo begins by stating: "We opened this matter in March following media reports and a lawsuit by the Los Angeles City Attorney (LA) alleging that Wells Fargo employees opened accounts for consumers or signed them up for additional products without their consent . . ."

The remaining portion of the questions that are the stated focus of the Committee's investigation is whether the federal financial regulators were effective in detecting Wells Fargo's fraudulent branch sales practices. Again, at the outset the staff report acknowledges that these practices went on for at least a decade before the Bureau even was created at all, and even longer before the Bureau reached steady-state in staffing and operations. And the staff report implicitly recognizes that the CFPB, in conjunction with its partners, has now both detected and remedied the violations that occurred as a result of these practices.

#### *The Bureau's Cooperation with the Committee*

Nonetheless, the bulk of the staff report does not focus on any of the above issues, and instead devolves into various misstatements and allegations about the extent of the Bureau's cooperation with its investigation. I am writing in part to correct the record on these particular points.

The first area concerns the claim made in the staff report that "the CFPB has not cooperated with the Committee's investigation to date." The insinuation is that the Bureau, and I myself, refused to brief the committee staff about the CFPB's work on these matters. Nothing could be further from the truth, and the staff report selectively mentions only some of the communications back and forth on this issue. As the staff report notes, CFPB representatives were first asked to brief the committee staff about these matters on September 20, 2016, and they did so. (The staff report misstates the date of this briefing, which it incorrectly states as September 21.) During the briefing, certain questions were asked that sought information about certain supervisory matters on which the CFPB representatives were unsure they had the authority to respond. They thus indicated they would seek such authority and report back. The next day, September 21, you sent me a letter asking for a second briefing from CFPB representatives with authority to answer such questions. Although the staff report never mentions it, on the following day, September 22, I responded to you in a letter and agreed that CFPB representatives would provide the requested follow-up briefing the next day, September 23. At the close of business on September 22, however, you sent me yet another letter stating that the Committee now no longer wanted to receive the requested follow-up briefing.

Although again the staff report never mentions it, CFPB representatives did in fact continue to offer to provide – and did provide – that follow-up briefing on September 23. Minority committee staff attended, but the majority committee staff declined to attend, even though they did not indicate that they were unavailable to do so. The majority committee staff never scheduled any further follow-up briefing with CFPB representatives, who remained – and continue to remain – available at any time to address any further questions.

**Comment [JRC10]:** Note that this offer might lead to subpoenas of Bureau staff for deposition testimony.

Instead, as noted in the staff report, a hurried exchange of letters occurred between yourself and myself about an upcoming hearing on these matters in front of the Committee, which was prompting the requests for these briefings. As you were aware, I had agreed to testify publicly before the Senate Banking Committee on these same issues involving the Wells Fargo matter. Along with Wells Fargo CEO John Stumpf, the Comptroller, and a representative from the Los Angeles City Attorney's office, I did testify in the Senate on September 20, 2016. In that hearing, I answered all of their questions regarding Wells Fargo's sales practices and our investigation and resolution of those matters.

I was aware that your Committee was planning to hold a similar hearing, and I assumed that I and others would be asked to testify at that hearing as well. Indeed, I offered to do so on multiple occasions – including in my letters to you dated September 22 and September 23 – but you were not willing to agree to have me testify publicly. On the same day as my Senate testimony, the initial briefing with the House committee staff occurred. At the close of business on September 22, you sent me a letter asking me to come and give a non-public briefing to committee staff the next day, but on that late notice I was unavailable to do so (though, as I have noted above, CFPB representatives were available to do so and did in fact brief the committee minority staff, though the committee majority staff refused to attend that briefing). I did reiterate, however, my willingness to testify publicly in front of the Committee at the hearing to be held the following week. Again, you declined to have me testify publicly, and that hearing occurred on September 29, where only Wells Fargo CEO John Stumpf was permitted to testify.

My first opportunity to address any of the Wells Fargo issues before the Committee occurred in my required testimony on our Semi-Annual Report, which occurred on April 5, 2017. The staff report also suggests two areas of potential disagreement around interpretations of my testimony, and I am glad to have the chance to correct the record on those areas of potential disagreement.

First, the staff report indicates an inability to corroborate my statement that the CFPB conducted an “independent and comprehensive” investigation of the Wells Fargo sales practices. The potential disagreement here seems to stem from differing interpretations of the terms “independent” and “comprehensive.” As I see it, we worked closely together with our partners, the Los Angeles City Attorney's office and the OCC, to ascertain the facts and reach a resolution of the issues involved. So we were not operating “independently” in the sense that we would be operating in other cases where we would be the lone government enforcement actor involved. Nonetheless, we had an obligation, which we fulfilled, to make our own independent judgment about the underlying facts and whether they could be sufficiently verified and documented for purposes of either filing a complaint or framing an order. And we did that.

In particular, we contributed importantly to the joint investigation in several ways. First, we were able to exercise our authority to issue Civil Investigative Demands for documents from Wells Fargo, documents that were essential to the investigation and that were only obtained through our CIDs. All of this information about the investigation has been provided to the Committee. Second, we were able to take the only sworn testimony in the investigation, based on our authority to conduct **administrative-investigational** hearings – akin to depositions – of Wells Fargo officials. That information has also been provided to the Committee. Third, we were able to broaden the scope of the matter and the relief sought and obtained beyond the boundaries of the State of California, which was the outer limit on the relief that could be secured by the Los Angeles City Attorney's office based on its claims brought under state law.

Comment [JRC11] : We cannot confirm this.

Comment [JRC12] : We refer to these as investigational hearings. See 12 CFR 1080.7.

Comment [JRC13] : We cannot confirm this statement, particularly w/r/t injunctive relief.

Our ability to investigate and establish violations of federal law was essential to securing nationwide relief through the enforcement action and the CFPB's Order.

**Comment [JRC14] :** Note that the implication here is that the OCC would have done nothing without us.

In all of these respects, we conducted our inquiries independently to satisfy our obligation to determine that Wells Fargo had in fact violated federal law, and had in fact opened millions of deposit and credit card accounts without the knowledge or consent of consumers. In doing so, we relied where possible on work done by our partners as well, which was excellent work and crucial to the success of the joint investigation. It would not have made any sense for us to repeat the same work done by others, as long as we satisfied our own independent obligation to ascertain, verify, and document the facts and to determine that violations of federal law had occurred which had harmed consumers.

**Comment [JRC15] :** On this point, my understanding is that we relied exclusively on Wells Fargo's internal audit. See Decision Memo at 3 & n.3 (referencing Wells Fargo's admission, and its internal audit); see also Consent Order ¶ 16 ("Respondent's analysis concluded that its employees opened 1,534,280 deposit accounts"); *id.* at ¶ 23 ("Respondent's analysis concluded that its employees submitted applications for 565,443 credit-card accounts...").

As to whether our investigation was "comprehensive," in my mind it was in the sense that it thoroughly canvassed the factual and legal issues at stake in the enforcement investigation, which concerned Wells Fargo's fraudulent sales practices, their effects on consumers, the consequent violations of the law, and the imposition of legal relief sufficient to remedy past violations and prevent future violations. Obviously, other work remains on-going to this day, as the terms of the CFPB's Order contemplated by installing an independent consultant as a monitor and ensuring continuing reporting of the implementation of compliance plans. We also have consulted with other public officials about further work they may be undertaking in this and related areas, which could bring further matters to light. But there are no real grounds to quibble over this definitional point of what it means to conduct a "comprehensive" investigation of an enforcement matter of this type.

**Comment [JRC16] :** Note, that we may be asked for evidence of such consultations.

**Comment [JRC17] :** This point could be supported by reference to our Examinations Manual, at "Examinations" pp. 1-3.

**Comment [JRC18] :** This can be put more elegantly, I'm sure, but it has the advantage of being verifiably true and consistent with both our prior representation and their understanding. See 9.23.16 Letter at 1 ("Bureau staff continued to assess those issues internally through 2014, and then began directly engaging Wells Fargo in the spring of 2015.").

Similarly, the staff report alleges that it is unable to corroborate my statement that the CFPB "engaged in supervisory activity" of these matters at Wells Fargo prior to May 2015. Again, we seem to have differing interpretations of what is meant by the phrase "supervisory activity." In the staff report, as best I can tell, this phrase appears to be interpreted narrowly to refer only to supervisory activity involving direct contact with Wells Fargo. That is not my understanding of the meaning of this phrase "supervisory activity," which typically involves various kinds of activity prior to an actual examination being conducted at an institution, and often subsequently as well. The usage in the staff report seems instead to refer only to what I would consider to be an actual "examination" itself. But that does not happen in a vacuum, and typically is the result of various preliminary considerations that occur before any examination can be prioritized and scheduled and conducted. Accordingly, as I noted in my letter of September 23, 2016, the supervisory work we conducted in 2014 was internal to the Bureau. We did not contact the institution directly regarding these practices until the Spring of 2015. As the staff report itself indicates, prior to May 2015, the CFPB's regional supervisory staff had made the decision to schedule "an examination of [retail banking sales practices] to commence in 2015." What that means is that we had identified and submitted a Wells Fargo Deposit Account IPL [Individual Product Line] as a proposed examination topic into the Bureau's annual exam prioritization process in the Spring of 2014. Based on various field market intelligence, which included the investigative reports we had seen in the *Los Angeles Times* and a small number of whistleblower reports, regional supervisory staff had evaluated this examination topic as having a 5 (highest) risk rating as justifying supervisory attention. Within the Bureau, the Office of Supervision Policy had concurred that based on this preliminary field market intelligence, Wells Fargo's deposit operations were "high risk" and designated and scheduled an examination of this aspect of the bank's operations, including assigning an examiner-in-chief to head up the supervisory

**Comment [JRC19] :** This statement appears in the roll-up exam report, which was drafted in 2016. To date, we have the following evidence that predates the LA lawsuit:

- (1) an email to the OCC dated 9.30.14 with our exam schedule for 2015, which includes a line for "deposits" and states in the exam scope notes column: "Compliance with Reg DD & Reg E, especially error resolution."
- (2) an email dated 6.25.14 attaching a spreadsheet with proposed exam events. The spreadsheet contains a row that lists Wells Fargo Deposits exam as a "must."
- (3) a 4.7.14 email from the west region to OSP with a spreadsheet giving Wells Deposits a "5" FMI rating and including the following: "Note: Lots of bad press re: sales culture in branches - setting up multiple accounts to meet sales goals. 4 or 5." ... 1:

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**Comment [JRC21] :** We can confirm the 5 FMI rating, though we cannot confirm what that was based on.

**Comment [JRC22] :** This is confirmed by the 6.19.14 document.



activity in this regard. The staff report notes that there is no evidence that any such examination actually occurred, but that was because as the situation unfolded with further developments, the Bureau moved its focus beyond supervision to the enforcement investigation that ultimately concluded in the CFPB's Order and all the results that flowed from its Order. In the meantime, as the staff report acknowledges, the Bureau completed a number of previously scheduled examinations of Wells Fargo during this period that led to substantial corrective actions and consumer redress in a number of other areas.

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**Comment [JRC24]:** My overall recommendation is to cut this entire paragraph. Although we have received some documents from SEFL to verify some of these assertions (as described more fully above), we would avoid this level of detail until we have completed a more thorough review of the documentation.

In the end, I am quite proud of the CFPB team that has worked on the Wells Fargo matter, including those who worked with our partners to push forward and complete the enforcement action that resulted in the CFPB's Order comprehensively addressing the issue of improper sales practices. Within about two years of the Bureau reaching steady-state in its staffing and operations, they cracked open and resolved what the staff report correctly stated was "one of the worst banking scandals in years," after this scandal had already festered for more than fifteen years, including more than ten years before the CFPB was even created. Clearly they have performed a tremendous public service here.

In closing, we will continue to seek ways to cooperate with your oversight requests and to work toward an amicable resolution of any disagreements over what information you are seeking in order to fulfill those functions.

Sincerely,

Richard Cordray

Director

cc: The Honorable Maxine Waters

This statement appears in the roll-up exam report, which was drafted in 2016. To date, we have the following evidence that predates the LA lawsuit:

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**Fulton, Kate (CFPB)**

---

**From:** Fulton, Kate (CFPB)  
**Sent:** Saturday, June 10, 2017 7:57 PM  
**To:** RC  
**Subject:** Hensarling Response Letter  
**Attachments:** Letter -- Response to Chairman Hensarling 6.9.17 (JC edits and suggestions)  
=EC.docx; RE: Wells Documents.msg

Rich,

So far I have received responses from Edwin, Chris, Mary, and John. The attached incorporates those comments. I am also attaching John's complete email, which Mary weighed in as fully supporting and Chris indicates he largely agrees with, particularly shortening the letter significantly overall. I have not yet heard from EA, and expect to hear more from Jeff tomorrow. All would very much like to meet and discuss again on Monday prior to making any final decision.

I am available if you would like to discuss, and can work with Derek to find time Monday morning if you want to have a meeting.

Thanks,  
Kate



1700 G Street NW, Washington, DC 20552

June 9, 2017

The Honorable Jeb Hensarling  
Chairman, Committee on Financial Services  
United States House of Representatives  
2129 Rayburn House Office Building  
Washington, DC 20515

Dear Chairman Hensarling:

I am writing to correct the record in various respects concerning the Committee staff report issued earlier this week. To begin with, it is unclear to me what the official status of the staff report may be, given that on the front page an explicit disclaimer is provided – which I do not recall ever seeing before – that the report “has not been officially adopted by the Committee on Financial Services and may not necessarily reflect the views of its Members.” I also understand that the staff report was not shared in any way with the Ranking Member, or perhaps any other committee members, before it was released.

Comment [JRC1] : I suggest cutting this portion of the letter. First, the official status of the committee report seems fairly irrelevant now, given the public statements of Chairman Hensarling. Second, these seem like minor points to include at the outset of the letter.

The staff report purports to follow up on a “comprehensive investigation” that the Committee had launched last September into two specific questions: “(1) how and why Wells Fargo allowed these fraudulent activities to occur at a disturbing scale across the Bank for well over a decade; and (2) whether or not federal financial regulators were effective in detecting and remedying Wells Fargo’s fraudulent branch sales practices.” As the staff report notes, the Wells Fargo practices at issue here – “the practice of defrauding customers by opening millions of unneeded, and at times, unauthorized bank accounts” – appear to have dated back at least to May 2001.

*The Original Focus of the Committee Investigation*

~~This Last~~ week’s staff report devotes no time or effort whatsoever to addressing the first question, of how and why Wells Fargo allowed these fraudulent activities to occur at a disturbing scale across the Bank for well over a decade. In this respect, it is notable that the Consumer Financial Protection Bureau did not even open its doors until July 2011, more than ten years after these activities commenced, and did not reach a steady-state in staffing and operations until 2013 or 2014. During that entire time before the inception of the Consumer Bureau, nothing occurred to address or halt any of Wells Fargo’s fraudulent practices.

Nor does the staff report devote any time or effort to addressing the key part of the second question, of whether or not federal financial regulators were effective in remedying Wells Fargo’s fraudulent branch sales practices. Of course, the actual effect of these practices on consumers – and whether they have now been finally stopped at Wells Fargo, as well as whether any similar practices have occurred or will be occurring in the future at any other banks or financial companies – has been the focus of the work done by the Consumer Financial Protection

Bureau, in conjunction with its partners in this matter, the Los Angeles City Attorney's office and the Office of the Comptroller of the Currency.

Although the staff report never quite manages to say so, the work we and our partners have done and are doing in this matter has now halted and remedied Wells Fargo's fraudulent practices. The investigation we jointly conducted led to the entry of orders – including the CFPB's Order dated-issued on September 48, 2016 – that publicly exposed and detailed the breadth/extent of these practices for the first time. As the staff report notes, it was only at that point that “the world learned of one of the worst banking scandals in years.” The public orders, which culminated our joint efforts to identify, diagnose, and address what exactly had occurred, led immediately to considerable follow-on activity by Congress, other federal officials and agencies, and other public officials around the country that continue to reverberate to this day.

In addition, our resolution of these matters is proving effective in remedying Wells Fargo's fraudulent practices. That resolution, as embodied in the CFPB's Order, covers four areas. First, the 26-page Order itself publicly exposes and details the wrongdoing that occurred, so that it can be known and understood by the public and by other public officials. No other allegations or accounts of what happened carry the same authoritative status as the terms of this Order – and those reached by our partners – based as they are on the results of our joint investigation into these matters. The CFPB's Order, in fact, has been the impetus to the first congressional hearings on these matters in both the Senate and the House.

Second, the CFPB's Order specifies that Wells Fargo must halt these fraudulent practices and put in place a detailed compliance regimen to ensure they cannot happen again. The details of this preventive relief include: (1) ~~conduct-a~~ provisions directed at Wells Fargo and its “officers, agents, servants, employees, and attorneys” to prevent any further improper sales practices; (2) the installation of an independent consultant to ensure that Wells Fargo's policies and procedures will now forestall any such conduct in the future, including training, monitoring, evaluation of sales goals, and development of a specific compliance plan; (3) provisions addressing the role of the Wells Fargo Board of Directors to be actively engaged in ensuring compliance with the terms of the Order, including timely reporting by management and timely and appropriate corrective action to remedy any deficiencies; (4) recordkeeping and reporting requirements to the Bureau; and (5) ongoing requirements to maintain cooperation and compliance with the Bureau as Wells Fargo implements the terms of the Order. The staff report never suggests that these provisions do not effectively remedy Wells Fargo's improper practices.

Third, the CFPB's Order requires Wells Fargo to make individual consumers whole for the harm they may have sustained as a result of the improper practices. This requirement is described and effectuated in the Order, which requires retention of an independent consulting firm to identify and provide redress to all affected consumers; development and submission to the CFPB of a written plan detailing the steps, recommendations, deadlines, and timeframes as outlined in the redress plan; procedures for locating, notifying, and compensating affected consumers; and the involvement of Wells Fargo's Internal Audit department in ensuring that consumer redress is carried out as specified. The staff report never suggests that these provisions do not effectively provide redress to harmed consumers.

Fourth, the CFPB's Order imposed a civil monetary penalty of \$100 million on Wells Fargo for the improper sales practices as specified in the Order. This is by far the largest civil monetary

Comment [RMP2] : Edwin suggests changing to “are designed to halt and remedy”

Comment [RMP3] : Edwin's suggested edit

Comment [JRC4] : Just note that this assertion is arguable given the LA Times stories, the City of LA's complaint - See, e.g., E Scott Reckard, *Wells Fargo Accuses Workers of Opening Fake Accounts to Meet Goals*, L.A. Times, Oct 3, 2013, <http://articles.latimes.com/2013/oct/03/business/la-fi-1004-wells-fargo-firings-20131004>; E Scott Reckard, *Wells Fargo's Pressure-Cooker Sales Culture Comes at a Cost*, L.A. Times, Dec 21, 2013, <http://www.latimes.com/business/la-fi-wells-fargo-sale-pressure-20131222-story.html> <http://www.latimes.com/business/la-fi-wells-fargo-suit-20150505-story.html> [https://assets.bwbx.io/documents/users/iqjWHBFdxiU/rPxi\\_pVaKx2Y/v0](https://assets.bwbx.io/documents/users/iqjWHBFdxiU/rPxi_pVaKx2Y/v0)

In this respect, note that the decision memo for this matter states: “[T]he bank's wrongdoing was publicly exposed in late 2013, when a series of Los Angeles Times articles discussed the bank's “pressure-cooker sales culture” Decision Memo at 7

Comment [JRC5] : See comment JRC2

Comment [JRC6] : Legal cannot yet substantiate this statement, which would require access to the redress plan, independent consultant reports, etc , submitted to SEFL

Comment [JRC7] : Again, the public was aware of Wells' conduct prior to the issuance of our order because of LA Times and LA City Attorney's suit

Comment [JRC8] : This is arguable The Board Report is 113 pages long and was based on 100 interviews and the review of 35 million documents See Board Report at 2, available at <https://www.wellsfargo.com/assets/pdf/about/investor-relations/presentations/2017/board-report.pdf>

Comment [JRC9] : Wouldn't it be all three orders?

Comment [JRC10] : The order contains a single provision (not provisions) directing these individuals not to engage in UDAAPs with respect to sales practices

penalty that the Bureau has imposed on any party in its history. This penalty was in addition to further penalties imposed by the Los Angeles City Attorney's office and the OCC. The amount of the penalty assessed by the Bureau was determined by taking into account the statutory factors for calculating such penalties set out in 12 U.S.C. 5565(c)(3), which include the state of mind of the offender, the gravity of the violation, the severity of the risks to or losses of the consumer, which may take into account the number of products or services sold or provided, and such other matters as justice shall require, which typically involves considerations about the deterrence of future violations. The staff report does not take issue with the amounts of the penalties imposed in this matter.

Comment [JRC11]: This is true, but note that this statement may prompt a request for our decision memo in this case. That memo begins by stating: "We opened this matter in March following media reports and a lawsuit by the Los Angeles City Attorney (LA) alleging that Wells Fargo employees opened accounts for consumers or signed them up for additional products without their consent."

The remaining portion of the questions that are the stated focus of the Committee's investigation is whether the federal financial regulators were effective in detecting Wells Fargo's fraudulent branch sales practices. Again, at the outset the staff report acknowledges that these practices went on for at least a decade before the Bureau even was created at all, and even longer before the Bureau reached steady-state in staffing and operations. And the staff report implicitly recognizes that the CFPB, in conjunction with its partners, has now both detected and remedied the violations that occurred as a result of these practices.

#### *The Bureau's Cooperation with the Committee*

Nonetheless, the bulk of the staff report does not focus on any of the above issues, and instead devolves into various misstatements and allegations about the extent of the Bureau's cooperation with its investigation. I am writing in part to correct the record on these particular points.

The first area concerns the claim made in the staff report that "the CFPB has not cooperated with the Committee's investigation to date." The insinuation is that the Bureau, and I myself, refused to brief the committee staff about the CFPB's work on these matters. Nothing could be further from the truth, and the staff report selectively mentions only some of the communications back and forth on this issue. As the staff report notes, CFPB representatives were first asked to brief the committee staff about these matters on September 20, 2016, and they did so. (The staff report misstates the date of this briefing, which it incorrectly states as September 21.) During the briefing, certain questions were asked that sought information about certain supervisory matters on which the CFPB representatives were unsure they had the authority to respond. They thus indicated they would seek such authority and report back. The next day, September 21, you sent me a letter asking for a second briefing from CFPB representatives with authority to answer such questions. Although the staff report never mentions it, on the following day, September 22, I responded to you in a letter and agreed that CFPB representatives would provide the requested follow-up briefing the next day, September 23. At the close of business on September 22, however, you sent me yet another letter stating that the Committee now no longer wanted to receive the requested follow-up briefing.

Although again the staff report never mentions it, CFPB representatives did in fact continue to offer to provide – and did provide – that follow-up briefing on September 23. Minority committee staff attended, but the majority committee staff declined to attend, even though they did not indicate that they were unavailable to do so. The majority committee staff never scheduled any further follow-up briefing with CFPB representatives, who remained – and continue to remain – available at any time to address any further questions.

Comment [JRC12]: Note that this offer might lead to subpoenas of Bureau staff for deposition testimony.

Instead, as noted in the staff report, a hurried exchange of letters occurred between yourself and myself about an upcoming hearing on these matters in front of the Committee, which was prompting the requests for these briefings. As you were aware, I had agreed to testify publicly before the Senate Banking Committee on these same issues involving the Wells Fargo matter. Along with Wells Fargo CEO John Stumpf, the Comptroller, and a representative from the Los Angeles City Attorney’s office, I did testify in the Senate on September 20, 2016. In that hearing, I answered all of their questions regarding Wells Fargo’s sales practices and our investigation and resolution of those matters.

I was aware that your Committee was planning to hold a similar hearing, and I assumed that I and others would be asked to testify at that hearing as well. Indeed, I offered to do so on multiple occasions – including in my letters to you dated September 22 and September 23 – but you were not willing to agree to have me testify publicly. On the same day as my Senate testimony, the initial briefing with the House committee staff occurred. At the close of business on September 22, you sent me a letter asking me to come and give a non-public briefing to committee staff the next day, but on that late notice I was unavailable to do so (though, as I have noted above, CFPB representatives were available to do so and did in fact brief the committee minority staff, though the committee majority staff refused to attend that briefing). I did reiterate, however, my willingness to testify publicly in front of the Committee at the hearing to be held the following week. Again, you declined to have me testify publicly, and that hearing occurred on September 29, where only Wells Fargo CEO John Stumpf was permitted to testify.

My first opportunity to address any of the Wells Fargo issues before the Committee occurred in my required testimony on our Semi-Annual Report, which occurred on April 5, 2017. The staff report also suggests two areas of potential disagreement around interpretations of my testimony, and I am glad to have the chance to correct the record on those areas of potential disagreement.

First, the staff report indicates an inability to corroborate my statement that the CFPB conducted an “independent and comprehensive” investigation of the Wells Fargo sales practices. The potential disagreement here seems to stem from differing interpretations of the terms “independent” and “comprehensive.” As I see it, we worked closely together with our partners, the Los Angeles City Attorney’s office and the OCC, to ascertain the facts and reach a resolution of the issues involved. So we were not operating “independently” in the sense that we would be operating in other cases where we would be the lone government enforcement actor involved. Nonetheless, we had an obligation, which we fulfilled, to make our own independent judgment about the underlying facts and whether they could be sufficiently verified and documented for purposes of either filing a complaint or framing an order. And we did that.

In particular, we contributed importantly to the joint investigation in several ways. First, we were able to exercise our authority to issue Civil Investigative Demands for documents from Wells Fargo, documents that were essential to the investigation and that were only obtained through our CIDs. All of this information about the investigation has been provided to the Committee. Second, we were able to take the only sworn testimony in the investigation, based on our authority to conduct administrative investigational hearings – akin to depositions – of Wells Fargo officials. That information has also been provided to the Committee. Third, we were able to broaden the scope of the matter and the relief sought and obtained beyond the boundaries of the State of California, which was the outer limit on the relief that could be secured by the Los Angeles City Attorney’s office based on its claims brought under state law.

Comment [JRC13] : We cannot confirm this

Comment [JRC14] : We refer to these as investigational hearings See 12 CFR 1080.7

Comment [JRC15] : We cannot confirm this statement, particularly w/t injunctive relief



Our ability to investigate and establish violations of federal law was essential to securing nationwide relief through the enforcement action and the CFPB's Order.

Comment [JRC16]: Note that the implication here is that the OCC would have done nothing without us

In all of these respects, we conducted our inquiries independently to satisfy our obligation to determine that Wells Fargo had in fact violated federal law, and had in fact opened millions of deposit and credit card accounts without the knowledge or consent of consumers. In doing so, we relied where possible on work done by our partners as well, which was excellent work and crucial to the success of the joint investigation. It would not have made any sense for us to repeat the same work done by others, as long as we satisfied our own independent obligation to ascertain, verify, and document the facts and to determine that violations of federal law had occurred which had harmed consumers.

Comment [JRC17]: On this point, my understanding is that we relied exclusively on Wells Fargo's internal audit. See Decision Memo at 3 & n 3 (referencing Wells Fargo's admission, and its internal audit); see also Consent Order ¶ 16 ("Respondent's analysis concluded that its employees opened 1,534,280 deposit accounts"); *id* at ¶ 23 ("Respondent's analysis concluded that its employees submitted applications for 565,443 credit-card accounts...")

As to whether our investigation was "comprehensive," in my mind it was in the sense that it thoroughly canvassed the factual and legal issues at stake in the enforcement investigation, which concerned Wells Fargo's fraudulent sales practices, their effects on consumers, the consequent violations of the law, and the imposition of legal relief sufficient to remedy past violations and prevent future violations. Obviously, other work remains on-going to this day, as the terms of the CFPB's Order contemplated by installing an independent consultant as a monitor and ensuring continuing reporting of the implementation of compliance plans. We also have consulted with other public officials about further work they may be undertaking in this and related areas, which could bring further matters to light. But there are no real grounds to quibble over this definitional point of what it means to conduct a "comprehensive" investigation of an enforcement matter of this type.

Comment [JRC18]: Note, that we may be asked for evidence of such consultations

Comment [JRC19]: This point could be supported by reference to our Examinations Manual, at "Examinations" pp 1-3

Comment [JRC20]: This can be put more elegantly, I'm sure, but it has the advantage of being verifiably true and consistent with both our prior representation and their understanding. See 9 23 16 Letter at 1 ("Bureau staff continued to assess those issues internally through 2014, and then began directly engaging Wells Fargo in the spring of 2015")

Similarly, the staff report alleges that it is unable to corroborate my statement that the CFPB "engaged in supervisory activity" of these matters at Wells Fargo prior to May 2015. Again, we seem to have differing interpretations of what is meant by the phrase "supervisory activity." In the staff report, as best I can tell, this phrase appears to be interpreted narrowly to refer only to supervisory activity involving direct contact with Wells Fargo. That is not my understanding of the meaning of this phrase "supervisory activity," which typically involves various kinds of activity prior to an actual examination being conducted at an institution, and often subsequently as well. The usage in the staff report seems instead to refer only to what I would consider to be an actual "examination" itself. But that does not happen in a vacuum, and typically is the result of various preliminary considerations that occur before any examination can be prioritized and scheduled and conducted. Accordingly, as I noted in my letter of September 23, 2016, the supervisory work we conducted in 2014 was internal to the Bureau. We did not contact the institution directly regarding these practices until the Spring of 2015. As the staff report itself indicates, prior to May 2015, the CFPB's regional supervisory staff had made the decision to schedule "an examination of [retail banking sales practices] to commence in 2015." What that means is that we had identified and submitted a Wells Fargo Deposit Account IPL [Individual Product Line] as a proposed examination topic into the Bureau's annual exam prioritization process in the Spring of 2014. Based on various field market intelligence, which included the investigative reports we had seen in the *Los Angeles Times* and a small number of whistleblower reports, regional supervisory staff had evaluated this examination topic as having a 5 (highest) risk rating as justifying supervisory attention. Within the Bureau, the Office of Supervision Policy had concurred that based on this preliminary field market intelligence, Wells Fargo's deposit operations were "high risk" and the agency designated and scheduled an examination of this aspect of the bank's operations, including assigning an examiner-in-charge to head up the

Comment [JRC21]: This statement appears in the roll-up exam report, which was drafted in 2016. To date, we have the following evidence that predates the LA lawsuit:

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Comment [JRC22]: Unclear who "we" are submitting the proposed exam topic to at this point. The west region identified the Wells Deposit IPL to HQ, and then we listed...

Comment [RMP23]: Edwin suggests changing to "news articles"

Comment [RMP24]: Edwin recommends striking this reference to whistleblower complaints, which he says were not part of the risk rating

Comment [JRC25]: We can confirm the 5 FMI rating, though we cannot confirm what that was based on

Comment [JRC26]: This is confirmed by the 6 19 14 document

Comment [RMP27]: Edwin's suggested edit

supervisory activity in this regard. The staff report notes that there is no evidence that any such examination actually occurred, but that was because as the situation unfolded with further developments, the Bureau moved its focus beyond supervision to the enforcement investigation that ultimately concluded in the CFPB's Order and all the results that flowed from its Order. In the meantime, as the staff report acknowledges, the Bureau completed a number of previously scheduled examinations of Wells Fargo during this period that led to substantial corrective actions and consumer redress in a number of other areas.

Comment [JRC28]: The scheduling of the exam into Wells' deposit operations is confirmed by the email to the OCC, but we do not have any documentation regarding the assignment of an examiner-in-charge

Comment [JRC29]: My overall recommendation is to cut this entire paragraph. Although we have received some documents from SEFL to verify some of these assertions (as described more fully above), we would avoid this level of detail until we have completed a more thorough review of the documentation

The staff report further makes the misleading and inaccurate claim that the Bureau failed to cooperate by providing responsive documents to the Committee as requested. The staff report mentions pages of documents for the initial rounds of the Bureau's production – 176 pages and 834 pages, respectively – and contrasts this production with Wells Fargo, which is said to have produced over 140,000 pages of records. In fact, the Bureau's production to date in response to the Committee has totaled over 57,000 pages of records in an effort to comply with the broadly worded requests. In an effort to obscure this substantial response, the staff report complains instead about which documents have been produced and which supposedly have not. One complaint is that the Bureau's production has been redundant of documents received either from Wells Fargo or the OCC, though the same point could be made in reverse, since the investigation of the bank has led to many documents existing in both the Bureau's records and in the records of the bank and the other agency, many of which have likely been produced to the Committee in duplicate or even triplicate. As for whether the Bureau should be producing certain categories of documents rather than others, CFPB staff have consistently and repeatedly sought further guidance from the committee staff about how to narrow and target its inquiries and the appropriate response. We have renewed this request for further guidance again and again, including recently, to no avail. Instead, the staff report simply reiterates again that the CFPB must produce "all responsive records" in any way "relating to the CFPB's investigation of Wells Fargo," without further clarification as to what kinds of records it believes have not been forthcoming. Here again, I renew our willingness to stand ready to work with committee staff to address the proper response to these document requests, if committee staff is willing to do so.

In the end, I am quite proud of the CFPB team that has worked on the Wells Fargo matter, including those who worked with our partners to push forward and complete the enforcement action that resulted in the CFPB's Order comprehensively addressing the issue of improper sales practices. Within about two years of the Bureau reaching steady-state in its staffing and operations, they cracked open and resolved what the staff report correctly stated was "one of the worst banking scandals in years," after this scandal had already festered for more than fifteen years, including more than ten years before the CFPB was even created. Clearly they have performed a tremendous public service here.

In closing, we will continue to seek ways to cooperate with your oversight requests and to work toward an amicable resolution of any disagreements over what information you are seeking in order to fulfill those functions.

Sincerely,

Richard Cordray

Director

cc: The Honorable Maxine Waters

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**Coleman, John (CFPB)**

---

**From:** Coleman, John (CFPB)  
**Sent:** Friday, June 9, 2017 9:35 PM  
**To:** Fulton, Kate (CFPB)  
**Cc:** McLeod, Mary (CFPB); Galicia, Catherine (CFPB); Howard, Jennifer (CFPB); Martinez, Zixta (CFPB); Ehrlich, Jeffrey (CFPB); D'Angelo, Chris (CFPB); Chow, Edwin (CFPB); Szybala, Julia (CFPB); Bressler, Steven (CFPB)  
**Subject:** RE: Wells Documents  
**Attachments:** Letter -- Response to Chairman Hensarling 6.9.17 (JC edits and suggestions).docx

Kate,

Attached are a few edits and comments, mostly noting those assertions I can currently verify and those I cannot verify. I separately sent you Edwin's comments, which I do not believe are inconsistent with mine. Note that because Rich has accelerated the timeline for our review, I have not had the opportunity to run these comments by my colleagues in the Legal Division (who probably have a better handle on the underlying facts and better judgments vis-à-vis interactions with the Committee and its staff). If we proceed along this current path, which I do not recommend (see below), I would strongly urge that we delay an additional few days to ensure a more thorough review of the letter.

In general, this exercise has convinced me (and again, I speak only for myself here) that this approach is unwise. This matter does not appear to have gained traction with the press or the public generally, and even if it were otherwise, it is not clear to me how a letter to Chairman Hensarling would become public. Further, debating the facts pertaining to the lead-up and conduct of our Wells matter presents two significant risks. First, we could say something that is contradicted by various documents that the Committee either already has or will obtain from us or others in the future. In only a few hours and based on a necessarily incomplete understanding of the existing record, I have found a number of instances in which I think we overstate or misstate the record, and I am probably better intentioned than others. Second, it seems especially unwise to assert facts in response to the staff report based on documents that the staff has not yet obtained because (they would say, unfairly I think) we have not complied with the Committee's subpoena. Recall that the threatened contempt proceeding is based not on Rich's statements during the hearing that we had engaged in "supervisory activity" prior to LA's lawsuit and conducted an "independent and comprehensive" investigation, but on our alleged failure to provide documents, particularly internal documents, in response to the subpoena. Reliance on internal documents will, therefore, only highlight that we have not yet provided such documents to the Committee.

Rich's desire to defend the good work of our SEFL colleagues in this matter, as well as his own veracity and integrity, is perfectly understandable. I think it preferable, however, to allow parties other than the Bureau to make these points. And in this regard, I believe the Committee staff's own appendix in combination with other publicly available information provides sufficient basis for them to do so.

Although I would recommend no correspondence from Rich, if it is necessary to send something, I would recommend a much shorter letter that: (1) respectfully disagrees with the staff's characterization of both our investigation of Wells and our response to their subpoena, and (2) pledges to continue our good faith efforts to comply with the subpoena. If necessary, such a letter could even include a brief response to the allegation that Rich misled the Committee by stating at the April hearing that we had engaged in "supervisory activity" prior to LA's lawsuit, by noting (as in the current letter) that supervisory activity includes preliminary work done internally (see, e.g., Exam Manual), and that Rich has always been clear with the Committee that the Bureau's work during 2014 was internal and that we did not contact the institution until the Spring of 2015 (see 9.23.16 Letter at 1 ("Bureau staff continued to assess those issues internally through 2014, and then began directly engaging Wells Fargo in the spring of 2015.")). I am happy to draft such a letter for folks to consider, but will not be able to do so

tonight.

I am happy to discuss further, but will be unavailable until mid-afternoon tomorrow. You should feel free to share this email with Rich tomorrow night, but I didn't do so here because I wanted to give others a chance to disagree, weigh-in, etc.

Best,

John

**From:** RC

**Sent:** Friday, June 09, 2017 3:13 PM

**To:** Coleman, John (CFPB); Chow, Edwin (CFPB)

**Cc:** McLeod, Mary (CFPB); Galicia, Catherine (CFPB); Fulton, Kate (CFPB); Howard, Jennifer (CFPB); Martinez, Zixta (CFPB); Ehrlich, Jeffrey (CFPB); D'Angelo, Chris (CFPB)

**Subject:** Re: Wells Documents

If anyone has any edits to propose on the letter, they are welcome but get them to me by end of day today or Saturday pls

Thx

RC

**From:** RC

**Sent:** Friday, June 09, 2017 11:36 AM

**To:** Coleman, John (CFPB); Chow, Edwin (CFPB)

**Cc:** McLeod, Mary (CFPB); Galicia, Catherine (CFPB); Fulton, Kate (CFPB); Howard, Jennifer (CFPB); Martinez, Zixta (CFPB); Ehrlich, Jeffrey (CFPB); D'Angelo, Chris (CFPB)

**Subject:** FW: Wells Documents

As I work on a responsive letter to the Chairman about the recent staff report, a key point is the document attached here on our supervisory timeline, which contains a chart of events that I am relying on (and that jibes with my own recollection, except that one item not included in the chart but of which I understood myself to be aware at the time of my testimony was that we also had a couple of whistleblower tips on related issues in 2013). The timeframe for sending the letter is urgent, probably as soon as Monday, and so as we do the important work of scrubbing the accuracy of the potential representations I would be making in my letter (a draft of which is also attached), it is important to accomplish all we can on that TODAY thx

RC

**From:** Coleman, John (CFPB)

**Sent:** Wednesday, June 07, 2017 5:48 PM

**To:** RC

**Cc:** McLeod, Mary (CFPB); Galicia, Catherine (CFPB); Fulton, Kate (CFPB); Howard, Jennifer (CFPB)

**Subject:** Wells Documents

Rich,

Per your request, I am attaching several documents and emails related to Wells Fargo:

- 1) Our correspondence with the Committee related to Wells Fargo, which consists of:
  - a. A September 16, 2016 letter from Chairman Hensarling;
  - b. A September 21, 2016 letter from Chairman Hensarling asking that you authorize Bureau staff to disclose CSI;
  - c. A September 22, 2016 letter from you to Chairman Hensarling regarding a further staff briefing;

- d. A September 22, 2016 letter from Chairman Hensarling to you asking you to brief staff the next day;
  - e. A September 23, 2016 letter from you to Chairman Hensarling in response to the previous letter;
  - f. A September 23, 2016 letter from you to Chairman Hensarling responding to the September 16, 2016 information request;
  - g. A November 3, 2016 letter from Chairman Duffy to you requesting complete and additional information;
  - h. A November 10, 2016 response from Catherine Galicia (we provided CIDs and investigational hearing transcripts);
  - i. The April 4, 2017 subpoena seeking, inter alia, "records relating to the sales practices of Wells Fargo Bank" described in our consent order (item 26), and "records relating to the CFPB's 'investigation of Wells Fargo' that is described in" the September 23, 2016 letter;
  - j. Our May 2, 2017 response to the subpoena (see specifically pages 17-18);
  - k. An email from last Thursday, June 1, 2017, concerning the April 4, 2017 subpoena, including the specifications described above.
- 2) Excerpts of the April 5, 2017 testimony transcript related to Wells, as well as the full transcript;
  - 3) A document provided to you as part of your preparation for the April 5, 2017 hearing;
  - 4) A timeline of relevant events prepared by SEFL staff and provided to the Front Office on September 16, 2016. We do not have a record that this previously has been provided to you, but staff who helped you prepare for your September Senate testimony and April House testimony had seen this document, or some version of it; and
  - 5) Correspondence with Wells Fargo related to HFSC requests to Wells for information;

Note that we are continuing to work on a narrative document setting forth our back and forth with the committee on this issue, which will include additional facts not included in the formal written correspondence. We will share that with you as soon as it's ready.

Best,

John



1700 G Street NW, Washington, DC 20552

June 9, 2017

The Honorable Jeb Hensarling  
Chairman, Committee on Financial Services  
United States House of Representatives  
2129 Rayburn House Office Building  
Washington, DC 20515

Dear Chairman Hensarling:

I am writing to correct the record in various respects concerning the Committee staff report issued earlier this week. To begin with, it is unclear to me what the official status of the staff report may be, given that on the front page an explicit disclaimer is provided – which I do not recall ever seeing before – that the report “has not been officially adopted by the Committee on Financial Services and may not necessarily reflect the views of its Members.” I also understand that the staff report was not shared in any way with the Ranking Member, or perhaps any other committee members, before it was released.

The staff report purports to follow up on a “comprehensive investigation” that the Committee had launched last September into two specific questions: “(1) how and why Wells Fargo allowed these fraudulent activities to occur at a disturbing scale across the Bank for well over a decade; and (2) whether or not federal financial regulators were effective in detecting and remedying Wells Fargo’s fraudulent branch sales practices.” As the staff report notes, the Wells Fargo practices at issue here – “the practice of defrauding customers by opening millions of unneeded, and at times, unauthorized bank accounts” – appear to have dated back at least to May 2001.

Comment [JRCL1]: I suggest cutting this portion of the letter. First, the official status of the committee report seems fairly irrelevant now, given the public statements of Chairman Hensarling. Second, these seem like minor points to include at the outset of the letter.

*The Original Focus of the Committee Investigation*

~~This Last~~ week’s staff report devotes no time or effort whatsoever to addressing the first question, of how and why Wells Fargo allowed these fraudulent activities to occur at a disturbing scale across the Bank for well over a decade. In this respect, it is notable that the Consumer Financial Protection Bureau did not even open its doors until July 2011, more than ten years after these activities commenced, and did not reach a steady-state in staffing and operations until 2013 or 2014. During that entire time before the inception of the Consumer Bureau, nothing occurred to address or halt any of Wells Fargo’s fraudulent practices.

Nor does the staff report devote any time or effort to addressing the key part of the second question, of whether or not federal financial regulators were effective in remedying Wells Fargo’s fraudulent branch sales practices. Of course, the actual effect of these practices on consumers – and whether they have now been finally stopped at Wells Fargo, as well as whether any similar practices have occurred or will be occurring in the future at any other banks or financial companies – has been the focus of the work done by the Consumer Financial Protection



Bureau, in conjunction with its partners in this matter, the Los Angeles City Attorney's office and the Office of the Comptroller of the Currency.

Although the staff report never quite manages to say so, the work we and our partners have done and are doing in this matter has now halted and remedied Wells Fargo's fraudulent practices. The investigation we jointly conducted led to the entry of orders – including the CFPB's Order dated-issued on September 48, 2016 – that publicly exposed and detailed these practices for the first time. As the staff report notes, it was only at that point that “the world learned of one of the worst banking scandals in years.” The public orders, which culminated our joint efforts to identify, diagnose, and address what exactly had occurred, led immediately to considerable follow-on activity by Congress, other federal officials and agencies, and other public officials around the country that continue to reverberate to this day.

In addition, our resolution of these matters is proving effective in remedying Wells Fargo's fraudulent practices. That resolution, as embodied in the CFPB's Order, covers four areas. First, the 26-page Order itself publicly exposes and details the wrongdoing that occurred, so that it can be known and understood by the public and by other public officials. No other allegations or accounts of what happened carry the same authoritative status as the terms of this Order – and those reached by our partners – based as they are on the results of our joint investigation into these matters. The CFPB's Order, in fact, has been the impetus to the first congressional hearings on these matters in both the Senate and the House.

Second, the CFPB's Order specifies that Wells Fargo must halt these fraudulent practices and put in place a detailed compliance regimen to ensure they cannot happen again. The details of this preventive relief include: (1) conduct-a provisions directed at Wells Fargo and its “officers, agents, servants, employees, and attorneys” to prevent any further improper sales practices; (2) the installation of an independent consultant to ensure that Wells Fargo's policies and procedures will now forestall any such conduct in the future, including training, monitoring, evaluation of sales goals, and development of a specific compliance plan; (3) provisions addressing the role of the Wells Fargo Board of Directors to be actively engaged in ensuring compliance with the terms of the Order, including timely reporting by management and timely and appropriate corrective action to remedy any deficiencies; (4) recordkeeping and reporting requirements to the Bureau; and (5) ongoing requirements to maintain cooperation and compliance with the Bureau as Wells Fargo implements the terms of the Order. The staff report never suggests that these provisions do not effectively remedy Wells Fargo's improper practices.

Third, the CFPB's Order requires Wells Fargo to make individual consumers whole for the harm they may have sustained as a result of the improper practices. This requirement is described and effectuated in the Order, which requires retention of an independent consulting firm to identify and provide redress to all affected consumers; development and submission to the CFPB of a written plan detailing the steps, recommendations, deadlines, and timeframes as outlined in the redress plan; procedures for locating, notifying, and compensating affected consumers; and the involvement of Wells Fargo's Internal Audit department in ensuring that consumer redress is carried out as specified. The staff report never suggests that these provisions do not effectively provide redress to harmed consumers.

Fourth, the CFPB's Order imposed a civil monetary penalty of \$100 million on Wells Fargo for the improper sales practices as specified in the Order. This is by far the largest civil monetary

**Comment [JRC2]:** Just note that this assertion is arguable given the LA Times stories, the City of LA's complaint. See, e.g., E. Scott Reckard, *Wells Fargo Accuses Workers of Opening Fake Accounts to Meet Goals*, L.A. Times, Oct. 3, 2013, <http://articles.latimes.com/2013/oct/03/business/la-fi-1004-wells-fargo-firings-20131004>; E. Scott Reckard, *Wells Fargo's Pressure-Cooker Sales Culture Comes at a Cost*, L.A. Times, Dec. 21, 2013, <http://www.latimes.com/business/la-fi-wells-fargo-sale-pressure-20131222-story.html>; <http://www.latimes.com/business/la-fi-wells-fargo-suit-20150505-story.html>; [http://assets.bwbx.io/documents/users/iqjWHBFdfxIU/rPxi\\_pVaKx2Y/v0](http://assets.bwbx.io/documents/users/iqjWHBFdfxIU/rPxi_pVaKx2Y/v0).

In this respect, note that the decision memo for this matter states: “[T]he bank's wrongdoing was publicly exposed in late 2013, when a series of Los Angeles Times articles discussed the bank's “pressure-cooker sales culture.” Decision Memo at 7.

**Comment [JRC3]:** See comment JRC2

**Comment [JRC4]:** Legal cannot yet substantiate this statement, which would require access to the redress plan, independent consultant reports, etc., submitted to SEFL.

**Comment [JRC5]:** Again, the public was aware of Wells' conduct prior to the issuance of our order because of LA Times and LA City Attorney's suit.

**Comment [JRC6]:** This is arguable. The Board Report is 113 pages long and was based on 100 interviews and the review of 35 million documents. See Board Report at 2, available at <https://www.wellsfargo.com/assets/pdf/about/investor-relations/presentations/2017/board-report.pdf>.

**Comment [JRC7]:** Wouldn't it be all three orders?

**Comment [JRC8]:** The order contains a single provision (not provisions) directing these individuals not to engage in UDAAPs with respect to sales practices.

penalty that the Bureau has imposed on any party in its history. This penalty was in addition to further penalties imposed by the Los Angeles City Attorney's office and the OCC. The amount of the penalty assessed by the Bureau was determined by taking into account the statutory factors for calculating such penalties set out in 12 U.S.C. 5565(c)(3), which include the state of mind of the offender, the gravity of the violation, the severity of the risks to or losses of the consumer, which may take into account the number of products or services sold or provided, and such other matters as justice shall require, which typically involves considerations about the deterrence of future violations. The staff report does not take issue with the amounts of the penalties imposed in this matter.

**Comment [JRC9]:** This is true, but note that this statement may prompt a request for our decision memo in this case. That memo begins by stating: "We opened this matter in March following media reports and a lawsuit by the Los Angeles City Attorney (LA) alleging that Wells Fargo employees opened accounts for consumers or signed them up for additional products without their consent . . ."

The remaining portion of the questions that are the stated focus of the Committee's investigation is whether the federal financial regulators were effective in detecting Wells Fargo's fraudulent branch sales practices. Again, at the outset the staff report acknowledges that these practices went on for at least a decade before the Bureau even was created at all, and even longer before the Bureau reached steady-state in staffing and operations. And the staff report implicitly recognizes that the CFPB, in conjunction with its partners, has now both detected and remedied the violations that occurred as a result of these practices.

#### *The Bureau's Cooperation with the Committee*

Nonetheless, the bulk of the staff report does not focus on any of the above issues, and instead devolves into various misstatements and allegations about the extent of the Bureau's cooperation with its investigation. I am writing in part to correct the record on these particular points.

The first area concerns the claim made in the staff report that "the CFPB has not cooperated with the Committee's investigation to date." The insinuation is that the Bureau, and I myself, refused to brief the committee staff about the CFPB's work on these matters. Nothing could be further from the truth, and the staff report selectively mentions only some of the communications back and forth on this issue. As the staff report notes, CFPB representatives were first asked to brief the committee staff about these matters on September 20, 2016, and they did so. (The staff report misstates the date of this briefing, which it incorrectly states as September 21.) During the briefing, certain questions were asked that sought information about certain supervisory matters on which the CFPB representatives were unsure they had the authority to respond. They thus indicated they would seek such authority and report back. The next day, September 21, you sent me a letter asking for a second briefing from CFPB representatives with authority to answer such questions. Although the staff report never mentions it, on the following day, September 22, I responded to you in a letter and agreed that CFPB representatives would provide the requested follow-up briefing the next day, September 23. At the close of business on September 22, however, you sent me yet another letter stating that the Committee now no longer wanted to receive the requested follow-up briefing.

Although again the staff report never mentions it, CFPB representatives did in fact continue to offer to provide – and did provide – that follow-up briefing on September 23. Minority committee staff attended, but the majority committee staff declined to attend, even though they did not indicate that they were unavailable to do so. The majority committee staff never scheduled any further follow-up briefing with CFPB representatives, who remained – and continue to remain – available at any time to address any further questions.

**Comment [JRC10]:** Note that this offer might lead to subpoenas of Bureau staff for deposition testimony.

Instead, as noted in the staff report, a hurried exchange of letters occurred between yourself and myself about an upcoming hearing on these matters in front of the Committee, which was prompting the requests for these briefings. As you were aware, I had agreed to testify publicly before the Senate Banking Committee on these same issues involving the Wells Fargo matter. Along with Wells Fargo CEO John Stumpf, the Comptroller, and a representative from the Los Angeles City Attorney's office, I did testify in the Senate on September 20, 2016. In that hearing, I answered all of their questions regarding Wells Fargo's sales practices and our investigation and resolution of those matters.

I was aware that your Committee was planning to hold a similar hearing, and I assumed that I and others would be asked to testify at that hearing as well. Indeed, I offered to do so on multiple occasions – including in my letters to you dated September 22 and September 23 – but you were not willing to agree to have me testify publicly. On the same day as my Senate testimony, the initial briefing with the House committee staff occurred. At the close of business on September 22, you sent me a letter asking me to come and give a non-public briefing to committee staff the next day, but on that late notice I was unavailable to do so (though, as I have noted above, CFPB representatives were available to do so and did in fact brief the committee minority staff, though the committee majority staff refused to attend that briefing). I did reiterate, however, my willingness to testify publicly in front of the Committee at the hearing to be held the following week. Again, you declined to have me testify publicly, and that hearing occurred on September 29, where only Wells Fargo CEO John Stumpf was permitted to testify.

My first opportunity to address any of the Wells Fargo issues before the Committee occurred in my required testimony on our Semi-Annual Report, which occurred on April 5, 2017. The staff report also suggests two areas of potential disagreement around interpretations of my testimony, and I am glad to have the chance to correct the record on those areas of potential disagreement.

First, the staff report indicates an inability to corroborate my statement that the CFPB conducted an “independent and comprehensive” investigation of the Wells Fargo sales practices. The potential disagreement here seems to stem from differing interpretations of the terms “independent” and “comprehensive.” As I see it, we worked closely together with our partners, the Los Angeles City Attorney's office and the OCC, to ascertain the facts and reach a resolution of the issues involved. So we were not operating “independently” in the sense that we would be operating in other cases where we would be the lone government enforcement actor involved. Nonetheless, we had an obligation, which we fulfilled, to make our own independent judgment about the underlying facts and whether they could be sufficiently verified and documented for purposes of either filing a complaint or framing an order. And we did that.

In particular, we contributed importantly to the joint investigation in several ways. First, we were able to exercise our authority to issue Civil Investigative Demands for documents from Wells Fargo, documents that were essential to the investigation and that were only obtained through our CIDs. All of this information about the investigation has been provided to the Committee. Second, we were able to take the only sworn testimony in the investigation, based on our authority to conduct **administrative-investigational** hearings – akin to depositions – of Wells Fargo officials. That information has also been provided to the Committee. Third, we were able to broaden the scope of the matter and the relief sought and obtained beyond the boundaries of the State of California, which was the outer limit on the relief that could be secured by the Los Angeles City Attorney's office based on its claims brought under state law.

Comment [JRC11] : We cannot confirm this.

Comment [JRC12] : We refer to these as investigational hearings. See 12 CFR 1080.7.

Comment [JRC13] : We cannot confirm this statement, particularly w/r/t injunctive relief.

Our ability to investigate and establish violations of federal law was essential to securing nationwide relief through the enforcement action and the CFPB's Order.

**Comment [JRC14] :** Note that the implication here is that the OCC would have done nothing without us.

In all of these respects, we conducted our inquiries independently to satisfy our obligation to determine that Wells Fargo had in fact violated federal law, and had in fact opened millions of deposit and credit card accounts without the knowledge or consent of consumers. In doing so, we relied where possible on work done by our partners as well, which was excellent work and crucial to the success of the joint investigation. It would not have made any sense for us to repeat the same work done by others, as long as we satisfied our own independent obligation to ascertain, verify, and document the facts and to determine that violations of federal law had occurred which had harmed consumers.

**Comment [JRC15] :** On this point, my understanding is that we relied exclusively on Wells Fargo's internal audit. See Decision Memo at 3 & n.3 (referencing Wells Fargo's admission, and its internal audit); see also Consent Order ¶ 16 ("Respondent's analysis concluded that its employees opened 1,534,280 deposit accounts"); *id.* at ¶ 23 ("Respondent's analysis concluded that its employees submitted applications for 565,443 credit-card accounts...").

As to whether our investigation was "comprehensive," in my mind it was in the sense that it thoroughly canvassed the factual and legal issues at stake in the enforcement investigation, which concerned Wells Fargo's fraudulent sales practices, their effects on consumers, the consequent violations of the law, and the imposition of legal relief sufficient to remedy past violations and prevent future violations. Obviously, other work remains on-going to this day, as the terms of the CFPB's Order contemplated by installing an independent consultant as a monitor and ensuring continuing reporting of the implementation of compliance plans. We also have consulted with other public officials about further work they may be undertaking in this and related areas, which could bring further matters to light. But there are no real grounds to quibble over this definitional point of what it means to conduct a "comprehensive" investigation of an enforcement matter of this type.

**Comment [JRC16] :** Note, that we may be asked for evidence of such consultations.

**Comment [JRC17] :** This point could be supported by reference to our Examinations Manual, at "Examinations" pp. 1-3.

**Comment [JRC18] :** This can be put more elegantly, I'm sure, but it has the advantage of being verifiably true and consistent with both our prior representation and their understanding. See 9.23.16 Letter at 1 ("Bureau staff continued to assess those issues internally through 2014, and then began directly engaging Wells Fargo in the spring of 2015.").

Similarly, the staff report alleges that it is unable to corroborate my statement that the CFPB "engaged in supervisory activity" of these matters at Wells Fargo prior to May 2015. Again, we seem to have differing interpretations of what is meant by the phrase "supervisory activity." In the staff report, as best I can tell, this phrase appears to be interpreted narrowly to refer only to supervisory activity involving direct contact with Wells Fargo. That is not my understanding of the meaning of this phrase "supervisory activity," which typically involves various kinds of activity prior to an actual examination being conducted at an institution, and often subsequently as well. The usage in the staff report seems instead to refer only to what I would consider to be an actual "examination" itself. But that does not happen in a vacuum, and typically is the result of various preliminary considerations that occur before any examination can be prioritized and scheduled and conducted. Accordingly, as I noted in my letter of September 23, 2016, the supervisory work we conducted in 2014 was internal to the Bureau. We did not contact the institution directly regarding these practices until the Spring of 2015. As the staff report itself indicates, prior to May 2015, the CFPB's regional supervisory staff had made the decision to schedule "an examination of [retail banking sales practices] to commence in 2015." What that means is that we had identified and submitted a Wells Fargo Deposit Account IPL [Individual Product Line] as a proposed examination topic into the Bureau's annual exam prioritization process in the Spring of 2014. Based on various field market intelligence, which included the investigative reports we had seen in the *Los Angeles Times* and a small number of whistleblower reports, regional supervisory staff had evaluated this examination topic as having a 5 (highest) risk rating as justifying supervisory attention. Within the Bureau, the Office of Supervision Policy had concurred that based on this preliminary field market intelligence, Wells Fargo's deposit operations were "high risk" and designated and scheduled an examination of this aspect of the bank's operations, including assigning an examiner-in-chief to head up the supervisory

**Comment [JRC19] :** This statement appears in the roll-up exam report, which was drafted in 2016. To date, we have the following evidence that predates the LA lawsuit:

- (1) an email to the OCC dated 9.30.14 with our exam schedule for 2015, which includes a line for "deposits" and states in the exam scope notes column: "Compliance with Reg DD & Reg E, especially error resolution."
- (2) an email dated 6.25.14 attaching a spreadsheet with proposed exam events. The spreadsheet contains a row that lists Wells Fargo Deposits exam as a "must."
- (3) a 4.7.14 email from the west region to OSP with a spreadsheet giving Wells Deposits a "5" FMI rating and including the following: "Note: Lots of bad press re: sales culture in branches - setting up multiple accounts to meet sales goals. 4 or 5." ... 1:

**Comment [JRC20] :** Unclear who "we" are submitting the proposed exam topic to at this point. The west region identified the Wells Deposit IPL to HQ, and then we listed it in our notification to the OCC, but that v... 2:

**Comment [JRC21] :** We can confirm the 5 FMI rating, though we cannot confirm what that was based on.

**Comment [JRC22] :** This is confirmed by the 6.19.14 document.

activity in this regard. The staff report notes that there is no evidence that any such examination actually occurred, but that was because as the situation unfolded with further developments, the Bureau moved its focus beyond supervision to the enforcement investigation that ultimately concluded in the CFPB's Order and all the results that flowed from its Order. In the meantime, as the staff report acknowledges, the Bureau completed a number of previously scheduled examinations of Wells Fargo during this period that led to substantial corrective actions and consumer redress in a number of other areas.

**Comment [JRC23]:** The scheduling of the exam into Wells' deposit operations is confirmed by the email to the OCC, but we do not have any documentation regarding the assignment of an examiner-in-charge.

The staff report further makes the misleading and inaccurate claim that the Bureau failed to cooperate by providing responsive documents to the Committee as requested. The staff report mentions pages of documents for the initial rounds of the Bureau's production – 176 pages and 834 pages, respectively – and contrasts this production with Wells Fargo, which is said to have produced over 140,000 pages of records. In fact, the Bureau's production to date in response to the Committee has totaled over 57,000 pages of records in an effort to comply with the broadly worded requests. In an effort to obscure this substantial response, the staff report complains instead about which documents have been produced and which supposedly have not. One complaint is that the Bureau's production has been redundant of documents received either from Wells Fargo or the OCC, though the same point could be made in reverse, since the investigation of the bank has led to many documents existing in both the Bureau's records and in the records of the bank and the other agency, many of which have likely been produced to the Committee in duplicate or even triplicate. As for whether the Bureau should be producing certain categories of documents rather than others, CFPB staff have consistently and repeatedly sought further guidance from the committee staff about how to narrow and target its inquiries and the appropriate response. We have renewed this request for further guidance again and again, including recently, to no avail. Instead, the staff report simply reiterates again that the CFPB must produce "all responsive records" in any way "relating to the CFPB's investigation of Wells Fargo," without further clarification as to what kinds of records it believes have not been forthcoming. Here again, I renew our willingness to stand ready to work with committee staff to address the proper response to these document requests, if committee staff is willing to do so.

**Comment [JRC24]:** My overall recommendation is to cut this entire paragraph. Although we have received some documents from SEFL to verify some of these assertions (as described more fully above), we would avoid this level of detail until we have completed a more thorough review of the documentation.

In the end, I am quite proud of the CFPB team that has worked on the Wells Fargo matter, including those who worked with our partners to push forward and complete the enforcement action that resulted in the CFPB's Order comprehensively addressing the issue of improper sales practices. Within about two years of the Bureau reaching steady-state in its staffing and operations, they cracked open and resolved what the staff report correctly stated was "one of the worst banking scandals in years," after this scandal had already festered for more than fifteen years, including more than ten years before the CFPB was even created. Clearly they have performed a tremendous public service here.

In closing, we will continue to seek ways to cooperate with your oversight requests and to work toward an amicable resolution of any disagreements over what information you are seeking in order to fulfill those functions.

Sincerely,

Richard Cordray

Director

cc: The Honorable Maxine Waters

This statement appears in the roll-up exam report, which was drafted in 2016. To date, we have the following evidence that predates the LA lawsuit:

- (1) an email to the OCC dated 9.30.14 with our exam schedule for 2015, which includes a line for “deposits” and states in the exam scope notes column: “Compliance with Reg DD & Reg E, especially error resolution.”
- (2) an email dated 6.25.14 attaching a spreadsheet with proposed exam events. The spreadsheet contains a row that lists Wells Fargo Deposits exam as a “must.”
- (3) a 4.7.14 email from the west region to OSP with a spreadsheet giving Wells Deposits a “5” FMI rating and including the following: “Note: Lots of bad press re: sales culture in branches - setting up multiple accounts to meet sales goals. 4 or 5.”
- (4) A powerpoint dated 6.19, 2014 entitled “Supervision Strategy and Priorities; 2015 and 2016” which states that Wells is one of four institutions that we “must” examine for compliance with Reg E and Reg DD.
- (5) Emails among west region staff in January 2014 circulating links to the latimes articles.
- (6) Emails within ENF relating to a single whistleblower complaint about, inter alia, the unauthorized opening of credit card accounts in a single branch. ENF concludes that there is not much going on and resolves to refer it to SUP.

Unclear who “we” are submitting the proposed exam topic to at this point. The west region identified the Wells Deposit IPL to HQ, and then we listed it in our notification to the OCC, but that was in September (according to our limited documentation) and not Spring.

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**From:** RC  
**Sent:** Friday, June 9, 2017 11:37 AM  
**To:** Coleman, John (CFPB); Chow, Edwin (CFPB)  
**Cc:** McLeod, Mary (CFPB); Galicia, Catherine (CFPB); Fulton, Kate (CFPB); Howard, Jennifer (CFPB); Martinez, Zixta (CFPB); Ehrlich, Jeffrey (CFPB); D'Angelo, Chris (CFPB)  
**Subject:** FW: Wells Documents  
**Attachments:** Timeline Document; Letter -- Response to Chairman Hensarling 6.9.17.docx

As I work on a responsive letter to the Chairman about the recent staff report, a key point is the document attached here on our supervisory timeline, which contains a chart of events that I am relying on (and that jibes with my own recollection, except that one item not included in the chart but of which I understood myself to be aware at the time of my testimony was that we also had a couple of whistleblower tips on related issues in 2013). The timeframe for sending the letter is urgent, probably as soon as Monday, and so as we do the important work of scrubbing the accuracy of the potential representations I would be making in my letter (a draft of which is also attached), it is important to accomplish all we can on that TODAY thx  
RC

---

**From:** Coleman, John (CFPB)  
**Sent:** Wednesday, June 07, 2017 5:48 PM  
**To:** RC  
**Cc:** McLeod, Mary (CFPB); Galicia, Catherine (CFPB); Fulton, Kate (CFPB); Howard, Jennifer (CFPB)  
**Subject:** Wells Documents

Rich,

Per your request, I am attaching several documents and emails related to Wells Fargo:

- 1) Our correspondence with the Committee related to Wells Fargo, which consists of:
  - a. A September 16, 2016 letter from Chairman Hensarling;
  - b. A September 21, 2016 letter from Chairman Hensarling asking that you authorize Bureau staff to disclose CSI;
  - c. A September 22, 2016 letter from you to Chairman Hensarling regarding a further staff briefing;
  - d. A September 22, 2016 letter from Chairman Hensarling to you asking you to brief staff the next day;
  - e. A September 23, 2016 letter from you to Chairman Hensarling in response to the previous letter;
  - f. A September 23, 2016 letter from you to Chairman Hensarling responding to the September 16, 2016 information request;
  - g. A November 3, 2016 letter from Chairman Duffy to you requesting complete and additional information;
  - h. A November 10, 2016 response from Catherine Galicia (we provided CIDs and investigational hearing transcripts);
  - i. The April 4, 2017 subpoena seeking, inter alia, "records relating to the sales practices of Wells Fargo Bank" described in our consent order (item 26), and "records relating to the CFPB's 'investigation of Wells Fargo' that is described in" the September 23, 2016 letter;
  - j. Our May 2, 2017 response to the subpoena (see specifically pages 17-18);
  - k. An email from last Thursday, June 1, 2017, concerning the April 4, 2017 subpoena, including the specifications described above.
- 2) Excerpts of the April 5, 2017 testimony transcript related to Wells, as well as the full transcript;
- 3) A document provided to you as part of your preparation for the April 5, 2017 hearing;
- 4) A timeline of relevant events prepared by SEFL staff and provided to the Front Office on September 16, 2016. We do not have a record that this previously has been provided to you, but staff who helped you prepare



for your September Senate testimony and April House testimony had seen this document, or some version of it;  
and

- 5) Correspondence with Wells Fargo related to HFSC requests to Wells for information;

Note that we are continuing to work on a narrative document setting forth our back and forth with the committee on this issue, which will include additional facts not included in the formal written correspondence. We will share that with you as soon as it's ready.

Best,

John



1700 G Street NW, Washington, DC 20552

June 9, 2017

The Honorable Jeb Hensarling  
 Chairman, Committee on Financial Services  
 United States House of Representatives  
 2129 Rayburn House Office Building  
 Washington, DC 20515

Dear Chairman Hensarling:

I am writing to correct the record in various respects concerning the Committee staff report issued earlier this week. To begin with, it is unclear to me what the official status of the staff report may be, given that on the front page an explicit disclaimer is provided – which I do not recall ever seeing before – that the report “has not been officially adopted by the Committee on Financial Services and may not necessarily reflect the views of its Members.” I also understand that the staff report was not shared in any way with the Ranking Member, or perhaps any other committee members, before it was released.

The staff report purports to follow up on a “comprehensive investigation” that the Committee had launched last September into two specific questions: “(1) how and why Wells Fargo allowed these fraudulent activities to occur at a disturbing scale across the Bank for well over a decade; and (2) whether or not federal financial regulators were effective in detecting and remedying Wells Fargo’s fraudulent branch sales practices.” As the staff report notes, the Wells Fargo practices at issue here – “the practice of defrauding customers by opening millions of unneeded, and at times, unauthorized bank accounts” – appear to have dated back at least to May 2001.

*The Original Focus of the Committee Investigation*

This week’s staff report devotes no time or effort whatsoever to addressing the first question, of how and why Wells Fargo allowed these fraudulent activities to occur at a disturbing scale across the Bank for well over a decade. In this respect, it is notable that the Consumer Financial Protection Bureau did not even open its doors until July 2011, more than ten years after these activities commenced, and did not reach a steady-state in staffing and operations until 2013 or 2014. During that entire time before the inception of the Consumer Bureau, nothing occurred to address or halt any of Wells Fargo’s fraudulent practices.

Nor does the staff report devote any time or effort to addressing the key part of the second question, of whether or not federal financial regulators were effective in remedying Wells Fargo’s fraudulent branch sales practices. Of course, the actual effect of these practices on consumers – and whether they have now been finally stopped at Wells Fargo, as well as whether any similar practices have occurred or will be occurring in the future at any other banks or financial companies – has been the focus of the work done by the Consumer Financial Protection

Bureau, in conjunction with its partners in this matter, the Los Angeles City Attorney's office and the Office of the Comptroller of the Currency.

Although the staff report never quite manages to say so, the work we and our partners have done and are doing in this matter has now halted and remedied Wells Fargo's fraudulent practices. The investigation we jointly conducted led to the entry of orders – including the CFPB's Order dated September 4, 2016 – that publicly exposed and detailed these practices for the first time. As the staff report notes, it was only at that point that “the world learned of one of the worst banking scandals in years.” The public orders, which culminated our joint efforts to identify, diagnose, and address what exactly had occurred, led immediately to considerable follow-on activity by Congress, other federal officials and agencies, and other public officials around the country that continue to reverberate to this day.

In addition, our resolution of these matters is proving effective in remedying Wells Fargo's fraudulent practices. That resolution, as embodied in the CFPB's Order, covers four areas. First, the 26-page Order itself publicly exposes and details the wrongdoing that occurred, so that it can be known and understood by the public and by other public officials. No other allegations or accounts of what happened carry the same authoritative status as the terms of this Order – and those reached by our partners – based as they are on the results of our joint investigation into these matters. The CFPB's Order, in fact, has been the impetus to the first congressional hearings on these matters in both the Senate and the House.

Second, the CFPB's Order specifies that Wells Fargo must halt these fraudulent practices and put in place a detailed compliance regimen to ensure they cannot happen again. The details of this preventive relief include: (1) conduct provisions directed at Wells Fargo and its officers, agents, servants, employees, and attorneys” to prevent any further improper sales practices; (2) the installation of an independent consultant to ensure that Wells Fargo's policies and procedures will now forestall any such conduct in the future, including training, monitoring, evaluation of sales goals, and development of a specific compliance plan; (3) provisions addressing the role of the Wells Fargo Board of Directors to be actively engaged in ensuring compliance with the terms of the Order, including timely reporting by management and timely and appropriate corrective action to remedy any deficiencies; (4) recordkeeping and reporting requirements to the Bureau; and (5) ongoing requirements to maintain cooperation and compliance with the Bureau as Wells Fargo implements the terms of the Order. The staff report never suggests that these provisions do not effectively remedy Wells Fargo's improper practices.

Third, the CFPB's Order requires Wells Fargo to make individual consumers whole for the harm they may have sustained as a result of the improper practices. This requirement is described and effectuated in the Order, which requires retention of an independent consulting firm to identify and provide redress to all affected consumers; development and submission to the CFPB of a written plan detailing the steps, recommendations, deadlines, and timeframes as outlined in the redress plan; procedures for locating, notifying, and compensating affected consumers; and the involvement of Wells Fargo's Internal Audit department in ensuring that consumer redress is carried out as specified. The staff report never suggests that these provisions do not effectively provide redress to harmed consumers.

Fourth, the CFPB's Order imposed a civil monetary penalty of \$100 million on Wells Fargo for the improper sales practices as specified in the Order. This is by far the largest civil monetary

penalty that the Bureau has imposed on any party in its history. This penalty was in addition to further penalties imposed by the Los Angeles City Attorney's office and the OCC. The amount of the penalty assessed by the Bureau was determined by taking into account the statutory factors for calculating such penalties set out in 12 U.S.C. 5565(c)(3), which include the state of mind of the offender, the gravity of the violation, the severity of the risks to or losses of the consumer, which may take into account the number of products or services sold or provided, and such other matters as justice shall require, which typically involves considerations about the deterrence of future violations. The staff report does not take issue with the amounts of the penalties imposed in this matter.

The remaining portion of the questions that are the stated focus of the Committee's investigation is whether the federal financial regulators were effective in detecting Wells Fargo's fraudulent branch sales practices. Again, at the outset the staff report acknowledges that these practices went on for at least a decade before the Bureau even was created at all, and even longer before the Bureau reached steady-state in staffing and operations. And the staff report implicitly recognizes that the CFPB, in conjunction with its partners, has now both detected and remedied the violations that occurred as a result of these practices.

#### *The Bureau's Cooperation with the Committee*

Nonetheless, the bulk of the staff report does not focus on any of the above issues, and instead devolves into various misstatements and allegations about the extent of the Bureau's cooperation with its investigation. I am writing in part to correct the record on these particular points.

The first area concerns the claim made in the staff report that "the CFPB has not cooperated with the Committee's investigation to date." The insinuation is that the Bureau, and I myself, refused to brief the committee staff about the CFPB's work on these matters. Nothing could be further from the truth, and the staff report selectively mentions only some of the communications back and forth on this issue. As the staff report notes, CFPB representatives were first asked to brief the committee staff about these matters on September 20, 2016, and they did so. (The staff report misstates the date of this briefing, which it incorrectly states as September 21.) During the briefing, certain questions were asked that sought information about certain supervisory matters on which the CFPB representatives were unsure they had the authority to respond. They thus indicated they would seek such authority and report back. The next day, September 21, you sent me a letter asking for a second briefing from CFPB representatives with authority to answer such questions. Although the staff report never mentions it, on the following day, September 22, I responded to you in a letter and agreed that CFPB representatives would provide the requested follow-up briefing the next day, September 23. At the close of business on September 22, however, you sent me yet another letter stating that the Committee now no longer wanted to receive the requested follow-up briefing.

Although again the staff report never mentions it, CFPB representatives did in fact continue to offer to provide – and did provide – that follow-up briefing on September 23. Minority committee staff attended, but the majority committee staff declined to attend, even though they did not indicate that they were unavailable to do so. The majority committee staff never scheduled any further follow-up briefing with CFPB representatives, who remained – and continue to remain – available at any time to address any further questions.

Instead, as noted in the staff report, a hurried exchange of letters occurred between yourself and myself about an upcoming hearing on these matters in front of the Committee, which was prompting the requests for these briefings. As you were aware, I had agreed to testify publicly before the Senate Banking Committee on these same issues involving the Wells Fargo matter. Along with Wells Fargo CEO John Stumpf, the Comptroller, and a representative from the Los Angeles City Attorney's office, I did testify in the Senate on September 20, 2016. In that hearing, I answered all of their questions regarding Wells Fargo's sales practices and our investigation and resolution of those matters.

I was aware that your Committee was planning to hold a similar hearing, and I assumed that I and others would be asked to testify at that hearing as well. Indeed, I offered to do so on multiple occasions – including in my letters to you dated September 22 and September 23 – but you were not willing to agree to have me testify publicly. On the same day as my Senate testimony, the initial briefing with the House committee staff occurred. At the close of business on September 22, you sent me a letter asking me to come and give a non-public briefing to committee staff the next day, but on that late notice I was unavailable to do so (though, as I have noted above, CFPB representatives were available to do so and did in fact brief the committee minority staff, though the committee majority staff refused to attend that briefing). I did reiterate, however, my willingness to testify publicly in front of the Committee at the hearing to be held the following week. Again, you declined to have me testify publicly, and that hearing occurred on September 29, where only Wells Fargo CEO John Stumpf was permitted to testify.

My first opportunity to address any of the Wells Fargo issues before the Committee occurred in my required testimony on our Semi-Annual Report, which occurred on April 5, 2017. The staff report also suggests two areas of potential disagreement around interpretations of my testimony, and I am glad to have the chance to correct the record on those areas of potential disagreement.

First, the staff report indicates an inability to corroborate my statement that the CFPB conducted an “independent and comprehensive” investigation of the Wells Fargo sales practices. The potential disagreement here seems to stem from differing interpretations of the terms “independent” and “comprehensive.” As I see it, we worked closely together with our partners, the Los Angeles City Attorney's office and the OCC, to ascertain the facts and reach a resolution of the issues involved. So we were not operating “independently” in the sense that we would be operating in other cases where we would be the lone government enforcement actor involved. Nonetheless, we had an obligation, which we fulfilled, to make our own independent judgment about the underlying facts and whether they could be sufficiently verified and documented for purposes of either filing a complaint or framing an order. And we did that.

In particular, we contributed importantly to the joint investigation in several ways. First, we were able to exercise our authority to issue Civil Investigative Demands for documents from Wells Fargo, documents that were essential to the investigation and that were only obtained through our CIDs. All of this information about the investigation has been provided to the Committee. Second, we were able to take the only sworn testimony in the investigation, based on our authority to conduct administrative hearings – akin to depositions – of Wells Fargo officials. That information has also been provided to the Committee. Third, we were able to broaden the scope of the matter and the relief sought and obtained beyond the boundaries of the State of California, which was the outer limit on the relief that could be secured by the Los Angeles City Attorney's office based on its claims brought under state law. Our ability to

investigate and establish violations of federal law was essential to securing nationwide relief through the enforcement action and the CFPB's Order.

In all of these respects, we conducted our inquiries independently to satisfy our obligation to determine that Wells Fargo had in fact violated federal law, and had in fact opened millions of deposit and credit card accounts without the knowledge or consent of consumers. In doing so, we relied where possible on work done by our partners as well, which was excellent work and crucial to the success of the joint investigation. It would not have made any sense for us to repeat the same work done by others, as long as we satisfied our own independent obligation to ascertain, verify, and document the facts and to determine that violations of federal law had occurred which had harmed consumers.

As to whether our investigation was "comprehensive," in my mind it was in the sense that it thoroughly canvassed the factual and legal issues at stake in the enforcement investigation, which concerned Wells Fargo's fraudulent sales practices, their effects on consumers, the consequent violations of the law, and the imposition of legal relief sufficient to remedy past violations and prevent future violations. Obviously, other work remains on-going to this day, as the terms of the CFPB's Order contemplated by installing an independent consultant as a monitor and ensuring continuing reporting of the implementation of compliance plans. We also have consulted with other public officials about further work they may be undertaking in this and related areas, which could bring further matters to light. But there are no real grounds to quibble over this definitional point of what it means to conduct a "comprehensive" investigation of an enforcement matter of this type.

Similarly, the staff report alleges that it is unable to corroborate my statement that the CFPB "engaged in supervisory activity" of these matters at Wells Fargo prior to May 2015. Again, we seem to have differing interpretations of what is meant by the phrase "supervisory activity." In the staff report, as best I can tell, this phrase appears to be interpreted narrowly to refer only to supervisory activity involving direct contact with Wells Fargo. That is not my understanding of the meaning of this phrase "supervisory activity," which typically involves various kinds of activity prior to an actual examination being conducted at an institution, and often subsequently as well. The usage in the staff report seems instead to refer only to what I would consider to be an actual "examination" itself. But that does not happen in a vacuum, and typically is the result of various preliminary considerations that occur before any examination can be prioritized and scheduled and conducted. As the staff report itself indicates, prior to May 2015, the CFPB's regional supervisory staff had made the decision to schedule "an examination of [retail banking sales practices] to commence in 2015." What that means is that we had identified and submitted a Wells Fargo Deposit Account IPL [Individual Product Line] as a proposed examination topic into the Bureau's annual exam prioritization process in the Spring of 2014. Based on various field market intelligence, which included the investigative reports we had seen in the *Los Angeles Times* and a small number of whistleblower reports, regional supervisory staff had evaluated this examination topic as having a 5 (highest) risk rating as justifying supervisory attention. Within the Bureau, the Office of Supervision Policy had concurred that based on this preliminary field market intelligence, Wells Fargo's deposit operations were "high risk" and designated and scheduled an examination of this aspect of the bank's operations, including assigning an examiner-in-chief to head up the supervisory activity in this regard. The staff report notes that there is no evidence that any such examination actually occurred, but that was because as the situation unfolded with further developments, the Bureau moved its focus beyond

supervision to the enforcement investigation that ultimately concluded in the CFPB's Order and all the results that flowed from its Order. In the meantime, as the staff report acknowledges, the Bureau completed a number of previously scheduled examinations of Wells Fargo during this period that led to substantial corrective actions and consumer redress in a number of other areas.

The staff report further makes the misleading and inaccurate claim that the Bureau failed to cooperate by providing responsive documents to the Committee as requested. The staff report mentions pages of documents for the initial rounds of the Bureau's production – 176 pages and 834 pages, respectively – and contrasts this production with Wells Fargo, which is said to have produced over 140,000 pages of records. In fact, the Bureau's production to date in response to the Committee has totaled over 57,000 pages of records in an effort to comply with the broadly worded requests. In an effort to obscure this substantial response, the staff report complains instead about which documents have been produced and which supposedly have not. One complaint is that the Bureau's production has been redundant of documents received either from Wells Fargo or the OCC, though the same point could be made in reverse, since the investigation of the bank has led to many documents existing in both the Bureau's records and in the records of the bank and the other agency, many of which have likely been produced to the Committee in duplicate or even triplicate. As for whether the Bureau should be producing certain categories of documents rather than others, CFPB staff have consistently and repeatedly sought further guidance from the committee staff about how to narrow and target its inquiries and the appropriate response. We have renewed this request for further guidance again and again, including recently, to no avail. Instead, the staff report simply reiterates again that the CFPB must produce “*all* responsive records” in any way “relating to the CFPB's investigation of Wells Fargo,” without further clarification as to what kinds of records it believes have not been forthcoming. Here again, I renew our willingness to stand ready to work with committee staff to address the proper response to these document requests, if committee staff is willing to do so.

In the end, I am quite proud of the CFPB team that has worked on the Wells Fargo matter, including those who worked with our partners to push forward and complete the enforcement action that resulted in the CFPB's Order comprehensively addressing the issue of improper sales practices. Within about two years of the Bureau reaching steady-state in its staffing and operations, they cracked open and resolved what the staff report correctly stated was “one of the worst banking scandals in years,” after this scandal had already festered for more than fifteen years, including more than ten years before the CFPB was even created. Clearly they have performed a tremendous public service here.

In closing, we will continue to seek ways to cooperate with your oversight requests and to work toward an amicable resolution of any disagreements over what information you are seeking in order to fulfill those functions.

Sincerely,

Richard Cordray  
Director

cc: The Honorable Maxine Waters

**Szybala, Julia (CFPB)**

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**From:** Szybala, Julia (CFPB)  
**Sent:** Friday, September 16, 2016 10:14 AM  
**To:** Rainey, Zol (CFPB)  
**Cc:** Boison, Elizabeth (CFPB); Tindall, Anne (CFPB)  
**Subject:** Timeline Document  
**Attachments:** (CSI) Wells Timeline for Hearing Prep 4.1.docx

Hi Zol,

Attached is the most recent version of the timeline document, which has incorporated minor revisions from Edwin and his team.

Please let me know if you have any questions.

Thanks,

**Julia Szybala**

Counsel  
Consumer Financial Protection Bureau  
Office: [REDACTED]



CONFIDENTIAL SUPERVISORY INFORMATION  
 PRIVILEGED & CONFIDENTIAL (9/15/16 1 pm DRAFT)

Date	Action	External Stakeholder	Comments
10.3.2013	L.A. Times Article: Wells Fargo Accuses Workers of Opening Fake Accounts to Meet Goals, L.A. Times		<a href="http://articles.latimes.com/2013/oct/03/business/la-fi-1004-wells-fargo-firings-20131004">http://articles.latimes.com/2013/oct/03/business/la-fi-1004-wells-fargo-firings-20131004</a>
12.21.2013	L.A. Times Article: Wells Fargo's Pressure-Cooker Sales Culture Comes at a Cost		<a href="http://www.latimes.com/business/la-fi-wells-fargo-salepressure-20131222-story.html">http://www.latimes.com/business/la-fi-wells-fargo-salepressure-20131222-story.html</a>
12.28.2013	L.A. Times Article: Times Investigation of Wells Fargo Culture Provokes Strong Reaction		<a href="http://articles.latimes.com/2013/dec/28/business/la-fi-mo-wells-fargo-sales-pressure-20131228">http://articles.latimes.com/2013/dec/28/business/la-fi-mo-wells-fargo-sales-pressure-20131228</a>
1.3.2014	CFPB exam staff circulates the L.A. Times article within the agency		
4.2014	For CFPB's annual exam prioritization process, W. Region submits the Wells Deposit IPL as having a 5 (highest) risk rating based on field market intelligence (FMI) such as the L.A. Times articles		
6.19.2014	OSP concurs that Wells Fargo's deposit operations were high risk and designated examinations of this IPL during 2015 as a "must do"		
1.2015	CFPB assigns an EIC to Wells deposits exam, scheduled to commence 12.27.2015		
4.3.2015	First OCC Exam report on Branch Sales Practices	OCC	Report had minimal findings; found that risk oversight of branch sales practices was generally effective
5.4.2015	Wells SVP and GC calls W. Regional Director to notify of LA Lawsuit		Not effective self-reporting, per the Bureau's Responsible Conduct Bulletin

CONFIDENTIAL SUPERVISORY INFORMATION  
 PRIVILEGED & CONFIDENTIAL (9/15/16 1 pm DRAFT)

5.4.2015	City of Los Angeles files suit/news articles ensue	City of LA	RD notifies Senior SEFL management
5.8.2015	W. Region shares CFPB Letter, as approved by OSE and OSP, with ENF and OSP		
5.8.2015	CFPB letter to Wells		Letter requested a comprehensive description of the company's consumer financial service sales policies and practices in this area, and copies of any and all work Wells Fargo may have performed to date, or have planned, to look into these allegations
6.8.2105	Wells responds to 5.8.2015 Letter		
6.10.2015	Region discusses with OSP		
6.25.2015	CFPB follow-up letter to Wells		Requesting additional information, including internal investigation results
6.26.2015	Second OCC Report issued on Branch Sales Practices	OCC	Withdrew First OCC Report; included MRAs with requirements that the Bank obtain independent reviews of both branch practices and consumer harm
7.10.2015	Wells Response Received by CFPB		Review of materials
8.14.2015	Prudentials contacted	OCC/FRB	Initial discussion and invited Prudentials (OCC/FRB) to first Update Meeting 8.20.2015
8.20.2015	First CFPB Update Meeting with Wells	OCC/FRB	Prudentials (OCC/FRB) also attend; CFPB learns that third-party review underway in response to OCC second exam report; third-party reports requested for CFPB
8.20.2015	CFPB receives second OCC Branch Sales Practices exam report, dated 6.26.2015	OCC	OCC MRAS are very strong. OCC taking own monitoring action – may resolve through MRA, MOU or move to ENF. FRB is monitoring.
8.24.2015	CFPB receives first OCC Branch Sales Practices exam report, dated 4.3.2015	OCC	Upon request, OCC sent the first OCC branch sales report to CFPB in which they found Community Banking sales practice risk oversight was “generally effective.”
9.28.15	CFPB exam scoping process for Wells' deposits IPL begins, with intent to commence exam, including		Branch sales practices ultimately carved out of deposits exam, per 2.26.16 decision of SEFL Associate Director.

CONFIDENTIAL SUPERVISORY INFORMATION  
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	branch sales practices, on 12.27.2015		
10.26.2015	Wells orally provides CFPB initial consumer harm estimate due to sales practices		Initial cut. Also contains information for 2013 and 2014.
11.18.2015	Internal Wells Customer Harm Response		Follow up to the 10.26.2015 Discussion.
12.4.2015	CFPB update meeting with Wells	OCC/FRB	Prudentials (OCC/FRB) attend
12.18.2015	Region consults OSP and ENF on next steps		Discussion on course of action to include subsequent letter to Wells
1.13.2016	Region, OSP, and ENF continue discussion of potential supervisory information-request letter		This supervisory information-request letter was not sent, given the opening of an ENF investigation
2.11.2016	RD meeting with Wells to discuss consumer harm		
2.26.2016	OSE memo to SEFL Associate Director recommending ENF as tool choice; SEFL Associate Director determines after discussion and review, including information recently received from the West Region, that the matter is appropriately referred to ENF		
3.3.2016	W. Region notifies Wells Fargo that the matter had been transferred from Supervision to Enforcement		
3.7.2016	ENF's Opening Investigation Memo		
7.12.2016	Settle or Sue Authority Granted		
9.2.2016	Recommendation Memo to Enter into Consent Order		
9.6.2016	Consent Order signed and filed		

RC

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**From:** RC  
**Sent:** Sunday, June 11, 2017 8:53 AM  
**To:** Coleman, John (CFPB); Chow, Edwin (CFPB)  
**Cc:** McLeod, Mary (CFPB); Galicia, Catherine (CFPB); Fulton, Kate (CFPB); Howard, Jennifer (CFPB); Martinez, Zixta (CFPB); Ehrlich, Jeffrey (CFPB); D'Angelo, Chris (CFPB); Conrad, Derek (CFPB)  
**Subject:** RE: Wells Documents  
**Attachments:** Letter -- Response to Chairman Hensarling 6.12.17.docx

Attached is the latest version of this letter, now dated 6/12. It incorporates all comments received to date. One paragraph still contains two comment bubbles from John, indicating that he is not in position to confirm two specific points (though I have now made efforts to write around the points raised in these two comments). I believe we will be hearing from Jeff with his perspective on this paragraph and those two comments, hopefully sometime today.

If people want to discuss this matter in person some more, I am available to do so at 10:00 or so on Monday and perhaps at other times on Monday as Derek might be able to arrange thx  
 RC

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**Sent:** Friday, June 09, 2017 11:37 AM  
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**Cc:** McLeod, Mary (CFPB); Galicia, Catherine (CFPB); Fulton, Kate (CFPB); Howard, Jennifer (CFPB); Martinez, Zixta (CFPB); Ehrlich, Jeffrey (CFPB); D'Angelo, Chris (CFPB)  
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  - 3) A document provided to you as part of your preparation for the April 5, 2017 hearing;
  - 4) A timeline of relevant events prepared by SEFL staff and provided to the Front Office on September 16, 2016. We do not have a record that this previously has been provided to you, but staff who helped you prepare for your September Senate testimony and April House testimony had seen this document, or some version of it; and
  - 5) Correspondence with Wells Fargo related to HFSC requests to Wells for information;

Note that we are continuing to work on a narrative document setting forth our back and forth with the committee on this issue, which will include additional facts not included in the formal written correspondence. We will share that with you as soon as it’s ready.

Best,

John



1700 G Street NW, Washington, DC 20552

June 12, 2017

The Honorable Jeb Hensarling  
Chairman, Committee on Financial Services  
United States House of Representatives  
2129 Rayburn House Office Building  
Washington, DC 20515

Dear Chairman Hensarling:

I am writing to correct the record in various respects concerning the Committee staff report issued earlier this week. The staff report follows up on a “comprehensive investigation” that the Committee had launched last September into two specific questions: “(1) how and why Wells Fargo allowed these fraudulent activities to occur at a disturbing scale across the Bank for well over a decade; and (2) whether or not federal financial regulators were effective in detecting and remedying Wells Fargo’s fraudulent branch sales practices.” As the staff report notes, the Wells Fargo “practice of defrauding customers by opening millions of unneeded, and at times, unauthorized bank accounts” appears to have dated back at least to May 2001.

*The Original Focus of the Committee Investigation*

Last week’s staff report does not address the first question, of how and why Wells Fargo allowed these fraudulent activities to occur across the Bank for well over a decade. In this respect, it is notable that the Consumer Financial Protection Bureau did not even open its doors until July 2011, more than ten years after these activities commenced, and did not reach a steady-state in staffing and operations until about 2014. During the entire period before the inception of the Consumer Bureau, nothing occurred to address or halt any of Wells Fargo’s fraudulent practices.

Nor does the staff report devote any time or effort to addressing the key part of the second question, of whether or not federal financial regulators were effective in remedying Wells Fargo’s fraudulent branch sales practices. Of course, the actual effect of these practices on consumers – and whether they have now been finally stopped at Wells Fargo, as well as whether any similar practices have occurred or will be occurring in the future at any other banks or financial companies – has been the focus of the work done by the Consumer Financial Protection Bureau, in conjunction with its partners in this matter, the Los Angeles City Attorney’s office and the Office of the Comptroller of the Currency.

Although the staff report does not address the point, the work we and our partners have done and are doing in this matter is designed to halt and remedy Wells Fargo’s fraudulent practices. The investigation we jointly conducted led to the entry of orders – including the CFPB’s Order issued on September 8, 2016 – that publicly exposed and detailed the extent of these practices, which the staff report accurately describes as “one of the worst banking scandals in years.” The public orders, which culminated our joint efforts to identify, diagnose, and address what exactly had

occurred, led immediately to considerable follow-on activity by Congress, other federal officials and agencies, and other public officials around the country that have reverberated to this day.

In addition, the resolution of these matters embodied in the CFPB's Order is designed to remedy Wells Fargo's fraudulent practices in four ways. First, the 26-page Order itself publicly detailed the wrongdoing that occurred, so that it could be more fully known and understood by the public and other public officials. This Order and those reached by our partners stand as an authoritative account of events based on the results of our joint investigation into these matters. These orders, in fact, were the impetus to the first congressional hearings on these matters.

Second, the CFPB's Order specifies that Wells Fargo must halt these fraudulent practices and must put in place a detailed compliance regimen designed to ensure they cannot happen again. The details of this preventive relief include: (1) a provision directed at Wells Fargo and its "officers, agents, servants, employees, and attorneys" to prevent any further improper sales practices; (2) the installation of an independent consultant to ensure policies and procedures that will forestall any such conduct in the future, including training, monitoring, evaluation of sales goals, and development of a specific compliance plan; (3) provisions addressing the role of the Wells Fargo Board of Directors to be actively engaged in ensuring compliance with the terms of the Order, including timely reporting by management and timely and appropriate corrective action to remedy any deficiencies; (4) recordkeeping and reporting requirements to the Bureau; and (5) ongoing requirements to maintain cooperation and compliance with the Bureau as Wells Fargo implements the terms of the Order. The staff report never suggests that these provisions do not effectively remedy Wells Fargo's improper practices.

Third, the CFPB's Order requires Wells Fargo to make individual consumers whole for the harm they sustained as a result of improper practices. The Order requires retention of an independent consulting firm to identify and provide redress to all affected consumers; development and submission to the CFPB of a written plan detailing the steps, recommendations, deadlines, and timeframes outlined in the redress plan; procedures for locating, notifying, and compensating affected consumers; and the involvement of Wells Fargo's Internal Audit department in ensuring that consumer redress is carried out as specified. The staff report never suggests that these provisions do not effectively provide redress to harmed consumers.

Fourth, the CFPB's Order imposed a civil monetary penalty of \$100 million on Wells Fargo for the improper sales practices as specified in the Order. This is by far the largest civil monetary penalty that the Bureau has imposed on any party in its history. This penalty was in addition to further penalties imposed by the Los Angeles City Attorney's office and the OCC, all of which tend to deter such conduct by Wells Fargo and by any other institution in the future. The staff report does not take issue with the penalties imposed in this matter.

The remaining portion of the questions that are the stated focus of the Committee's investigation concerns whether the federal financial regulators were effective in detecting Wells Fargo's fraudulent branch sales practices. Again, at the outset the staff report acknowledges that these practices went on for at least a decade before the Bureau even was created at all, and even longer before the Bureau reached steady-state in staffing and operations. And the staff report implicitly recognizes that the CFPB, in conjunction with its partners, has now both detected and remedied the violations that occurred as a result of these practices.

*The Bureau's Cooperation with the Committee*

Nonetheless, the bulk of the staff report does not focus on any of the above issues, and instead devolves into various misstatements and allegations about the extent of the Bureau's cooperation with its investigation. I am writing in part to correct the record on these particular points.

The first area concerns the claim made in the staff report that "the CFPB has not cooperated with the Committee's investigation to date." The staff report insinuates that the Bureau, and I myself, refused to brief the committee staff about the CFPB's work on these matters. Nothing could be further from the truth, and the staff report selectively mentions only some of the communications back and forth on this issue. As the staff report notes, CFPB representatives were first asked to brief the committee staff about these matters on September 20, 2016, and they did so. (The staff report misstates the date of this briefing, which it incorrectly states as September 21.) During the briefing, some questions were asked that sought information about certain supervisory matters on which the CFPB representatives were unsure whether they were authorized to respond. They thus indicated they would seek such authority and report back. The next day, September 21, you sent me a letter asking for a second briefing from CFPB representatives with authority to answer such questions. Although the staff report never mentions it, on the following day, September 22, I responded to you in a letter and agreed that CFPB representatives would provide the requested follow-up briefing the next day, September 23. At the close of business on September 22, however, you sent me yet another letter stating that the Committee now no longer wanted to receive the requested follow-up briefing.

Although once again the staff report never mentions it, CFPB representatives did in fact continue to offer to provide – and did provide – that follow-up briefing on September 23. It was attended by minority committee staff, but the majority committee staff declined to attend, even though they did not indicate that they were unavailable to do so. I am not aware that the majority committee staff ever scheduled any further follow-up briefing with CFPB representatives.

Instead, as noted in the staff report, a hurried exchange of letters occurred between yourself and myself about an upcoming hearing on these matters in front of the Committee, which was prompting the requests for these briefings. As you were aware, I had agreed to testify publicly before the Senate Banking Committee on these same issues involving the Wells Fargo matter. Along with Wells Fargo CEO John Stumpf, the Comptroller, and a representative from the Los Angeles City Attorney's office, I did testify in the Senate on September 20, 2016. In that hearing, I answered all of their questions regarding Wells Fargo's sales practices and our investigation and resolution of these matters.

I was aware that your Committee was planning to hold a similar hearing, and I assumed that I and others would be asked to testify at that hearing as well. Indeed, I offered to do so on multiple occasions – including in my letters to you dated September 22 and September 23 – but you did not agree to have me testify publicly. On the same day as my Senate testimony, the initial briefing with the House committee staff occurred. At the close of business on September 22, you sent me a letter asking me to come and give a non-public briefing to committee staff the very next day, but on that late notice I was unavailable to do so (though, as I have noted above, CFPB representatives were available to do so and did in fact brief the committee minority staff, though the committee majority staff refused to attend that briefing). I did reiterate, however, my willingness to testify publicly in front of the Committee at the hearing to be held the following



week. Again, you declined to have me testify publicly, and that hearing occurred on September 29, where only Wells Fargo CEO John Stumpf was permitted to testify.

My first opportunity to address the Wells Fargo issues publicly before the Committee occurred in my required testimony on our Semi-Annual Report, which occurred on April 5, 2017. The staff report also suggests two areas of potential disagreement around interpretations of my testimony, and I am glad to have the chance to correct the record on these areas of potential disagreement.

First, the staff report indicates an inability to corroborate my statement that CFPB conducted an “independent and comprehensive” investigation of Wells Fargo’s sales practices. The potential disagreement here seems to stem from differing interpretations of the terms “independent” and “comprehensive.” As I see it, we worked closely together with our partners, the Los Angeles City Attorney’s office and the OCC, to ascertain the facts and reach a resolution of the issues involved. So we were not operating “independently” in the sense that we would be operating in other cases where we would be the lone government enforcement actor involved. Nonetheless, we had an obligation, which we fulfilled, to make our own independent judgment about the underlying facts and whether they could be sufficiently verified and documented for purposes of either filing a complaint or framing an order. And we did that.

In particular, we contributed importantly to the joint investigation in several ways. First, we were able to exercise our authority to issue Civil Investigative Demands for documents from Wells Fargo, documents that were essential to the investigation and that were only obtained through our CIDs. All of this information about the investigation has been provided to the Committee. Second, we were able to take what I understand was the only sworn testimony in the investigation, based on our authority to conduct investigational hearings – akin to depositions – of Wells Fargo officials. That information has also been provided to the Committee. Third, we were able to broaden the scope of the matter and the relief obtained beyond the boundaries of the State of California and the state-law claims brought by the Los Angeles City Attorney’s office. Our ability to investigate and establish violations of federal law was important in securing nationwide relief through the enforcement action and the CFPB’s Order.

Comment [JRC1]: We cannot confirm this [Note this text has now been revised]

Comment [JRC2]: We cannot confirm this statement, particularly w/r/t injunctive relief [Note this text has now been revised]

In all of these respects, we conducted our inquiries independently to satisfy our obligation to determine that Wells Fargo had in fact violated federal law by opening millions of deposit and credit card accounts without the knowledge or consent of consumers. In doing so, we relied where possible on work done by our partners as well, which was excellent work and crucial to the success of the joint investigation. And we relied on the bank’s own records to help establish what actually happened. It would not have made any sense for us to repeat the same work done by others, as long as we satisfied our own independent obligation to ascertain, verify, and document the facts and to determine that violations of federal law had harmed consumers.

As to whether our investigation was “comprehensive,” in my mind it was, in the sense that it thoroughly canvassed the factual and legal issues at stake in the enforcement investigation, which concerned Wells Fargo’s fraudulent sales practices, their effects on consumers, the consequent violations of the law, and the imposition of legal relief designed to remedy past violations and prevent future violations. Obviously, other work remains ongoing to this day, as the terms of the CFPB’s Order contemplated by installing an independent consultant as a monitor and ensuring continued reporting about the implementation of compliance plans. But there are

no real grounds to quibble over this definitional point of what it means to conduct a “comprehensive” investigation of an enforcement matter of this type.

Similarly, the staff report alleges that it is unable to corroborate my statement that the CFPB “engaged in supervisory activity” of these matters at Wells Fargo prior to May 2015. Again, we seem to have differing interpretations of what is meant by the phrase “supervisory activity.” In the staff report, as best I can tell, this phrase appears to be interpreted narrowly to refer only to supervisory activity involving direct contact with Wells Fargo. That is not my understanding of the meaning of this phrase “supervisory activity,” which typically involves various kinds of activity prior to an actual examination being conducted at an institution, and often subsequently as well. Our Examination Manual, published on our website, contains discussion of our supervisory processes that corroborates this point. This understanding also accords with my general experience as a state attorney general with other types of law enforcement investigations, which do not typically begin by making direct contact with the subject of the investigation. By contrast, the usage in the staff report seems instead to refer only to what I would consider to be an actual “examination” itself. But that portion of our supervisory work does not happen in a vacuum, and typically is the result of various preliminary considerations that occur before any examination can be prioritized and scheduled and conducted.

Accordingly, as I specifically stated in my letter to you dated September 23, 2016, the supervisory work we conducted in 2014 was internal to the Bureau. We did not contact the institution directly regarding these practices until the Spring of 2015. As the staff report itself indicates, prior to May 2015, the CFPB’s regional supervisory staff had made the decision to schedule “an examination of [retail banking sales practices] to commence in 2015.” What that means is that a Wells Fargo Deposit Account IPL [Individual Product Line] had been identified and submitted as a proposed examination topic into the Bureau’s annual exam prioritization process in the Spring of 2014. Based on various field market intelligence, which included the news articles we had seen in the *Los Angeles Times*, regional supervisory staff had evaluated this examination topic as having a 5 (highest) risk rating to justify supervisory attention. This recommendation was accepted, and the Bureau had scheduled an examination of this aspect of the bank’s operations. Although the staff report finds no evidence that any such examination actually occurred, that was because, as the situation unfolded with further developments, the Bureau moved its focus beyond supervision to the enforcement investigation that ultimately concluded in the CFPB’s Order. In the meantime, as the staff report acknowledges, the Bureau completed a number of previously scheduled examinations of Wells Fargo during this period that led to substantial corrective actions and consumer redress in a number of other areas.

The staff report further makes the misleading and inaccurate claim that the Bureau failed to cooperate by providing responsive documents to the Committee as requested. The staff report mentions pages of documents that the Bureau produced in the initial rounds of its production – 176 pages and 834 pages, respectively – and contrasts this production with Wells Fargo, which is said to have produced over 140,000 pages of records. In fact, the Bureau’s production to date in response to the Committee has totaled over 57,000 pages of records, in an effort to comply with its broad requests. Obscuring this substantial response, the staff report complains instead about which documents have been produced and which supposedly have not. One complaint is that the Bureau’s production has been redundant of documents received from either Wells Fargo or the OCC, though the same point could be made in reverse, since the investigation of the bank has led to many documents existing in both the Bureau’s records and in the records of the bank and the

other agency, many of which have likely been produced to the Committee in duplicate or even triplicate. As for whether the Bureau should be producing certain categories of documents rather than others, CFPB staff have consistently and repeatedly sought further guidance from the committee staff about how to narrow and target its inquiries and the appropriate response. We have renewed this request for further guidance again and again, including recently, to no avail. Instead, the staff report simply reiterates once more that the CFPB must produce “*all* responsive records” in any way “relating to the CFPB’s investigation of Wells Fargo,” without further clarification of what records it believes have not been forthcoming. Here again, I renew our willingness to stand ready to work with committee staff to address the proper response to these document requests, if committee staff is willing to do so.

In the end, I am quite proud of the CFPB team that has worked on the Wells Fargo matter, including those who worked with our partners to push forward and complete the enforcement action that resulted in the CFPB’s Order comprehensively addressing the issue of improper sales practices. Within about two years of the Bureau reaching steady-state in its staffing and operations, they cracked open and resolved what the staff report correctly stated was “one of the worst banking scandals in years,” after this scandal had already festered on its own for more than fifteen years, including more than ten years before the CFPB was even created. Clearly our team, along with our partners, has performed a tremendous public service here.

In closing, we will continue to seek ways to cooperate with your oversight requests and to work toward an amicable resolution of any disagreements over the information you are seeking in order to fulfill those functions.

Sincerely,

Richard Cordray  
Director

cc: The Honorable Maxine Waters



1700 G Street NW, Washington, DC 20552

June 9~~12~~, 2017

The Honorable Jeb Hensarling  
Chairman, Committee on Financial Services  
United States House of Representatives  
2129 Rayburn House Office Building  
Washington, DC 20515

Dear Chairman Hensarling:

I am writing to correct the record in various respects concerning the Committee staff report issued earlier this week. ~~To begin with, it is unclear to me what the official status of the staff report may be, given that on the front page an explicit disclaimer is provided — which I do not recall ever seeing before — that the report “has not been officially adopted by the Committee on Financial Services and may not necessarily reflect the views of its Members.” I also understand that the staff report was not shared in any way with the Ranking Member, or perhaps any other committee members, before it was released.~~

Comment [JRC1]: I suggest cutting this portion of the letter. First, the official status of the committee report seems fairly irrelevant now, given the public statements of Chairman Hensarling. Second, these seem like minor points to include at the outset of the letter.

The staff report ~~purports to follow~~follows up on a “comprehensive investigation” that the Committee had launched last September into two specific questions: “(1) how and why Wells Fargo allowed these fraudulent activities to occur at a disturbing scale across the Bank for well over a decade; and (2) whether or not federal financial regulators were effective in detecting and remedying Wells Fargo’s fraudulent branch sales practices.” As the staff report notes, the Wells Fargo ~~practices at issue here — “the —~~“practice of defrauding customers by opening millions of unneeded, and at times, unauthorized bank accounts” ~~— appear~~appears to have dated back at least to May 2001.

*The Original Focus of the Committee Investigation*

Last week’s staff report ~~devotes no time or effort whatsoever to addressing~~does not address the first question, of how and why Wells Fargo allowed these fraudulent activities to occur ~~at a disturbing scale~~ across the Bank for well over a decade. In this respect, it is notable that the Consumer Financial Protection Bureau did not even open its doors until July 2011, more than ten years after these activities commenced, and did not reach a steady-state in staffing and operations until ~~2013 or~~about 2014. During ~~that the~~ entire ~~time~~period before the inception of the Consumer Bureau, nothing occurred to address or halt any of Wells Fargo’s fraudulent practices.

Nor does the staff report devote any time or effort to addressing the key part of the second question, of whether or not federal financial regulators were effective in remedying Wells Fargo’s fraudulent branch sales practices. Of course, the actual effect of these practices on consumers – and whether they have now been finally stopped at Wells Fargo, as well as whether any similar practices have occurred or will be occurring in the future at any other banks or financial companies – has been the focus of the work done by the Consumer Financial Protection

Bureau, in conjunction with its partners in this matter, the Los Angeles City Attorney's office and the Office of the Comptroller of the Currency.

Although the staff report ~~never quite manages to say so~~ does not address the point, the work we and our partners have done and are doing in this matter has now halted ~~is designed to halt and remedied~~ remedy Wells Fargo's fraudulent practices. The investigation we jointly conducted led to the entry of orders – including the CFPB's Order issued on September 8, 2016 – that publicly exposed and detailed the breadth/extent of these practices for the first time. As, which the staff report ~~notes, it was only at that point that~~ “the world learned of accurately describes as “one of the worst banking scandals in years.” The public orders, which culminated our joint efforts to identify, diagnose, and address what exactly had occurred, led immediately to considerable follow-on activity by Congress, other federal officials and agencies, and other public officials around the country that ~~continue to reverberate~~ have reverberated to this day.

In addition, ~~our~~ the resolution of these matters embodied in the CFPB's Order is proving effective in remedying ~~designed to remedy~~ Wells Fargo's fraudulent practices. ~~That resolution, as embodied in the CFPB's Order, covers in~~ four areas-ways. First, the 26-page Order itself publicly ~~exposes and details~~ detailed the wrongdoing that occurred, so that it ~~can~~ could be more fully known and understood by the public and by other public officials. ~~No other allegations or accounts of what happened carry the same authoritative status as the terms of this. This Order – and those reached by our partners – stand as an authoritative account of events based as they are on the results of our joint investigation into these matters. The CFPB's Order. These orders, in fact, has been were~~ the impetus to the first congressional hearings on these matters in both the Senate and the House.

Second, the CFPB's Order specifies that Wells Fargo must halt these fraudulent practices and must put in place a detailed compliance regimen designed to ensure they cannot happen again. The details of this preventive relief include: (1) a provision directed at Wells Fargo and its “officers, agents, servants, employees, and attorneys” to prevent any further improper sales practices; (2) the installation of an independent consultant to ensure ~~that Wells Fargo's~~ policies and procedures that will ~~now~~ forestall any such conduct in the future, including training, monitoring, evaluation of sales goals, and development of a specific compliance plan; (3) provisions addressing the role of the Wells Fargo Board of Directors to be actively engaged in ensuring compliance with the terms of the Order, including timely reporting by management and timely and appropriate corrective action to remedy any deficiencies; (4) recordkeeping and reporting requirements to the Bureau; and (5) ongoing requirements to maintain cooperation and compliance with the Bureau as Wells Fargo implements the terms of the Order. The staff report never suggests that these provisions do not effectively remedy Wells Fargo's improper practices.

Third, the CFPB's Order requires Wells Fargo to make individual consumers whole for the harm they ~~may have~~ sustained as a result of ~~the~~ improper practices. ~~This requirement is described and effectuated in the~~ The Order, ~~which~~ requires retention of an independent consulting firm to identify and provide redress to all affected consumers; development and submission to the CFPB of a written plan detailing the steps, recommendations, deadlines, and timeframes ~~as~~ outlined in the redress plan; procedures for locating, notifying, and compensating affected consumers; and the involvement of Wells Fargo's Internal Audit department in ensuring that consumer redress is carried out as specified. The staff report never suggests that these provisions do not effectively provide redress to harmed consumers.

Comment [RMP2]: Edwin suggests changing to “are designed to halt and remedy”

Comment [RMP3]: Edwin's suggested edit

Comment [JRC4]: Just note that this assertion is arguable given the LA Times stories, the City of LA's complaint *See, e.g.,* E Scott Reckard, *Wells Fargo Accuses Workers of Opening Fake Accounts to Meet Goals*, L.A. Times, Oct 3, 2013, <http://articles.latimes.com/2013/oct/03/business/la-fi-1004-wells-fargo-fines-20131004> E Scott Reckard, *Wells Fargo's Pressure-Cooker Sales Culture Comes at a Cost*, L.A. Times, Dec 21, 2013, <http://www.latimes.com/business/la-fi-wells-fargo-sale-pressure-20131222-story.html> <http://www.latimes.com/business/la-fi-wells-fargo-suit-20150505-story.html>; [https://assets.bwbx.io/documents/users/iqjWHBFdfxIU/rPxi\\_pVaKx2Y/v0](https://assets.bwbx.io/documents/users/iqjWHBFdfxIU/rPxi_pVaKx2Y/v0)

In this respect, note that the decision memo for this matter states: “[T]he bank's wrongdoing was publicly exposed in late 2013, when a series of Los Angeles Times articles discussed the bank's “pressure-cooker sales culture” Decision Memo at 7

Comment [JRC5]: See comment JRC2

Comment [JRC6]: Legal cannot yet substantiate this statement, which would require access to the redress plan, independent consultant reports, etc., submitted to SEFL

Comment [JRC7]: Again, the public was aware of Wells' conduct prior to the issuance of our order because of LA Times and LA City Attorney's suit

Comment [JRC8]: This is arguable The Board Report is 113 pages long and was based on 100 interviews and the review of 35 million documents *See* Board Report at 2, available at <https://www.wellsfargo.com/assets/pdf/about/investor-relations/presentations/2017/board-report.pdf>

Comment [JRC9]: Wouldn't it be all three orders?

Comment [JRC10]: The order contains a single provision (not provisions) directing these individuals not to engage in UDAAPs with respect to sales practices

Fourth, the CFPB's Order imposed a civil monetary penalty of \$100 million on Wells Fargo for the improper sales practices as specified in the Order. This is by far the largest civil monetary penalty that the Bureau has imposed on any party in its history. This penalty was in addition to further penalties imposed by the Los Angeles City Attorney's office and the OCC. ~~The amount of the penalty assessed by the Bureau was determined by taking into account the statutory factors for calculating such penalties set out in 12 U.S.C. 5565(c)(3), which include the state of mind of the offender, the gravity of the violation, the severity of the risks to or losses of the consumer, which may take into account the number of products or services sold or provided, and such other matters as justice shall require, which typically involves considerations about the deterrence of future violations. The staff report does not take issue with the amounts of, all of which tend to deter such conduct by Wells Fargo and by any other institution in the future. The staff report does not take issue with~~ the penalties imposed in this matter.

Comment [JRC11]: This is true, but note that this statement may prompt a request for our decision memo in this case. That memo begins by stating: "We opened this matter in March following media reports and a lawsuit by the Los Angeles City Attorney (LA) alleging that Wells Fargo employees opened accounts for consumers or signed them up for additional products without their consent."

The remaining portion of the questions that are the stated focus of the Committee's investigation ~~is concerns~~ whether the federal financial regulators were effective in detecting Wells Fargo's fraudulent branch sales practices. Again, at the outset the staff report acknowledges that these practices went on for at least a decade before the Bureau even was created at all, and even longer before the Bureau reached steady-state in staffing and operations. And the staff report implicitly recognizes that the CFPB, in conjunction with its partners, has now both detected and remedied the violations that occurred as a result of these practices.

#### *The Bureau's Cooperation with the Committee*

Nonetheless, the bulk of the staff report does not focus on any of the above issues, and instead devolves into various misstatements and allegations about the extent of the Bureau's cooperation with its investigation. I am writing in part to correct the record on these particular points.

The first area concerns the claim made in the staff report that "the CFPB has not cooperated with the Committee's investigation to date." The ~~insinuation is staff report insinuates~~ that the Bureau, and I myself, refused to brief the committee staff about the CFPB's work on these matters. Nothing could be further from the truth, and the staff report selectively mentions only some of the communications back and forth on this issue. As the staff report notes, CFPB representatives were first asked to brief the committee staff about these matters on September 20, 2016, and they did so. (The staff report misstates the date of this briefing, which it incorrectly states as September 21.) During the briefing, ~~certain some~~ questions were asked that sought information about certain supervisory matters on which the CFPB representatives were unsure ~~whether they had the authority were authorized~~ to respond. They thus indicated they would seek such authority and report back. The next day, September 21, you sent me a letter asking for a second briefing from CFPB representatives with authority to answer such questions. Although the staff report never mentions it, on the following day, September 22, I responded to you in a letter and agreed that CFPB representatives would provide the requested follow-up briefing the next day, September 23. At the close of business on September 22, however, you sent me yet another letter stating that the Committee now no longer wanted to receive the requested follow-up briefing.

Although ~~once~~ again the staff report never mentions it, CFPB representatives did in fact continue to offer to provide – and did provide – that follow-up briefing on September 23. ~~Minority It was~~

~~attended by minority~~ committee staff ~~attended~~, but the majority committee staff declined to attend, even though they did not indicate that they were unavailable to do so. ~~The~~ I am not aware that the majority committee staff ~~never~~ ever scheduled any further follow-up briefing with CFPB representatives, ~~who remained — and continue to remain — available at any time to address any further questions.~~

Comment [JRC12]: Note that this offer might lead to subpoenas of Bureau staff for deposition testimony

Instead, as noted in the staff report, a hurried exchange of letters occurred between yourself and myself about an upcoming hearing on these matters in front of the Committee, which was prompting the requests for these briefings. As you were aware, I had agreed to testify publicly before the Senate Banking Committee on these same issues involving the Wells Fargo matter. Along with Wells Fargo CEO John Stumpf, the Comptroller, and a representative from the Los Angeles City Attorney's office, I did testify in the Senate on September 20, 2016. In that hearing, I answered all of their questions regarding Wells Fargo's sales practices and our investigation and resolution of ~~these~~ these matters.

I was aware that your Committee was planning to hold a similar hearing, and I assumed that I and others would be asked to testify at that hearing as well. Indeed, I offered to do so on multiple occasions – including in my letters to you dated September 22 and September 23 – but you ~~were~~ did not ~~willing to~~ agree to have me testify publicly. On the same day as my Senate testimony, the initial briefing with the House committee staff occurred. At the close of business on September 22, you sent me a letter asking me to come and give a non-public briefing to committee staff the very next day, but on that late notice I was unavailable to do so (though, as I have noted above, CFPB representatives were available to do so and did in fact brief the committee minority staff, though the committee majority staff refused to attend that briefing). I did reiterate, however, my willingness to testify publicly in front of the Committee at the hearing to be held the following week. Again, you declined to have me testify publicly, and that hearing occurred on September 29, where only Wells Fargo CEO John Stumpf was permitted to testify.

My first opportunity to address ~~any of~~ the Wells Fargo issues publicly before the Committee occurred in my required testimony on our Semi-Annual Report, which occurred on April 5, 2017. The staff report also suggests two areas of potential disagreement around interpretations of my testimony, and I am glad to have the chance to correct the record on ~~these~~ these areas of potential disagreement.

First, the staff report indicates an inability to corroborate my statement that ~~the~~ CFPB conducted an “independent and comprehensive” investigation of ~~the~~ Wells Fargo's sales practices. The potential disagreement here seems to stem from differing interpretations of the terms “independent” and “comprehensive.” As I see it, we worked closely together with our partners, the Los Angeles City Attorney's office and the OCC, to ascertain the facts and reach a resolution of the issues involved. So we were not operating “independently” in the sense that we would be operating in other cases where we would be the lone government enforcement actor involved. Nonetheless, we had an obligation, which we fulfilled, to make our own independent judgment about the underlying facts and whether they could be sufficiently verified and documented for purposes of either filing a complaint or framing an order. And we did that.

In particular, we contributed importantly to the joint investigation in several ways. First, we were able to exercise our authority to issue Civil Investigative Demands for documents from Wells Fargo, documents that were essential to the investigation and that were only obtained

through our CIDs. All of this information about the investigation has been provided to the Committee. Second, we were able to take what I understand was the only sworn testimony in the investigation, based on our authority to conduct investigational hearings – akin to depositions – of Wells Fargo officials. That information has also been provided to the Committee. Third, we were able to broaden the scope of the matter and the relief ~~sought and~~ obtained beyond the boundaries of the State of California, ~~which was and~~ the ~~outer limit on the relief that could be secured state-law claims brought~~ by the Los Angeles City Attorney’s office ~~based on its claims brought under state law~~. Our ability to investigate and establish violations of federal law was ~~essential to important in~~ securing nationwide relief through the enforcement action and the CFPB’s Order.

Comment [JRC13]: We cannot confirm this

Comment [JRC14]: We cannot confirm this [Note this text has now been revised]

Comment [JRC15]: We refer to these as investigational hearings See 12 CFR 1080.7

Comment [JRC17]: We cannot confirm this statement, particularly w/r/t injunctive relief [Note this text has now been revised]

Comment [JRC16]: We cannot confirm this statement, particularly w/r/t injunctive relief

Comment [JRC18]: Note that the implication here is that the OCC would have done nothing without us

Comment [JRC19]: On this point, my understanding is that we relied exclusively on Wells Fargo’s internal audit. See Decision Memo at 3 & n 3 (referencing Wells Fargo’s admission, and its internal audit); see also Consent Order ¶ 16 (“Respondent’s analysis concluded that its employees opened 1,534,280 deposit accounts”); *id.* at ¶ 23 (“Respondent’s analysis concluded that its employees submitted applications for 565,443 credit-card accounts...”)

In all of these respects, we conducted our inquiries independently to satisfy our obligation to determine that Wells Fargo had in fact violated federal law, ~~and had in fact opened by opening~~ millions of deposit and credit card accounts without the knowledge or consent of consumers. In doing so, we relied where possible on work done by our partners as well, which was excellent work and crucial to the success of the joint investigation. And we relied on the bank’s own records to help establish what actually happened. It would not have made any sense for us to repeat the same work done by others, as long as we satisfied our own independent obligation to ascertain, verify, and document the facts and to determine that violations of federal law had ~~occurred which had~~ harmed consumers.

As to whether our investigation was “comprehensive,” in my mind it was, in the sense that it thoroughly canvassed the factual and legal issues at stake in the enforcement investigation, which concerned Wells Fargo’s fraudulent sales practices, their effects on consumers, the consequent violations of the law, and the imposition of legal relief ~~sufficient~~ designed to remedy past violations and prevent future violations. Obviously, other work remains ~~on going ongoing~~ to this day, as the terms of the CFPB’s Order contemplated by installing an independent consultant as a monitor and ensuring ~~continuing continued~~ reporting ~~of about~~ the implementation of compliance plans. ~~We also have consulted with other public officials about further work they may be undertaking in this and related areas, which could bring further matters to light.~~ But there are no real grounds to quibble over this definitional point of what it means to conduct a “comprehensive” investigation of an enforcement matter of this type.

Comment [JRC20]: Note, that we may be asked for evidence of such consultations

Similarly, the staff report alleges that it is unable to corroborate my statement that the CFPB “engaged in supervisory activity” of these matters at Wells Fargo prior to May 2015. Again, we seem to have differing interpretations of what is meant by the phrase “supervisory activity.” In the staff report, as best I can tell, this phrase appears to be interpreted narrowly to refer only to supervisory activity involving direct contact with Wells Fargo. That is not my understanding of the meaning of this phrase “supervisory activity,” which typically involves various kinds of activity prior to an actual examination being conducted at an institution, and often subsequently as well. The Our Examination Manual, published on our website, contains discussion of our supervisory processes that corroborates this point. This understanding also accords with my general experience as a state attorney general with other types of law enforcement investigations, which do not typically begin by making direct contact with the subject of the investigation. By contrast, the usage in the staff report seems instead to refer only to what I would consider to be an actual “examination” itself. But that portion of our supervisory work does not happen in a vacuum, and typically is the result of various preliminary considerations that occur before any examination can be prioritized and scheduled and conducted.

Comment [JRC21]: This point could be supported by reference to our Examinations Manual, at “Examinations” pp 1-3



Accordingly, as I ~~noted specifically stated~~ in my letter ~~of to you dated~~ September 23, 2016, the supervisory work we conducted in 2014 was internal to the Bureau. We did not contact the institution directly regarding these practices until the Spring of 2015. As the staff report itself indicates, prior to May 2015, the CFPB's regional supervisory staff had made the decision to schedule "an examination of [retail banking sales practices] to commence in 2015." What that means is that ~~we had identified and submitted~~ a Wells Fargo Deposit Account IPL [Individual Product Line] ~~had been identified and submitted~~ as a proposed examination topic into the Bureau's annual exam prioritization process in the Spring of 2014. Based on various field market intelligence, which included the ~~investigative reports, news articles~~ we had seen in the *Los Angeles Times* ~~and a small number of whistleblower reports~~, regional supervisory staff had evaluated this examination topic as having a 5 (highest) risk rating ~~as justifying to justify~~ supervisory attention. ~~Within the Bureau, the Office of Supervision Policy had concurred that based on this preliminary field market intelligence, Wells Fargo's deposit operations were "high risk". This recommendation was accepted, and the agency designated and Bureau had scheduled an examination of this aspect of the bank's operations, including assigning an examiner in-charge to head up the supervisory activity in this regard. The~~ Although the staff report ~~notes that there is finds~~ no evidence that any such examination actually occurred, ~~but~~ that was because, as the situation unfolded with further developments, the Bureau moved its focus beyond supervision to the enforcement investigation that ultimately concluded in the CFPB's Order ~~and all the results that flowed from its Order~~. In the meantime, as the staff report acknowledges, the Bureau completed a number of previously scheduled examinations of Wells Fargo during this period that led to substantial corrective actions and consumer redress in a number of other areas.

The staff report further makes the misleading and inaccurate claim that the Bureau failed to cooperate by providing responsive documents to the Committee as requested. The staff report mentions pages of documents ~~for that the Bureau produced in~~ the initial rounds of ~~the Bureau's~~ production – 176 pages and 834 pages, respectively – and contrasts this production with Wells Fargo, which is said to have produced over 140,000 pages of records. In fact, the Bureau's production to date in response to the Committee has totaled over 57,000 pages of records, in an effort to comply with ~~the broadly worded~~ its broad requests. ~~In an effort to obscure~~ Obscuring this substantial response, the staff report complains instead about which documents have been produced and which supposedly have not. One complaint is that the Bureau's production has been redundant of documents received ~~from~~ either ~~from~~ Wells Fargo or the OCC, though the same point could be made in reverse, since the investigation of the bank has led to many documents existing in both the Bureau's records and in the records of the bank and the other agency, many of which have likely been produced to the Committee in duplicate or even triplicate. As for whether the Bureau should be producing certain categories of documents rather than others, CFPB staff have consistently and repeatedly sought further guidance from the committee staff about how to narrow and target its inquiries and the appropriate response. We have renewed this request for further guidance again and again, including recently, to no avail. Instead, the staff report simply reiterates ~~again once more~~ that the CFPB must produce "all responsive records" in any way "relating to the CFPB's investigation of Wells Fargo," without further clarification ~~as to of~~ what ~~kinds of~~ records it believes have not been forthcoming. Here again, I renew our willingness to stand ready to work with committee staff to address the proper response to these document requests, if committee staff is willing to do so.

Comment [JRC22]: This can be put more elegantly, I'm sure, but it has the advantage of being verifiably true and consistent with both our prior representation and their understanding. See 9/23/16 Letter at 1 ("Bureau staff continued to assess those issues internally through 2014, and then began directly engaging Wells Fargo in the spring of 2015.")

Comment [JRC23]: This statement appears in the roll-up exam report, which was drafted in 2016. To date, we have the following evidence that predates the LA lawsuit:

- (1) an email to the OCC dated 9/30/14 with our exam schedule for 2015, which includes a line for "deposits" and states in the exam scope notes column: "Compliance with Reg DD & Reg E, especially error resolution"
- (2) an email dated 6/25/14 attaching a spreadsheet with proposed exam events. The spreadsheet contains a row that lists Wells Fargo Deposits exam as a "must"
- (3) a 4/7/14 email from the west region to OSP with a spreadsheet giving Wells Deposits a "5" FMI rating and including the following: "Note: Lots of bad press re: sales culture in branches - setting up multiple accounts to meet sales goals 4 or 5"
- (4) A powerpoint dated 6/19/2014 entitled "Supervision Strategy and Priorities; 2015"

Comment [JRC24]: Unclear who "we" are submitting the proposed exam topic to at this point. The west region identified the Wells Deposit IPL to HQ, and then we listed it in our notification to the OCC, but that was ...

Comment [KMF25]: Edwin suggests changing to "news articles"

Comment [KMF26]: Edwin recommends striking this reference to whistleblower complaints, which he says were not part of the risk rating

Comment [JRC27]: We can confirm the 5 FMI rating, though we cannot confirm what that was based on

Comment [JRC28]: This is confirmed by the 6/19/14 document

Comment [KMF29]: Edwin's suggested edit

Comment [JRC30]: The scheduling of the exam into Wells' deposit operations is confirmed by the email to the OCC, but we do not have any documentation regarding the assignment of an examiner-in-charge

Comment [JRC31]: My overall recommendation is to cut this entire paragraph. Although we have received some documents from SEFL to verify some of these assertions (as described more fully above), we would ...

In the end, I am quite proud of the CFPB team that has worked on the Wells Fargo matter, including those who worked with our partners to push forward and complete the enforcement action that resulted in the CFPB's Order comprehensively addressing the issue of improper sales practices. Within about two years of the Bureau reaching steady-state in its staffing and operations, they cracked open and resolved what the staff report correctly stated was "one of the worst banking scandals in years," after this scandal had already festered on its own for more than fifteen years, including more than ten years before the CFPB was even created. Clearly ~~they~~ have our team, along with our partners, has performed a tremendous public service here.

In closing, we will continue to seek ways to cooperate with your oversight requests and to work toward an amicable resolution of any disagreements over ~~what~~the information you are seeking in order to fulfill those functions.

Sincerely,

Richard Cordray  
Director

cc: The Honorable Maxine Waters

**Ehrlich, Jeffrey (CFPB)**

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**From:** Ehrlich, Jeffrey (CFPB)  
**Sent:** Sunday, June 11, 2017 11:47 AM  
**To:** RC; Coleman, John (CFPB); Chow, Edwin (CFPB)  
**Cc:** McLeod, Mary (CFPB); Galicia, Catherine (CFPB); Fulton, Kate (CFPB); Howard, Jennifer (CFPB); Martinez, Zixta (CFPB); D'Angelo, Chris (CFPB); Conrad, Derek (CFPB); Alexis, Anthony (CFPB); Donoghue, Kristen (CFPB)  
**Subject:** RE: Wells Documents  
**Attachments:** Jeff's redline to RC's Sunday morning draft.docx

+ Tony and Kristen

Here are my suggested edits for your consideration. As I said earlier, I've shared most of these with John and Mary yesterday. Rich – If I appear to have undone edits that you made since Friday, that was probably unintentional. I've been working off several drafts (yours Friday, John's late Friday, and then yours this morning), and it's getting hard to see in various redlines whose words I'm messing with. For what it is worth, I still agree with most others that we should not respond at all to this report. I would be happy to discuss this further. Thanks!

Jeff Ehrlich  
 Deputy Enforcement Director  
 Office: [REDACTED] | Mobile: [REDACTED]  
 Consumer Financial Protection Bureau  
[consumerfinance.gov](http://consumerfinance.gov)

Confidentiality Notice: If you received this email by mistake, you should notify the sender of the mistake and delete the email and any attachments. An inadvertent disclosure is not intended to waive any privileges.

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**From:** RC  
**Sent:** Sunday, June 11, 2017 8:53 AM  
**To:** Coleman, John (CFPB); Chow, Edwin (CFPB)  
**Cc:** McLeod, Mary (CFPB); Galicia, Catherine (CFPB); Fulton, Kate (CFPB); Howard, Jennifer (CFPB); Martinez, Zixta (CFPB); Ehrlich, Jeffrey (CFPB); D'Angelo, Chris (CFPB); Conrad, Derek (CFPB)  
**Subject:** RE: Wells Documents

Attached is the latest version of this letter, now dated 6/12. It incorporates all comments received to date. One paragraph still contains two comment bubbles from John, indicating that he is not in position to confirm two specific points (though I have now made efforts to write around the points raised in these two comments). I believe we will be hearing from Jeff with his perspective on this paragraph and those two comments, hopefully sometime today.

If people want to discuss this matter in person some more, I am available to do so at 10:00 or so on Monday and perhaps at other times on Monday as Derek might be able to arrange thx  
 RC

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**From:** RC  
**Sent:** Friday, June 09, 2017 11:37 AM

**To:** Coleman, John (CFPB); Chow, Edwin (CFPB)

**Cc:** McLeod, Mary (CFPB); Galicia, Catherine (CFPB); Fulton, Kate (CFPB); Howard, Jennifer (CFPB); Martinez, Zixta (CFPB); Ehrlich, Jeffrey (CFPB); D'Angelo, Chris (CFPB)

**Subject:** FW: Wells Documents

As I work on a responsive letter to the Chairman about the recent staff report, a key point is the document attached here on our supervisory timeline, which contains a chart of events that I am relying on (and that jibes with my own recollection, except that one item not included in the chart but of which I understood myself to be aware at the time of my testimony was that we also had a couple of whistleblower tips on related issues in 2013). The timeframe for sending the letter is urgent, probably as soon as Monday, and so as we do the important work of scrubbing the accuracy of the potential representations I would be making in my letter (a draft of which is also attached), it is important to accomplish all we can on that TODAY thx  
RC

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**From:** Coleman, John (CFPB)

**Sent:** Wednesday, June 07, 2017 5:48 PM

**To:** RC

**Cc:** McLeod, Mary (CFPB); Galicia, Catherine (CFPB); Fulton, Kate (CFPB); Howard, Jennifer (CFPB)

**Subject:** Wells Documents

Rich,

Per your request, I am attaching several documents and emails related to Wells Fargo:

- 1) Our correspondence with the Committee related to Wells Fargo, which consists of:
  - a. A September 16, 2016 letter from Chairman Hensarling;
  - b. A September 21, 2016 letter from Chairman Hensarling asking that you authorize Bureau staff to disclose CSI;
  - c. A September 22, 2016 letter from you to Chairman Hensarling regarding a further staff briefing;
  - d. A September 22, 2016 letter from Chairman Hensarling to you asking you to brief staff the next day;
  - e. A September 23, 2016 letter from you to Chairman Hensarling in response to the previous letter;
  - f. A September 23, 2016 letter from you to Chairman Hensarling responding to the September 16, 2016 information request;
  - g. A November 3, 2016 letter from Chairman Duffy to you requesting complete and additional information;
  - h. A November 10, 2016 response from Catherine Galicia (we provided CIDs and investigational hearing transcripts);
  - i. The April 4, 2017 subpoena seeking, inter alia, "records relating to the sales practices of Wells Fargo Bank" described in our consent order (item 26), and "records relating to the CFPB's 'investigation of Wells Fargo' that is described in" the September 23, 2016 letter;
  - j. Our May 2, 2017 response to the subpoena (see specifically pages 17-18);
  - k. An email from last Thursday, June 1, 2017, concerning the April 4, 2017 subpoena, including the specifications described above.
- 2) Excerpts of the April 5, 2017 testimony transcript related to Wells, as well as the full transcript;
- 3) A document provided to you as part of your preparation for the April 5, 2017 hearing;
- 4) A timeline of relevant events prepared by SEFL staff and provided to the Front Office on September 16, 2016. We do not have a record that this previously has been provided to you, but staff who helped you prepare for your September Senate testimony and April House testimony had seen this document, or some version of it; and
- 5) Correspondence with Wells Fargo related to HFSC requests to Wells for information;

Note that we are continuing to work on a narrative document setting forth our back and forth with the committee on this issue, which will include additional facts not included in the formal written correspondence. We will share that with you as soon as it's ready.

Best,

John



1700 G Street NW, Washington, DC 20552

June 12<sup>th</sup>, 2017

The Honorable Jeb Hensarling  
Chairman, Committee on Financial Services  
United States House of Representatives  
2129 Rayburn House Office Building  
Washington, DC 20515

Dear Chairman Hensarling:

~~I am writing to correct the record in various respects concerning the Last week's Committee staff report issued earlier this week. The staff report follows purports to follow up on a "comprehensive investigation" that the Committee had launched last September into two specific questions: "(1) how and why Wells Fargo allowed these fraudulent activities to occur at a disturbing scale across the Bank for well over a decade; and (2) whether or not federal financial regulators were effective in detecting and remedying Wells Fargo's fraudulent branch sales practices." As But the staff report notes, the Wells Fargo "practice of defrauding customers by opening millions of unneeded, and at times, unauthorized bank accounts" appears to have dated back at least to May 2001.~~

*The Original Focus of the Committee Investigation*

~~Last week's staff report does not address the first question, of how and why Wells Fargo allowed these fraudulent activities to occur across the Bank for well over a decade. In this respect, it is notable that the Consumer Financial Protection Bureau did not even open its doors until July 2011, more than ten years after these activities commenced, and did not reach a steady state in staffing and operations until about 2014. During the entire period before the inception of the Consumer Bureau, nothing occurred to address or halt any of Wells Fargo's fraudulent practices.~~

~~Nor does the staff report devote any devotes no time or effort whatsoever to addressing the first question, nor does it discuss the key part of the second question, of whether or not federal financial regulators were effective in remedying Wells Fargo's fraudulent branch sales practices. Of course, the actual effect of these practices on consumers—and whether they have now been finally stopped at Wells Fargo, as well as whether any similar practices have occurred or will be occurring in the future at any other banks or financial companies—has been the focus of the work done by the Consumer Financial Protection Bureau, in conjunction with its partners in this matter, the Los Angeles City Attorney's office and the Office of the Comptroller of the Currency. I write here to answer that question and to correct the record in various respects where the staff report got it wrong.~~

*The Effectiveness of the Bureau's Order*

Although the staff report does not address the point, the work we and our partners have done and are doing in this matter ~~has is designed to halted and remedy~~ Wells Fargo's fraudulent practices

Comment [JPE1]: I've redone the intro to better set up what we're trying to do here: (1) demonstrate that our work was effective and (2) correct the record. I think this revised intro better telegraphs the rest of the letter

~~and has begun the process of providing compensation to harmed consumers.~~- The investigation we jointly conducted led to the entry of orders – including the CFPB’s Order issued on September 8, 2016 – ~~that publicly exposed and detailed for the extent first time the details and stunning scope of Wells Fargo’s unlawful conduct. these practices, which~~ As the staff report accurately describes as “notes, it was only then that “the world learned of one of the worst banking scandals in years.”- The public orders, ~~which culminated our joint efforts to identify, diagnose, and address what exactly had occurred also,~~ led immediately to considerable follow-on activity by Congress, other federal officials and agencies, and other public officials around the country that ~~have reverberated~~ continues to reverberate to this day.

Comment [JPE2] : Revised to address John’s point about the L A Times previously exposing the practices. Those articles did not expose the details and full scope of the practices

Comment [JPE3] : Deleted for brevity

In addition, the resolution of these matters ~~embodied in the CFPB’s Order is designed to remedy, proving effective in remedying~~ Wells Fargo’s fraudulent practices in four ways in four ways.- First, the 26-page Order itself publicly ~~detailed~~ exposed the details and widespread nature of the wrongdoing that occurred, so that it ~~could~~ can be more fully known and understood by the public and by other public officials.- ~~This~~ No prior allegations or accounts of what happened carried the same authoritative status as the terms of the Bureau’s Order, and those reached by our partners stand as an authoritative account of events based as it was on the results of our joint investigation ~~into these matters.~~ Our enforcement work, in fact, ~~were~~ was the impetus to the first congressional hearings on these matters in both the Senate and the House.

Comment [JPE4] : Again, I’ve made some edits that I think distinguish our work from the L A Times articles

Second, the CFPB’s Order specifies that Wells Fargo must halt these fraudulent practices and ~~must~~ put in place a detailed compliance regimen ~~designed~~ to ensure they cannot happen again. The details of this preventive relief include:- (1) a provision directed at Wells Fargo and its “officers, agents, servants, employees, and attorneys” to prevent any further improper sales practices; (2) the installation of an independent consultant to ensure that Wells Fargo’s policies and procedures ~~that will now~~ forestall any such conduct in the future, including training, monitoring, evaluation of sales goals, and development of a specific compliance plan; (3) provisions addressing the role of the Wells Fargo Board of Directors to be actively engaged in ensuring compliance with the terms of the Order, including timely reporting by management and timely and appropriate corrective action to remedy any deficiencies; (4) recordkeeping and reporting requirements to the Bureau; and (5) ongoing requirements to maintain cooperation and compliance with the Bureau as Wells Fargo implements the terms of the Order. -The staff report never suggests that these provisions do not effectively remedy Wells Fargo’s improper practices.

Third, the CFPB’s Order requires Wells Fargo to make individual consumers whole for the harm they may have sustained as a result of the improper practices. ~~The~~ To this end, the Order requires ~~retention of Wells Fargo to:~~ (1) retain an independent consulting firm consultant to identify and provide redress to all affected consumers; ~~development~~ (2) develop and ~~submission~~ submit to the CFPB ~~of~~ a written plan detailing the steps, recommendations, deadlines, and timeframes, as outlined in the redress plan; ~~(3) develop~~ (3) develop procedures for locating, notifying, and compensating affected consumers; and ~~the involvement of~~ (4) involve Wells Fargo’s Internal Audit department in ensuring that consumer redress is carried out as specified. -The staff report never suggests that these provisions do not effectively provide redress to harmed consumers.

Fourth, the CFPB’s Order imposed a civil monetary penalty of \$100 million ~~on Wells Fargo for the improper sales practices as specified in the Order.~~ This is by far the largest civil monetary penalty that the Bureau has imposed ~~on any party in its history.~~ This penalty was in addition to ~~further~~ the penalties imposed by the Los Angeles City Attorney’s office and the OCC, all of

which tend to deter such conduct by Wells Fargo and by any other institution in the future. ~~The staff report does not take issue with the~~ ~~never suggests that the amounts of our penalty penalties imposed in this matter was improper.~~

Comment [JPE5]: Revised to make parallel with the concluding sentences of the two prior paragraphs

The remaining portion of the questions that are the stated focus of the Committee's investigation concerns whether the federal financial regulators were effective in detecting Wells Fargo's fraudulent ~~branch~~ sales practices. ~~As Again, at the outset~~ the staff report acknowledges, ~~that~~ these practices went on for at least a decade before the Bureau ~~was~~ even ~~was~~ ~~created at all~~, and ~~they went on~~ even longer before the Bureau reached steady-state in staffing and operations. ~~And~~ the staff report implicitly recognizes that the CFPB, in conjunction with its partners, has now both detected and remedied the violations that occurred as a result of these practices.

Comment [JPE6]: Revised because I deleted this point when it was previously made in the intro paragraph

#### *The Bureau's Cooperation with the Committee*

~~Nonetheless, But~~ the bulk of the staff report does not focus on any of the above issues, and instead devolves into various misstatements and allegations about the extent of the Bureau's cooperation with ~~it~~ ~~the Committee's~~ investigation. ~~I am writing~~ ~~write~~ in part to correct the record on these particular points.

The first area concerns the claim made in the staff report that "the CFPB has not cooperated with the Committee's investigation to date." ~~The staff report insinuates that the Bureau, and I myself, refused to brief the committee staff about the CFPB's work on these matters. Nothing could be further from the truth, and the staff report selectively mentions only some of the communications back and forth on this issue. As the staff report notes, CFPB representatives were first asked to brief the committee staff about these matters on September 20, 2016, and they did so. (The staff report misstates the date of this briefing, which it incorrectly states as September 21.) During the briefing, some certain questions were asked that sought information about certain supervisory matters on which the CFPB representatives were unsure whether they were authorized had the authority to respond. They thus indicated they would seek such authority and report back. The next day, September 21, you sent me a letter asking for a second briefing from CFPB representatives with authority to answer such questions. Although the staff report never mentions it, on the following day, September 22, I responded to you in a letter and agreed that CFPB representatives would provide the requested follow-up briefing the next day, September 23. At the close of business on September 22, however, you sent me yet another letter stating that the Committee now no longer wanted to receive the requested follow-up briefing.~~

Although once again the staff report never mentions it, CFPB representatives did in fact continue to offer to provide – and did provide – that follow-up briefing on September 23. ~~The minority staff attended that briefing. It was attended by minority committee staff, but the majority committee staff declined to attend, even though they did not indicate that they were unavailable to do so. I am not aware that the majority committee staff ever scheduled any further follow up briefing with CFPB representatives.~~

Comment [JPE7]: I wouldn't want to invite this now

Instead, as noted in the staff report, ~~a hurried exchange you and I exchanged a series~~ of letters ~~occurred between yourself and myself~~ about an upcoming hearing on these matters in front of the Committee, ~~which was prompting the requests for these briefings.~~ As you were aware, I had agreed to testify publicly before the Senate Banking Committee on these same issues involving the Wells Fargo matter. ~~Along with Wells Fargo CEO John Stumpf, the Comptroller of the~~



Currency, and a representative from the Los Angeles City Attorney's office, I did testify in the Senate on September 20, 2016. In that hearing, I answered all of their questions regarding Wells Fargo's sales practices and our investigation and resolution of ~~these~~those matters.

I was aware that your Committee was planning to hold a similar hearing, and I assumed that I and others would be asked to testify at that hearing as well. Indeed, I offered to do so on multiple occasions – including in my letters to you dated September 22 and September 23 – but you ~~did~~were not willing to agree to have me testify publicly. On the same day as my Senate testimony, the initial briefing with the House committee staff occurred. At the close of business on September 22, you sent me a letter asking me to come and give a non-public briefing to ~~committee~~Committee staff the ~~very~~ next day, but on that late notice I was unavailable to do so (though, as I have noted above, CFPB representatives were available to do so and did in fact brief the ~~committee~~Committee minority staff, though the ~~committee~~Committee majority staff refused to attend that briefing). I did reiterate, however, my willingness to testify publicly in front of the Committee at the hearing to be held the following week. Again, you declined to have me testify publicly, and that hearing occurred on September 29, where only Wells Fargo's CEO, John Stumpf, was permitted to testify.

My first opportunity to publicly address any of the Wells Fargo issues publicly before the Committee occurred in my required testimony on our Semi-Annual Report, which occurred on April 5, 2017. The staff report also suggests two areas of potential disagreement around interpretations of my testimony that day, and I am glad to have the chance to correct the record on these areas of potential disagreement.

First, the staff report indicates an inability to corroborate my statement that the CFPB conducted an "independent and comprehensive" investigation of Wells Fargo's sales practices. The potential disagreement here seems to stem from differing interpretations of the terms "independent" and "comprehensive." As I see it, we worked closely together with our partners, the Los Angeles City Attorney's office and the OCC, to ascertain the facts and reach a resolution of the issues involved. So we were not operating "independently" in the sense that we would be operating in some of our other cases, where we would be the lone government enforcement ~~actor~~agency involved. Nonetheless, we had an obligation, which we fulfilled, to make our own independent judgment about the underlying facts and whether they could be sufficiently verified and documented for purposes of either filing a complaint or framing an order. And ~~w~~We did that.

In particular, we contributed importantly to the joint investigation in several ways. First, we were able to exercise our authority to issue four Civil Investigative Demands for documents information from Wells Fargo, documents – information that ~~were~~was essential to the investigation. Among other things, we compelled Wells Fargo to quantify the sales-practices violations and that were only obtained through consumer harm. In response to our CIDs, Wells Fargo produced an analysis performed by PwC. We ultimately were able to share this information with the Los Angeles City Attorney's office. All of this information about the investigation has been provided to the Committee. Second, over the course of three days, we were able to take what I understand was the only sworn testimony in the investigation, based on our authority to conduct investigational hearings – (akin to depositions) of Wells Fargo officials. That information has, We invited staff from the Los Angeles City Attorney's office to observe those hearings in person; to my knowledge, that marked the first time that a government

Comment [JPE8] : Deleted as redundant given "We did that" at the end of the paragraph

Comment [JPE9] : We requested more than just documents

Comment [JPE10] : Legal should confirm that this statement applies to the PwC analysis and my other edits

Comment [JRC11] : We cannot confirm this [Note this text has now been revised]

Comment [JPE12] : Rich – I dealt with this differently because the sworn declarations the L A City Attorney obtained from consumers and former employees could arguably be characterized as "testimony "

agency had taken testimony from Wells Fargo officials about the bank's sales practices. The transcripts of our investigational hearings have also been provided to the Committee. -Third, we were able to broaden the scope of the matter and the relief obtained beyond the boundaries of the State of California and the state-law claims brought by the Los Angeles City Attorney's office. Our ability to investigate and establish violations of federal law was important in securing nationwide relief through the ~~enforcement action and the~~ CFPB's Order.

Comment [JRC13]: We cannot confirm this statement, particularly w/t injunctive relief [Note this text has now been revised]

In all of these respects, we conducted our inquiries independently to satisfy our obligation to determine that Wells Fargo had in fact violated federal law ~~by opening, and had in fact opened~~ millions of deposit and credit-card accounts without the knowledge or consent of consumers. In doing so, we relied where possible on ~~the efforts of work done by our partners as well the~~ Los Angeles City Attorney's office, ~~which was performed~~ excellent work ~~and that was~~ crucial to the success of the joint investigation. ~~-And~~ We also relied heavily on the analysis performed by PwC, which was turned over to the Bureau in response to our demands. ~~We took testimony from Wells Fargo about the PwC analysis, and we relied on the bank's own records to help establish what actually happened. -met informally with PwC officials to understand the methodology used to quantify the sales-practices violations and consumer harm.~~ It would not have made any sense for us to repeat the same work done by others, as long as we satisfied our own independent obligation to ascertain, verify, and document the facts and to determine that violations of federal law had ~~occurred~~ harmed consumers.

Comment [JRC14]: On this point, my understanding is that we relied exclusively on Wells Fargo's internal audit. See Decision Memo at 3 & n 3 (referencing Wells Fargo's admission, and its internal audit); see also Consent Order ¶ 16 ("Respondent's analysis concluded that its employees opened 1,534,280 deposit accounts"); *id.* at ¶ 23 ("Respondent's analysis concluded that its employees submitted applications for 565,443 credit-card accounts...")

Comment [JPE15]: Notwithstanding what we say in the decision memo, I don't think it is fair to say we relied *exclusively* on the PwC analysis. I've made some edits here to reflect that

Comment [JPE16]: It would be false to say that relied on anything done by the OCC. That "partner" did nothing to contribute to our investigation

Comment [JPE17]: See Coyne Tr at 188:8-16 (after discussion of PwC analysis, Coyne states that he is unaware of "specific misconduct that could be out there that it's not capturing[...]. this captures the - certainly the dominant ones that were identified in complaints and other information")

Comment [JPE18]: Staff Report App'x at 089 (confirming meeting with PwC)

Comment [JPE19]: Not all of the violations we cited harmed consumers

Comment [JPE20]: The independent consultant does not act as a monitor. Rather, it was required to do a full assessment and report of adherence with consumer-finance laws, consult with the Board to develop a compliance plan, and review and report to the Bureau the Bank's implementation of the compliance plan

Comment [JPE21]: Note, that we may be asked for evidence of such consultations

Comment [JPE22]: We have records of referrals, including a formal referral to the Department of Justice

Comment [JPE23]: I'm not sure this is a good analogy. Our exams are not another type of "law-enforcement investigation"

As to whether our investigation was "comprehensive," in my mind it was; in the sense that it thoroughly canvassed the factual and legal issues at stake in the enforcement investigation, which concerned Wells Fargo's fraudulent sales practices, their effects on consumers, the consequent violations of the law, and the imposition of legal relief ~~designed sufficient~~ to remedy past violations and prevent future violations. -Obviously, other work remains ongoing ~~to this day~~, as the terms of the CFPB's Order contemplated by installing an independent consultant ~~as a monitor to assist Wells Fargo in assessing and correcting its unlawful sales practices and ensuring continued reporting about of~~ the implementation of compliance plans. ~~We also have consulted with other public officials about further work they may be undertaking in this and related areas, which could bring further matters to light.~~ But there are no real grounds to quibble over this definitional point of what it means to conduct a "comprehensive" investigation of an enforcement matter of this type.

Similarly, the staff report alleges that it is unable to corroborate my statement that the CFPB "engaged in supervisory activity" ~~of~~ on these matters at Wells Fargo ~~prior to before~~ May 2015. Again, we seem to have differing interpretations of what is meant by the phrase "supervisory activity." -In the staff report, as best I can tell, this phrase ~~is used appears to be interpreted~~ narrowly to refer only to supervisory activity involving direct contact with Wells Fargo. -That is not my understanding of the meaning of this phrase "supervisory activity," which typically involves various kinds of activity ~~prior to before and after an the actual examination is being~~ conducted at an institution, ~~and often subsequently as well.~~ -Our Examination Manual, published on our website, contains discussion of our supervisory processes that corroborates this point. ~~This understanding also accords with my general experience as a state attorney general with other types of law enforcement investigations, which do not typically begin by making direct contact with the subject of the investigation.~~ By contrast, the usage in the staff report seems instead to refer only to what I would consider to be an actual "examination" itself. -But ~~the exam at portion of our supervisory work~~ does not happen in a vacuum, and typically it is the result of

various preliminary considerations that occur before any examination can be prioritized and scheduled and conducted.

Accordingly, as I ~~specifically stated~~ noted in my September 23, 2016, letter ~~to you dated September 23, 2016~~, the supervisory work we conducted in 2014 was internal to the Bureau. -We did not contact Wells Fargo the institution directly regarding these practices until the Spring of 2015. - ~~But As~~ as the staff report itself indicates, ~~prior to before~~ May 2015, the CFPB's regional supervisory staff had made the decision to schedule "an examination of [retail banking sales practices] to commence in 2015." ~~What that means is that a Wells Fargo Deposit Account IPL [Individual Product Line] had been identified and submitted as a proposed examination topic into the Bureau's annual exam prioritization process in the Spring of 2014. Based on various field market intelligence, which included the news articles we had seen in the Los Angeles Times, regional supervisory staff had evaluated this examination topic as having a 5 (highest) risk rating to justify supervisory attention. This recommendation was accepted, and the Bureau had scheduled an examination of this aspect of the bank's operations. Although the staff report finds~~ And while the staff report notes that there is no evidence that any such examination actually occurred, that was because, as the situation unfolded with further developments, the Bureau moved its focus beyond supervision to the enforcement investigation that ultimately concluded in the CFPB's Order. ~~In the meantime, as the staff report acknowledges, the Bureau completed a number of previously scheduled examinations of Wells Fargo during this period that led to substantial corrective actions and consumer redress in a number of other areas.~~

Comment [JPE24]: I would delete this. It seems very technical, and I think you make the point well enough without it. Too much, and you seem unnecessarily defensive.

Comment [JPE25]: Do we need this? I think we should do what we can to keep this short and to the point.

The staff report further makes the misleading and inaccurate claim that the Bureau failed to cooperate by providing responsive documents to the Committee as requested. -The staff report mentions pages of documents ~~that the Bureau produced in for~~ the initial rounds of ~~the Bureau's~~ production – 176 pages and 834 pages, respectively – and contrasts this production with Wells Fargo, which is said to have produced over 140,000 pages of records. -In fact, the Bureau's production to date ~~in response to the Committee~~ has totaled over 57,000 pages of records; in an effort to comply with ~~its broad~~ the Committee's broadly worded requests. -Obscuring this substantial response, the staff report complains instead about which documents have been produced and which supposedly have not. -One complaint is that the Bureau's production has been redundant of documents received from either Wells Fargo or the OCC, though the same point could be made in reverse, since the investigation of the bank has led to many documents existing in both the Bureau's records and in the records of the bank and the other agency, many of which have likely been produced to the Committee in duplicate or even triplicate. -As for whether the Bureau should be producing certain categories of documents rather than others, CFPB staff have consistently and repeatedly sought further guidance from the committee staff about how to narrow and target its inquiries and the appropriate response. -We have renewed this request for further guidance again and again, including recently, to no avail. ~~Instead, the staff report simply reiterates once more that the CFPB must produce "all responsive records" in any way "relating to the CFPB's investigation of Wells Fargo," without further clarification of what records it believes have not been forthcoming. Here again, I renew our willingness to stand ready to work with committee staff to address the proper response to these document requests, if committee staff is willing to do so.~~

Comment [JPE26]: I don't think we should make this offer. Our point is that we cooperated and offered to cooperate further, but obtaining our cooperation was not their true aim, which was to diminish our work on this case (because it is politically inconvenient) and attack RC (because it would be great if he were gone). Let's end this letter by just pointing out that their narrative is false – we've cooperated at every turn.

~~In the end, I am quite proud of the CFPB team that has worked on the Wells Fargo matter, including those who worked with our partners to push forward and complete the enforcement action that resulted in the CFPB's Order comprehensively addressing the issue of improper sales~~

~~practices. Within about two years of the Bureau reaching steady state in its staffing and operations, they cracked open and resolved what the staff report correctly stated was “one of the worst banking scandals in years,” after this scandal had already festered on its own for more than fifteen years, including more than ten years before the CFPB was even created. Clearly our team, along with our partners, has performed a tremendous public service here.~~

Comment [JPE27]: While I appreciate the sentiment, I'd cut this, both for brevity's sake and also to avoid provoking them further. The more we tout our good work, the more they'll be inspired to attempt to diminish it.

In closing, we will continue to seek ways to cooperate with your oversight requests and to work toward an amicable resolution of any disagreements over the information you are seeking in order to fulfill those functions. I can assure you that understanding how these fraudulent activities could have occurred at Wells Fargo for well over a decade is just as concerning to me as it is to the Committee.

Comment [JPE28]: This is just a placeholder for what I think should be a different ending. We should turn to the focus back to what the Committee is supposedly interested in, not on whether we provided the right documents. When they go low, we go high! ☺

Sincerely,

Richard Cordray  
Director

cc: The Honorable Maxine Waters

**Ehrlich, Jeffrey (CFPB)**

---

**From:** Ehrlich, Jeffrey (CFPB)  
**Sent:** Monday, June 12, 2017 6:11 PM  
**To:** RC; Fulton, Kate (CFPB); Coleman, John (CFPB); Chow, Edwin (CFPB)  
**Cc:** McLeod, Mary (CFPB); Galicia, Catherine (CFPB); Howard, Jennifer (CFPB); Martinez, Zixta (CFPB); D'Angelo, Chris (CFPB); Conrad, Derek (CFPB); Alexis, Anthony (CFPB); Donoghue, Kristen (CFPB)  
**Subject:** RE: Wells Documents  
**Attachments:** Letter -- Response to Chairman Hensarling 6.12.17---jpe.docx

I have a few minor suggestions and one comment. Please see the attached in redline. Thanks.

Jeff Ehrlich  
 Deputy Enforcement Director  
 Office: [REDACTED] | Mobile: [REDACTED]  
 Consumer Financial Protection Bureau  
[consumerfinance.gov](http://consumerfinance.gov)

Confidentiality Notice: If you received this email by mistake, you should notify the sender of the mistake and delete the email and any attachments. An inadvertent disclosure is not intended to waive any privileges.

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**From:** RC  
**Sent:** Monday, June 12, 2017 4:56 PM  
**To:** Fulton, Kate (CFPB); Ehrlich, Jeffrey (CFPB); Coleman, John (CFPB); Chow, Edwin (CFPB)  
**Cc:** McLeod, Mary (CFPB); Galicia, Catherine (CFPB); Howard, Jennifer (CFPB); Martinez, Zixta (CFPB); D'Angelo, Chris (CFPB); Conrad, Derek (CFPB); Alexis, Anthony (CFPB); Donoghue, Kristen (CFPB)  
**Subject:** RE: Wells Documents

The day ran over me and I have just now managed to reconcile the edits I had received. Recirculating, with a somewhat raised threshold for further edits. Although the letter remains dated for today, I am currently aiming for transmittal sometime tomorrow, so anything more I can get tonight would be helpful thx  
 RC

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**From:** Fulton, Kate (CFPB)  
**Sent:** Sunday, June 11, 2017 2:12 PM  
**To:** Ehrlich, Jeffrey (CFPB); RC; Coleman, John (CFPB); Chow, Edwin (CFPB)  
**Cc:** McLeod, Mary (CFPB); Galicia, Catherine (CFPB); Howard, Jennifer (CFPB); Martinez, Zixta (CFPB); D'Angelo, Chris (CFPB); Conrad, Derek (CFPB); Alexis, Anthony (CFPB); Donoghue, Kristen (CFPB)  
**Subject:** RE: Wells Documents

Rich,

Attaching some additional edits from EA. (Note that these were made to this morning's draft, not the one sent by Jeff.)

Kate

**From:** Ehrlich, Jeffrey (CFPB)  
**Sent:** Sunday, June 11, 2017 11:47 AM  
**To:** RC; Coleman, John (CFPB); Chow, Edwin (CFPB)  
**Cc:** McLeod, Mary (CFPB); Galicia, Catherine (CFPB); Fulton, Kate (CFPB); Howard, Jennifer (CFPB); Martinez, Zixta (CFPB); D'Angelo, Chris (CFPB); Conrad, Derek (CFPB); Alexis, Anthony (CFPB); Donoghue, Kristen (CFPB)  
**Subject:** RE: Wells Documents

+ Tony and Kristen

Here are my suggested edits for your consideration. As I said earlier, I've shared most of these with John and Mary yesterday. Rich – If I appear to have undone edits that you made since Friday, that was probably unintentional. I've been working off several drafts (yours Friday, John's late Friday, and then yours this morning), and it's getting hard to see in various redlines whose words I'm messing with. For what it is worth, I still agree with most others that we should not respond at all to this report. I would be happy to discuss this further. Thanks!

Jeff Ehrlich  
 Deputy Enforcement Director  
 Office: [REDACTED] | Mobile: [REDACTED]  
 Consumer Financial Protection Bureau  
[consumerfinance.gov](http://consumerfinance.gov)

Confidentiality Notice: If you received this email by mistake, you should notify the sender of the mistake and delete the email and any attachments. An inadvertent disclosure is not intended to waive any privileges.

---

**From:** RC  
**Sent:** Sunday, June 11, 2017 8:53 AM  
**To:** Coleman, John (CFPB); Chow, Edwin (CFPB)  
**Cc:** McLeod, Mary (CFPB); Galicia, Catherine (CFPB); Fulton, Kate (CFPB); Howard, Jennifer (CFPB); Martinez, Zixta (CFPB); Ehrlich, Jeffrey (CFPB); D'Angelo, Chris (CFPB); Conrad, Derek (CFPB)  
**Subject:** RE: Wells Documents

Attached is the latest version of this letter, now dated 6/12. It incorporates all comments received to date. One paragraph still contains two comment bubbles from John, indicating that he is not in position to confirm two specific points (though I have now made efforts to write around the points raised in these two comments). I believe we will be hearing from Jeff with his perspective on this paragraph and those two comments, hopefully sometime today.

If people want to discuss this matter in person some more, I am available to do so at 10:00 or so on Monday and perhaps at other times on Monday as Derek might be able to arrange thx  
 RC

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**From:** RC  
**Sent:** Friday, June 09, 2017 11:37 AM  
**To:** Coleman, John (CFPB); Chow, Edwin (CFPB)  
**Cc:** McLeod, Mary (CFPB); Galicia, Catherine (CFPB); Fulton, Kate (CFPB); Howard, Jennifer (CFPB); Martinez, Zixta (CFPB); Ehrlich, Jeffrey (CFPB); D'Angelo, Chris (CFPB)  
**Subject:** FW: Wells Documents

As I work on a responsive letter to the Chairman about the recent staff report, a key point is the document attached here on our supervisory timeline, which contains a chart of events that I am relying on (and that jibes with my own recollection, except that one item not included in the chart but of which I understood myself to be aware at the time of my testimony was that we also had a couple of whistleblower tips on related issues in 2013).

The timeframe for sending the letter is urgent, probably as soon as Monday, and so as we do the important work of scrubbing the accuracy of the potential representations I would be making in my letter (a draft of which is also attached), it is important to accomplish all we can on that TODAY thx  
RC

---

**From:** Coleman, John (CFPB)  
**Sent:** Wednesday, June 07, 2017 5:48 PM  
**To:** RC  
**Cc:** McLeod, Mary (CFPB); Galicia, Catherine (CFPB); Fulton, Kate (CFPB); Howard, Jennifer (CFPB)  
**Subject:** Wells Documents

Rich,

Per your request, I am attaching several documents and emails related to Wells Fargo:

- 1) Our correspondence with the Committee related to Wells Fargo, which consists of:
  - a. A September 16, 2016 letter from Chairman Hensarling;
  - b. A September 21, 2016 letter from Chairman Hensarling asking that you authorize Bureau staff to disclose CSI;
  - c. A September 22, 2016 letter from you to Chairman Hensarling regarding a further staff briefing;
  - d. A September 22, 2016 letter from Chairman Hensarling to you asking you to brief staff the next day;
  - e. A September 23, 2016 letter from you to Chairman Hensarling in response to the previous letter;
  - f. A September 23, 2016 letter from you to Chairman Hensarling responding to the September 16, 2016 information request;
  - g. A November 3, 2016 letter from Chairman Duffy to you requesting complete and additional information;
  - h. A November 10, 2016 response from Catherine Galicia (we provided CIDs and investigational hearing transcripts);
  - i. The April 4, 2017 subpoena seeking, inter alia, "records relating to the sales practices of Wells Fargo Bank" described in our consent order (item 26), and "records relating to the CFPB's 'investigation of Wells Fargo' that is described in" the September 23, 2016 letter;
  - j. Our May 2, 2017 response to the subpoena (see specifically pages 17-18);
  - k. An email from last Thursday, June 1, 2017, concerning the April 4, 2017 subpoena, including the specifications described above.
- 2) Excerpts of the April 5, 2017 testimony transcript related to Wells, as well as the full transcript;
- 3) A document provided to you as part of your preparation for the April 5, 2017 hearing;
- 4) A timeline of relevant events prepared by SEFL staff and provided to the Front Office on September 16, 2016. We do not have a record that this previously has been provided to you, but staff who helped you prepare for your September Senate testimony and April House testimony had seen this document, or some version of it; and
- 5) Correspondence with Wells Fargo related to HFSC requests to Wells for information;

Note that we are continuing to work on a narrative document setting forth our back and forth with the committee on this issue, which will include additional facts not included in the formal written correspondence. We will share that with you as soon as it's ready.

Best,

John



1700 G Street NW, Washington, DC 20552

June 12, 2017

The Honorable Jeb Hensarling  
Chairman, Committee on Financial Services  
United States House of Representatives  
2129 Rayburn House Office Building  
Washington, DC 20515

Dear Chairman Hensarling:

I write to correct the record in some respects concerning a Committee staff report issued last week on June 6, 2017. The staff report follows up on a “comprehensive investigation” that the Committee ~~had~~ launched last September into two specific questions: “(1) how and why Wells Fargo allowed these fraudulent activities to occur at a disturbing scale across the Bank for well over a decade; and (2) whether or not federal financial regulators were effective in detecting and remedying Wells Fargo’s fraudulent branch sales practices.” As the staff report notes, the Wells Fargo “practice of defrauding customers by opening millions of unneeded, and at times, unauthorized bank accounts” appears to have dated back at least to May 2001.

*The Original Focus of the Committee Investigation and the Effectiveness of the CFPB’s Order*

Last week’s staff report does not address the first question, of how and why Wells Fargo allowed these activities to occur across the Bank for well over a decade. In this respect, it is notable that the Consumer Financial Protection Bureau did not even open its doors until July 2011, more than ten years after these activities commenced, and did not reach steady-state in staffing and operations until about 2014.

Nor does the staff report address whether ~~or not~~ federal financial regulators were effective in remedying Wells Fargo’s fraudulent branch sales practices. By contrast, the work done by the CFPB, in conjunction with its partners (the Los Angeles City Attorney’s office and the Office of the Comptroller of the Currency), has halted Wells Fargo’s improper sales practices and is providing redress to harmed consumers. In particular, the investigation we conducted led to orders – including the CFPB’s Order issued on September 8, 2016 – to address what the staff report describes as “one of the worst banking scandals in years.” They did so in four ways.

First, ~~CFPB’s the~~ 26-page ~~CFPB’s~~ Order itself publicly detailed the wrongdoing that occurred, so that it could be more fully known and understood by the public and other ~~public-government~~ officials. This Order and those reached by our partners stand as an authoritative account of events based on the results of our investigation into these matters. These orders, in fact, led immediately to considerable follow-on activity by other public officials around the country and, in fact, were the impetus to the first congressional hearings on these matters.

Second, the CFPB’s Order specifies that Wells Fargo must halt these fraudulent practices and put in place a detailed compliance regimen to ensure they cannot happen again. The details of this



preventive relief include: (1) a provision directed at Wells Fargo and its “officers, agents, servants, employees, and attorneys” to prevent any further improper sales practices; (2) the installation of an independent consultant to ensure that Wells Fargo’s policies and procedures will now forestall any such conduct in the future, including training, monitoring, evaluation of sales goals, and development of a specific compliance plan; (3) provisions addressing the role of the Wells Fargo Board of Directors to be actively engaged in ensuring compliance with the terms of the Order, including timely reporting by management and timely and appropriate corrective action to remedy any deficiencies; (4) recordkeeping and reporting requirements to the Bureau; and (5) ongoing requirements to maintain cooperation and compliance with the Bureau as Wells Fargo implements the terms of the Order. The staff report never suggests that these provisions do not effectively remedy Wells Fargo’s improper practices.

Third, the CFPB’s Order requires Wells Fargo to make individual consumers whole for the harm they may have sustained as a result of the improper practices. To this end, the Order requires Wells Fargo to: (1) retain an independent consultant to identify and provide redress to all affected consumers; (2) develop and submit to the CFPB a written plan detailing the steps, recommendations, deadlines, and timeframes, as outlined in the redress plan; (3) establish procedures to locate, notify, and compensate affected consumers; and (4) involve Wells Fargo’s Internal Audit department in ensuring that consumer redress is carried out as specified. The staff report never suggests that these measures are ineffective to provide redress to harmed consumers.

Fourth, the CFPB’s Order imposed a civil monetary penalty of \$100 million on Wells Fargo, which is the largest penalty the Bureau has imposed. This penalty was in addition to the penalties imposed by the Los Angeles City Attorney’s office and the OCC, all of which tend to deter such conduct by Wells Fargo and by any other institution in the future. The staff report never suggests that the penalties imposed in this matter were improper in any way.

The remaining portion of the questions that are the stated focus of the Committee’s investigation concerns whether the federal financial regulators were effective in detecting Wells Fargo’s improper sales practices. Again, at the outset the staff report acknowledges that these practices went on for at least a decade before the CFPB was created ~~at all~~, and even longer before it reached steady-state in staffing and operations. And the staff report implicitly recognizes that the CFPB, in conjunction with its partners, has now both detected and remedied the violations that occurred as a result of these practices.

#### *The Bureau’s Cooperation with the Committee*

The bulk of the staff report does not focus on any of the above issues, and instead devolves into various misstatements and allegations about the extent of the Bureau’s cooperation with the Committee’s investigation. I write in part to correct the record on these particular points.

The first area concerns the claim made in the staff report that “the CFPB has not cooperated with the Committee’s investigation to date.” The staff report suggests that the Bureau, and I myself, refused to brief the committee staff about the CFPB’s work on these matters. Yet that is not what happened, and the staff report selectively mentions only some of the communications back and forth on this issue. As the staff report notes, CFPB representatives were first asked to brief the committee staff about these matters on September 20, 2016, and they did so. (The staff report misstates the date of this briefing, which it incorrectly states as September 21.) During the

briefing, some questions were asked that sought information about supervisory matters on which the CFPB representatives were unsure whether they had the authority to respond. They thus indicated they would seek such authority and report back. The next day, September 21, you sent me a letter asking for a second briefing from CFPB representatives with authority to answer such questions. Although the staff report never mentions it, on the following day, September 22, I responded to you in a letter and agreed that CFPB representatives would provide the requested follow-up briefing the next day, September 23. At the close of business on September 22, however, you sent me yet another letter stating that the Committee now no longer wanted to receive the requested follow-up briefing.

Although again the staff report never mentions it, CFPB representatives did in fact continue to offer to provide – and did provide – that follow-up briefing on September 23. The minority committee staff attended that briefing, but the majority committee staff declined to attend, even though they did not indicate that they were unavailable to do so.

Instead, as noted in the staff report, you and I exchanged letters about an upcoming hearing on these matters in front of the Committee. As you were aware, I had agreed to testify publicly before the Senate Banking Committee on these same issues involving the Wells Fargo matter. Along with Wells Fargo’s CEO, the Comptroller of the Currency, and a representative from the Los Angeles City Attorney’s office, I did testify in the Senate on September 20, 2016. In that hearing, I answered all of their questions regarding Wells Fargo’s sales practices and our investigation and resolution of those matters.

I was aware that the Committee was planning a similar hearing, and on multiple occasions I had offered to testify – including in my letters to you dated September 22 and September 23 – but you declined to invite me to testify publicly. On the same day as my Senate testimony, the initial briefing with the House committee staff occurred. At the close of business on September 22, you sent me a letter asking me to come and give a non-public briefing to committee staff the very next day, but on that late notice I was unavailable to do so (though, as I have noted above, CFPB representatives were available to do so and did in fact brief the minority committee staff, though the majority committee staff declined to attend that briefing). I did reiterate, however, my willingness to testify publicly before the Committee at the hearing to be held the following week. Again, you declined to invite me to testify publicly, and that hearing occurred on September 29, where only Wells Fargo’s CEO was invited to testify.

My first opportunity to address the Wells Fargo issues publicly before the Committee occurred in my required testimony on our Semi-Annual Report on April 5, 2017. The staff report suggests two areas of potential disagreement around interpretations of my testimony that day, and I am glad to have the chance to correct the record on these areas of potential disagreement.

First, the staff report indicates an inability to corroborate my statement that the CFPB conducted an “independent and comprehensive” investigation of Wells Fargo’s sales practices. The potential disagreement here seems to stem from differing interpretations of the terms “independent” and “comprehensive.” As I see it, the CFPB worked with the Los Angeles City Attorney’s office and the OCC to ascertain the facts and reach a resolution of the issues. So we were not operating “independently” in the sense that we operate in some of our other cases where we are the lone government agency involved. Nonetheless, we had an obligation to make our own independent judgment about the underlying facts and whether they could be sufficiently

verified and documented for purposes of either filing a complaint or framing an order. And we did that.

In particular, we contributed importantly to the nature of the investigation in several ways. First, we issued four Civil Investigative Demands for information from Wells Fargo – information that was essential to the investigation. Among other things, we compelled Wells Fargo to quantify the sales-practices violations and consumer harm. All of this information has been provided to the Committee. Second, we were able to take investigational hearings – akin to depositions – of Wells Fargo officials. To my knowledge, that marked the first time that a government agency had been able to take testimony from Wells Fargo officials about the bank’s sales practices. The transcripts of our investigational hearings have also been provided to the Committee. Third, we were able to broaden the scope of the matter and the relief obtained beyond the boundaries of the State of California and the state-law claims brought by the Los Angeles City Attorney’s office. Our ability to investigate and establish violations of federal law was important in securing nationwide relief through the CFPB’s Order.

In all of these respects, we conducted our inquiries independently to satisfy our obligation to determine that Wells Fargo had in fact violated federal law, and had in fact opened millions of deposit and credit card accounts without the knowledge or consent of consumers. In doing so, we relied where possible on the efforts of the Los Angeles City Attorney’s office, which did excellent work that was crucial to the success of the investigation. And we relied on the bank’s own records to help establish what actually happened. It would have made no sense for us to repeat work done by others, as long as we satisfied our own independent obligation to ascertain, verify, and document the facts and to determine that violations of federal law had occurred.

Comment [JPE1] : It could be argued that we didn’t rely on the bank’s own records; rather, we relied on the PwC report, which the bank paid for

As to whether our investigation was “comprehensive,” in my mind it was, in the sense that it thoroughly canvassed the factual and legal issues at stake in the enforcement investigation, which concerned Wells Fargo’s fraudulent sales practices, their effects on consumers, the consequent violations of the law, and the imposition of legal relief to remedy past violations and prevent future violations. Other work remains ongoing to this day, as the terms of the CFPB’s Order contemplated by installing an independent consultant and ensuring reporting about the implementation of compliance plans. And other public officials may be pursuing related issues.

Similarly, the staff report alleges that it is unable to corroborate my statement that the CFPB “engaged in supervisory activity” on these matters at Wells Fargo prior to May 2015. Again, we seem to have differing interpretations of what is meant by the phrase “supervisory activity.” In the staff report, as best I can tell, this phrase appears to be interpreted narrowly to refer only to supervisory activity involving direct contact with Wells Fargo. That is not my understanding of the meaning of this phrase “supervisory activity,” which typically involves various kinds of activity before an actual examination is conducted at an institution, and often afterwards as well. Our Examination Manual, published on our website, discusses our supervisory processes and corroborates this point. By contrast, the usage in the staff report seems instead to refer only to what I would consider to be an actual “examination” itself. But our examinations do not happen in a vacuum, and typically they are the result of various preliminary considerations that occur well before any examination can be prioritized and scheduled and conducted.

Accordingly, as I specifically noted in my letter to you dated September 23, 2016, the supervisory work we conducted in 2014 was internal to the Bureau. We did not contact Wells

Fargo directly regarding these practices until the Spring of 2015. But as the staff report itself indicates, prior to May 2015, the CFPB's regional supervisory staff had made the decision to schedule "an examination of [retail banking sales practices] to commence in 2015," based on an assessment that this matter posed a high risk rating to justify supervisory attention. And though the staff report finds no evidence that any such examination actually occurred, that was because, as the situation unfolded with further developments, the Bureau moved its focus beyond supervision to the enforcement investigation that ultimately concluded in the CFPB's Order.

The staff report further makes the misleading and inaccurate claim that the Bureau failed to cooperate by providing responsive documents to the Committee as requested. The staff report mentions pages of documents for the initial rounds of the Bureau's production – 176 pages and 834 pages, respectively – and contrasts this production with Wells Fargo, which is said to have produced over 140,000 pages of records. In fact, the Bureau's production to date has totaled over 57,000 pages of records, in an effort to comply with the Committee's broadly worded requests. Obscuring this substantial response, the staff report complains instead about which documents have been produced and which supposedly have not. One complaint is that the Bureau's production has been redundant of documents received from either Wells Fargo or the OCC, though the same point could be made in reverse, since the investigation of the bank has led to many documents existing in both the Bureau's records and in the records of the bank and the other agency, many of which have likely been produced to the Committee in duplicate or even triplicate. As for whether the Bureau should be producing certain categories of documents rather than others, CFPB staff have consistently and repeatedly sought further guidance from the committee staff about how to narrow and target its inquiries and the appropriate response. We have renewed this request for further guidance again and again, including recently, to no avail.

In the end, I am quite proud of the CFPB team that has been working on the Wells Fargo matters, including those who worked with our partners to push forward and complete the enforcement action that resulted in the CFPB's Order comprehensively addressing the issue of improper sales practices. Within about two years of the Bureau reaching steady-state in its staffing and operations, they cracked open and resolved what the staff report correctly stated was "one of the worst banking scandals in years," after this scandal had festered on its own for more than fifteen years, including more than ten years before the CFPB was even created. Clearly our team, along with our partners, has performed a tremendous public service here.

In closing, we will continue to seek ways to cooperate with your oversight requests and to work toward an amicable resolution of any disagreements over the information you are seeking in order to fulfill those functions.

Sincerely,

Richard Cordray  
Director

cc: The Honorable Maxine Waters, Ranking Member, House Committee on Financial Services

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**From:** RC  
**Sent:** Monday, June 12, 2017 8:01 PM  
**To:** Ehrlich, Jeffrey (CFPB); Fulton, Kate (CFPB); Coleman, John (CFPB); Chow, Edwin (CFPB)  
**Cc:** McLeod, Mary (CFPB); Galicia, Catherine (CFPB); Howard, Jennifer (CFPB); Martinez, Zixta (CFPB); D'Angelo, Chris (CFPB); Conrad, Derek (CFPB); Alexis, Anthony (CFPB); Donoghue, Kristen (CFPB)  
**Subject:** RE: Wells Documents



Letter -- Response  
to Chairman...

Got all this and digested it to my satisfaction. Latest version is here (not sure why it is presenting in this fashion, but whatever)

Thx  
RC

---

**From:** Ehrlich, Jeffrey (CFPB)  
**Sent:** Monday, June 12, 2017 7:15 PM  
**To:** RC; Fulton, Kate (CFPB); Coleman, John (CFPB); Chow, Edwin (CFPB)  
**Cc:** McLeod, Mary (CFPB); Galicia, Catherine (CFPB); Howard, Jennifer (CFPB); Martinez, Zixta (CFPB); D'Angelo, Chris (CFPB); Conrad, Derek (CFPB); Alexis, Anthony (CFPB); Donoghue, Kristen (CFPB)  
**Subject:** RE: Wells Documents

After a short conversation with Legal, I have a two more points.

1. It is entirely *possible* that L.A. could have negotiated a settlement imposing nationwide relief, even if it had not been entitled to such relief under the claims it asserted. For that reason, I suggest changing this

Third, we were able to broaden the scope of the matter and the relief obtained beyond the boundaries of the State of California and the state-law claims brought by the Los Angeles City Attorney's office. Our ability to investigate and establish violations of federal law was important in securing nationwide relief through the CFPB's Order.

to this

Third, the Bureau's involvement secured broad, nationwide relief for consumers.

I think people will read that with an understanding that we got relief beyond California's boundaries that L.A. would not have obtained.

2. As I said in my comment, I'm still concerned about saying "we relied on the bank's own records." I know our order used the phrase "the bank's own analysis," but in this context, where the committee

report accused us of relying exclusively on the PwC report, I'm afraid using the phrase "the bank's own records" would open us to the attack that once again we're downplaying the significance of our reliance on the PwC report. I'd rather point out that we compelled an analysis of the violations, and in response the bank provided the PwC report. There's no shame in us relying on the PwC report, which we only obtained through our CID. I'd be happy to discuss this further.

Thanks!

Jeff Ehrlich  
Deputy Enforcement Director  
Office: [REDACTED] Mobile: [REDACTED]  
Consumer Financial Protection Bureau  
[consumerfinance.gov](http://consumerfinance.gov)

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**From:** Ehrlich, Jeffrey (CFPB)  
**Sent:** Monday, June 12, 2017 6:11 PM  
**To:** RC; Fulton, Kate (CFPB); Coleman, John (CFPB); Chow, Edwin (CFPB)  
**Cc:** McLeod, Mary (CFPB); Galicia, Catherine (CFPB); Howard, Jennifer (CFPB); Martinez, Zixta (CFPB); D'Angelo, Chris (CFPB); Conrad, Derek (CFPB); Alexis, Anthony (CFPB); Donoghue, Kristen (CFPB)  
**Subject:** RE: Wells Documents

I have a few minor suggestions and one comment. Please see the attached in redline. Thanks.

Jeff Ehrlich  
Deputy Enforcement Director  
Office: [REDACTED] Mobile: [REDACTED]  
Consumer Financial Protection Bureau  
[consumerfinance.gov](http://consumerfinance.gov)

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**From:** RC  
**Sent:** Monday, June 12, 2017 4:56 PM  
**To:** Fulton, Kate (CFPB); Ehrlich, Jeffrey (CFPB); Coleman, John (CFPB); Chow, Edwin (CFPB)  
**Cc:** McLeod, Mary (CFPB); Galicia, Catherine (CFPB); Howard, Jennifer (CFPB); Martinez, Zixta (CFPB); D'Angelo, Chris (CFPB); Conrad, Derek (CFPB); Alexis, Anthony (CFPB); Donoghue, Kristen (CFPB)  
**Subject:** RE: Wells Documents

The day ran over me and I have just now managed to reconcile the edits I had received. Recirculating, with a somewhat raised threshold for further edits.  
Although the letter remains dated for today, I am currently aiming for transmittal sometime tomorrow, so anything more I can get tonight would be helpful thx  
RC

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**From:** Fulton, Kate (CFPB)  
**Sent:** Sunday, June 11, 2017 2:12 PM  
**To:** Ehrlich, Jeffrey (CFPB); RC; Coleman, John (CFPB); Chow, Edwin (CFPB)  
**Cc:** McLeod, Mary (CFPB); Galicia, Catherine (CFPB); Howard, Jennifer (CFPB); Martinez, Zixta (CFPB); D'Angelo, Chris (CFPB); Conrad, Derek (CFPB); Alexis, Anthony (CFPB); Donoghue, Kristen (CFPB)  
**Subject:** RE: Wells Documents

Rich,

Attaching some additional edits from EA. (Note that these were made to this morning's draft, not the one sent by Jeff.)

Kate

---

**From:** Ehrlich, Jeffrey (CFPB)  
**Sent:** Sunday, June 11, 2017 11:47 AM  
**To:** RC; Coleman, John (CFPB); Chow, Edwin (CFPB)  
**Cc:** McLeod, Mary (CFPB); Galicia, Catherine (CFPB); Fulton, Kate (CFPB); Howard, Jennifer (CFPB); Martinez, Zixta (CFPB); D'Angelo, Chris (CFPB); Conrad, Derek (CFPB); Alexis, Anthony (CFPB); Donoghue, Kristen (CFPB)  
**Subject:** RE: Wells Documents

+ Tony and Kristen

Here are my suggested edits for your consideration. As I said earlier, I've shared most of these with John and Mary yesterday. Rich – If I appear to have undone edits that you made since Friday, that was probably unintentional. I've been working off several drafts (yours Friday, John's late Friday, and then yours this morning), and it's getting hard to see in various redlines whose words I'm messing with. For what it is worth, I still agree with most others that we should not respond at all to this report. I would be happy to discuss this further. Thanks!

Jeff Ehrlich  
 Deputy Enforcement Director  
 Office: [REDACTED] | Mobile: [REDACTED]  
 Consumer Financial Protection Bureau  
[consumerfinance.gov](http://consumerfinance.gov)

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**From:** RC  
**Sent:** Sunday, June 11, 2017 8:53 AM  
**To:** Coleman, John (CFPB); Chow, Edwin (CFPB)  
**Cc:** McLeod, Mary (CFPB); Galicia, Catherine (CFPB); Fulton, Kate (CFPB); Howard, Jennifer (CFPB); Martinez, Zixta (CFPB); Ehrlich, Jeffrey (CFPB); D'Angelo, Chris (CFPB); Conrad, Derek (CFPB)  
**Subject:** RE: Wells Documents

Attached is the latest version of this letter, now dated 6/12. It incorporates all comments received to date. One paragraph still contains two comment bubbles from John, indicating that he is not in position to confirm two specific points (though I have now made efforts to write around the points raised in these two comments). I believe we will be hearing from Jeff with his perspective on this paragraph and those two comments, hopefully sometime today.

If people want to discuss this matter in person some more, I am available to do so at 10:00 or so on Monday and perhaps at other times on Monday as Derek might be able to arrange thx  
 RC

---

**From:** RC  
**Sent:** Friday, June 09, 2017 11:37 AM  
**To:** Coleman, John (CFPB); Chow, Edwin (CFPB)  
**Cc:** McLeod, Mary (CFPB); Galicia, Catherine (CFPB); Fulton, Kate (CFPB); Howard, Jennifer (CFPB); Martinez, Zixta (CFPB); Ehrlich, Jeffrey (CFPB); D'Angelo, Chris (CFPB)  
**Subject:** FW: Wells Documents

As I work on a responsive letter to the Chairman about the recent staff report, a key point is the document attached here on our supervisory timeline, which contains a chart of events that I am relying on (and that jibes with my own recollection, except that one item not included in the chart but of which I understood myself to be aware at the time of my testimony was that we also had a couple of whistleblower tips on related issues in 2013). The timeframe for sending the letter is urgent, probably as soon as Monday, and so as we do the important work of scrubbing the accuracy of the potential representations I would be making in my letter (a draft of which is also attached), it is important to accomplish all we can on that TODAY thx  
RC

---

**From:** Coleman, John (CFPB)  
**Sent:** Wednesday, June 07, 2017 5:48 PM  
**To:** RC  
**Cc:** McLeod, Mary (CFPB); Galicia, Catherine (CFPB); Fulton, Kate (CFPB); Howard, Jennifer (CFPB)  
**Subject:** Wells Documents

Rich,

Per your request, I am attaching several documents and emails related to Wells Fargo:

- 1) Our correspondence with the Committee related to Wells Fargo, which consists of:
  - a. A September 16, 2016 letter from Chairman Hensarling;
  - b. A September 21, 2016 letter from Chairman Hensarling asking that you authorize Bureau staff to disclose CSI;
  - c. A September 22, 2016 letter from you to Chairman Hensarling regarding a further staff briefing;
  - d. A September 22, 2016 letter from Chairman Hensarling to you asking you to brief staff the next day;
  - e. A September 23, 2016 letter from you to Chairman Hensarling in response to the previous letter;
  - f. A September 23, 2016 letter from you to Chairman Hensarling responding to the September 16, 2016 information request;
  - g. A November 3, 2016 letter from Chairman Duffy to you requesting complete and additional information;
  - h. A November 10, 2016 response from Catherine Galicia (we provided CIDs and investigational hearing transcripts);
  - i. The April 4, 2017 subpoena seeking, inter alia, “records relating to the sales practices of Wells Fargo Bank” described in our consent order (item 26), and “records relating to the CFPB’s ‘investigation of Wells Fargo’ that is described in” the September 23, 2016 letter;
  - j. Our May 2, 2017 response to the subpoena (see specifically pages 17-18);
  - k. An email from last Thursday, June 1, 2017, concerning the April 4, 2017 subpoena, including the specifications described above.
- 2) Excerpts of the April 5, 2017 testimony transcript related to Wells, as well as the full transcript;
- 3) A document provided to you as part of your preparation for the April 5, 2017 hearing;
- 4) A timeline of relevant events prepared by SEFL staff and provided to the Front Office on September 16, 2016. We do not have a record that this previously has been provided to you, but staff who helped you prepare for your September Senate testimony and April House testimony had seen this document, or some version of it; and
- 5) Correspondence with Wells Fargo related to HFSC requests to Wells for information;

Note that we are continuing to work on a narrative document setting forth our back and forth with the committee on this issue, which will include additional facts not included in the formal written correspondence. We will share that with you as soon as it’s ready.

Best,

John





1700 G Street NW, Washington, DC 20552

June 13, 2017

The Honorable Jeb Hensarling  
 Chairman, Committee on Financial Services  
 United States House of Representatives  
 2129 Rayburn House Office Building  
 Washington, DC 20515

Dear Chairman Hensarling:

I write to correct the record in some respects concerning a Committee staff report issued last week on June 6, 2017. The staff report follows up on a “comprehensive investigation” that the Committee launched last September into two specific questions: “(1) how and why Wells Fargo allowed these fraudulent activities to occur at a disturbing scale across the Bank for well over a decade; and (2) whether or not federal financial regulators were effective in detecting and remedying Wells Fargo’s fraudulent branch sales practices.” As the staff report notes, the Wells Fargo “practice of defrauding customers by opening millions of unneeded, and at times, unauthorized bank accounts” appears to have dated back at least to May 2001.

*The Original Focus of the Committee Investigation and the Effectiveness of the CFPB Order*

Last week’s staff report does not address the first question, of how and why Wells Fargo allowed these activities to occur across the Bank for well over a decade. In this respect, it is notable that the Consumer Financial Protection Bureau did not even open its doors until July 2011, more than ten years after these activities commenced, and did not reach steady-state in staffing and operations until about 2014.

Nor does the staff report address whether federal financial regulators were effective in remedying Wells Fargo’s fraudulent branch sales practices. By contrast, the work done by the CFPB, in conjunction with its partners (the Los Angeles City Attorney’s office and the Office of the Comptroller of the Currency), has halted Wells Fargo’s improper sales practices and is providing redress to harmed consumers. In particular, the investigation we conducted led to orders – including the CFPB’s Order issued on September 8, 2016 – to address what the staff report describes as “one of the worst banking scandals in years.” They did so in four ways.

First, the 26-page CFPB Order itself publicly detailed the wrongdoing that occurred, so that it could be more fully known and understood by the public and other government officials. This Order and those reached by our partners stand as an authoritative account of events based on the results of our investigation into these matters. These orders, in fact, led immediately to considerable follow-on activity by other public officials around the country and, in fact, were the impetus to the first congressional hearings on these matters.

Second, the CFPB Order specifies that Wells Fargo must halt these fraudulent practices and put in place a detailed compliance regimen to ensure they cannot happen again. The details of this

preventive relief include: (1) a provision directed at Wells Fargo and its “officers, agents, servants, employees, and attorneys” to prevent any further improper sales practices; (2) the installation of an independent consultant to ensure that Wells Fargo’s policies and procedures will now forestall any such conduct in the future, including training, monitoring, evaluation of sales goals, and development of a specific compliance plan; (3) provisions addressing the role of the Wells Fargo Board of Directors to be actively engaged in ensuring compliance with the terms of the Order, including timely reporting by management and timely and appropriate corrective action to remedy any deficiencies; (4) recordkeeping and reporting requirements to the Bureau; and (5) ongoing requirements to maintain cooperation and compliance with the Bureau as Wells Fargo implements the terms of the Order. The staff report never suggests that these provisions do not effectively remedy Wells Fargo’s improper practices.

Third, the CFPB Order requires Wells Fargo to make individual consumers whole for the harm they may have sustained as a result of the improper practices. To this end, the Order requires Wells Fargo to: (1) retain an independent consultant to identify and provide redress to all affected consumers; (2) develop and submit to the CFPB a written plan detailing the steps, recommendations, deadlines, and timeframes, as outlined in the redress plan; (3) establish procedures to locate, notify, and compensate affected consumers; and (4) involve Wells Fargo’s Internal Audit department in ensuring that consumer redress is carried out as specified. The staff report never suggests that these measures are ineffective to provide redress to harmed consumers.

Fourth, the CFPB Order imposed a civil monetary penalty of \$100 million on Wells Fargo, which is the largest penalty the Bureau has imposed. This penalty was in addition to the penalties imposed by the Los Angeles City Attorney’s office and the OCC, all of which tend to deter such conduct by Wells Fargo and by any other institution in the future. The staff report never suggests that the penalties imposed in this matter were improper in any way.

The remaining portion of the questions that are the stated focus of the Committee’s investigation concerns whether the federal financial regulators were effective in detecting Wells Fargo’s improper sales practices. Again, at the outset the staff report acknowledges that these practices went on for at least a decade before the CFPB was created, and even longer before it reached steady-state in staffing and operations. And the staff report implicitly recognizes that the CFPB, in conjunction with its partners, has now both detected and remedied the violations that occurred as a result of these practices.

#### *The Bureau’s Cooperation with the Committee*

The bulk of the staff report does not focus on any of the above issues, and instead devolves into various misstatements and allegations about the extent of the Bureau’s cooperation with the Committee’s investigation. I write in part to correct the record on these particular points.

The first area concerns the claim made in the staff report that “the CFPB has not cooperated with the Committee’s investigation to date.” The staff report suggests that the Bureau, and I myself, refused to brief the committee staff about the CFPB’s work on these matters. Yet that is not what happened, and the staff report selectively mentions only some of the communications back and forth on this issue. As the staff report notes, CFPB representatives were first asked to brief the committee staff about these matters on September 20, 2016, and they did so. (The staff report misstates the date of this briefing, which it incorrectly states as September 21.) During the

briefing, some questions were asked that sought information about supervisory matters on which the CFPB representatives were unsure whether they had the authority to respond. They thus indicated they would seek such authority and report back. The next day, September 21, you sent me a letter asking for a second briefing from CFPB representatives with authority to answer such questions. Although the staff report never mentions it, on the following day, September 22, I responded to you in a letter and agreed that CFPB representatives would provide the requested follow-up briefing the next day, September 23. At the close of business on September 22, however, you sent me yet another letter stating that the Committee now no longer wanted to receive the requested follow-up briefing.

Although again the staff report never mentions it, CFPB representatives did in fact continue to offer to provide – and did provide – that follow-up briefing on September 23. The minority committee staff attended that briefing, but the majority committee staff declined to attend, even though they did not indicate that they were unavailable to do so.

Instead, as noted in the staff report, you and I exchanged letters about an upcoming hearing on these matters in front of the Committee. As you were aware, I had agreed to testify publicly before the Senate Banking Committee on these same issues involving the Wells Fargo matter. Along with Wells Fargo’s CEO, the Comptroller of the Currency, and a representative from the Los Angeles City Attorney’s office, I did testify in the Senate on September 20, 2016. In that hearing, I answered all of their questions regarding Wells Fargo’s sales practices and our investigation and resolution of those matters.

I was aware that the Committee was planning a similar hearing, and on multiple occasions I had offered to testify – including in my letters to you dated September 22 and September 23 – but you declined to invite me to testify publicly. On the same day as my Senate testimony, the initial briefing with the House committee staff occurred. At the close of business on September 22, you sent me a letter asking me to come and give a non-public briefing to committee staff the very next day, but on that late notice I was unavailable to do so (though, as I have noted above, CFPB representatives were available to do so and did in fact brief the minority committee staff, though the majority committee staff declined to attend that briefing). I did reiterate, however, my willingness to testify publicly before the Committee at the hearing to be held the following week. Again, you declined to invite me to testify publicly, and that hearing occurred on September 29, where only Wells Fargo’s CEO was invited to testify.

My first opportunity to address the Wells Fargo issues publicly before the Committee occurred in my required testimony on our Semi-Annual Report on April 5, 2017. The staff report suggests two areas of potential disagreement around interpretations of my testimony that day, and I am glad to have the chance to correct the record on these areas of potential disagreement.

First, the staff report indicates an inability to corroborate my statement that the CFPB conducted an “independent and comprehensive” investigation of Wells Fargo’s sales practices. The potential disagreement here seems to stem from differing interpretations of the terms “independent” and “comprehensive.” As I see it, the CFPB worked with the Los Angeles City Attorney’s office and the OCC to ascertain the facts and reach a resolution of the issues. So we were not operating “independently” in the sense that we operate in some of our other cases where we are the lone government agency involved. Nonetheless, we had an obligation to make our own independent judgment about the underlying facts and whether they could be sufficiently

verified and documented for purposes of either filing a complaint or framing an order. And we did that.

In particular, we contributed importantly to the nature of the investigation in several ways. First, we issued four Civil Investigative Demands for information from Wells Fargo – information that was essential to the investigation. Among other things, we compelled Wells Fargo to quantify the sales-practices violations and consumer harm, including the PwC analysis. All of this information has been provided to the Committee. Second, we were able to take investigational hearings – akin to depositions – of Wells Fargo officials. To my knowledge, that marked the first time that a government agency had been able to take testimony from Wells Fargo officials about the bank’s sales practices. The transcripts of our investigational hearings have also been provided to the Committee. Third, we were able to secure broad national relief for consumers, even beyond the boundaries of the State of California, based on our ability to establish violations of federal law through the CFPB Order.

In all of these respects, we conducted our inquiries independently to satisfy our obligation to determine that Wells Fargo had in fact violated federal law, and had in fact opened millions of deposit and credit card accounts without the knowledge or consent of consumers. In doing so, we relied where possible on the efforts of the Los Angeles City Attorney’s office, which did excellent work that was crucial to the success of the investigation. And we relied on the bank’s records and the PwC analysis to help establish what actually happened. It would have made no sense for us to repeat the same work done by others, as long as we satisfied our own independent obligation to ascertain, verify, and document the facts and to determine that violations of federal law had occurred.

As to whether our investigation was “comprehensive,” in my mind it was, in the sense that it thoroughly canvassed the factual and legal issues at stake in the enforcement investigation, which concerned Wells Fargo’s fraudulent sales practices, their effects on consumers, the consequent violations of the law, and the imposition of legal relief to remedy past violations and prevent future violations. Other work remains ongoing to this day, as the terms of the CFPB Order contemplated by installing an independent consultant and ensuring reporting about the implementation of compliance plans. And other public officials may be pursuing related issues.

Similarly, the staff report alleges that it is unable to corroborate my statement that the CFPB “engaged in supervisory activity” on these matters at Wells Fargo prior to May 2015. Again, we seem to have differing interpretations of what is meant by the phrase “supervisory activity.” In the staff report, as best I can tell, this phrase appears to be interpreted narrowly to refer only to supervisory activity involving direct contact with Wells Fargo. That is not my understanding of the meaning of this phrase “supervisory activity,” which typically involves various kinds of activity before an actual examination is conducted at an institution, and often afterwards as well. Our Examination Manual, published on our website, discusses our supervisory processes and corroborates this point. By contrast, the usage in the staff report seems instead to refer only to what I would consider to be an actual “examination” itself. But our examinations do not happen in a vacuum, and typically they are the result of various preliminary considerations that occur well before any examination can be prioritized and scheduled and conducted.

Accordingly, as I specifically noted in my letter to you dated September 23, 2016, the supervisory work we conducted in 2014 was internal to the Bureau. We did not contact Wells

Fargo directly regarding these practices until the Spring of 2015. But as the staff report itself indicates, prior to May 2015, the CFPB's regional supervisory staff had made the decision to schedule "an examination of [retail banking sales practices] to commence in 2015," based on an assessment that this matter posed a high risk rating to justify supervisory attention. And though the staff report finds no evidence that any such examination actually occurred, that was because, as the situation unfolded with further developments, the Bureau moved its focus beyond supervision to the enforcement investigation that ultimately concluded in the CFPB Order.

The staff report further makes the misleading and inaccurate claim that the Bureau failed to cooperate by providing responsive documents to the Committee as requested. The staff report mentions pages of documents for the initial rounds of the Bureau's production – 176 pages and 834 pages, respectively – and contrasts this production with Wells Fargo, which is said to have produced over 140,000 pages of records. In fact, the Bureau's production to date has totaled over 57,000 pages of records, in an effort to comply with the Committee's broadly worded requests. Obscuring this substantial response, the staff report complains instead about which documents have been produced and which supposedly have not. One complaint is that the Bureau's production has been redundant of documents received from either Wells Fargo or the OCC, though the same point could be made in reverse, since the investigation of the bank has led to many documents existing in both the Bureau's records and in the records of the bank and the other agency, many of which have likely been produced to the Committee in duplicate or even triplicate. As for whether the Bureau should be producing certain categories of documents rather than others, CFPB staff have consistently and repeatedly sought further guidance from the committee staff about how to narrow and target its inquiries and the appropriate response. We have renewed this request for further guidance again and again, including recently, to no avail.

In the end, I am quite proud of the CFPB team that has been working on the Wells Fargo matters, including those who worked with our partners to push forward and complete the enforcement action that resulted in the CFPB Order comprehensively addressing the issue of improper sales practices. Within about two years of the Bureau reaching steady-state in its staffing and operations, they cracked open and resolved what the staff report correctly stated was "one of the worst banking scandals in years," after this scandal had festered on its own for more than fifteen years, including more than ten years before the CFPB was even created. Clearly our team, along with our partners, has performed a tremendous public service here.

In closing, we will continue to seek ways to cooperate with your oversight requests and to work toward an amicable resolution of any disagreements over the information you are seeking in order to fulfill those functions.

Sincerely,

Richard Cordray  
Director

cc: The Honorable Maxine Waters, Ranking Member, House Committee on Financial Services

**Clark, Mary (Susie)(CFPB)**

---

**From:** Clark, Mary (Susie)(CFPB)  
**Sent:** Friday, January 3, 2014 2:03 PM  
**To:** Carmer, Alan (CFPB)  
**Subject:** RE: "Sales Culture" at Wells

Thanks for these articles. I had seen the first, but not the follow-up opinion pieces. Hope we can investigate this soon.

Susie Clark

Examiner

Supervision/West Region

Consumer Financial Protection Bureau

[Consumerfinance.gov](http://consumerfinance.gov)

Cell: [REDACTED]  
 [REDACTED]@cfpb.gov

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**From:** Carmer, Alan (CFPB)  
**Sent:** Friday, January 03, 2014 10:41 AM  
**To:** Olson, Mark (CFPB); Jackson, Timothy (CFPB); Smith, Robert (CFPB); Maxwell, Dwight (CFPB); Ochoa, Juan (CFPB); Martinez, Gilbert (CFPB); Clark, Mary (Susie)(CFPB); Shambaugh, Scott (CFPB); Tam, Robert (CFPB); Speed, Jeunesse (CFPB); Vail, Anthony (CFPB); Hughes, Michael (CFPB)  
**Cc:** Palmer, Donna (CFPB); Card, Roderick (CFPB); Miranda, Carol (CFPB); Hutson, Paul (CFPB); Franklin, Ben (CFPB)  
**Subject:** "Sales Culture" at Wells

Here are some interesting latimes articles regarding the "sales culture" at Wells Fargo.

<http://www.latimes.com/business/la-fi-wells-fargo-sale-pressure-20131222,0,5474088.story#axzz2pMQejvxw>

<http://www.latimes.com/business/money/la-fi-mo-wells-fargo-sales-pressure-20131228,0,5939661.story#axzz2pMQejvxw>

<http://www.latimes.com/opinion/la-le-1225-wednesday-wells-fargo-20131225,0,6498399.story#axzz2pMQejvxw>

<http://www.latimes.com/opinion/la-le-1231-tuesday-wells-fargo-20131231,0,8001.story#axzz2pMQejvxw>

Alan S. Carmer  
 Examiner  
 Supervision, West Region  
 [REDACTED]@cfpb.gov

Tel: [REDACTED]

Consumer Financial Protection Bureau  
[consumerfinance.gov](http://consumerfinance.gov)

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**From:** [Coleman, John \(CFPB\)](#)  
**To:** [Szybala, Julia \(CFPB\)](#); [France, Elizabeth \(CFPB\)](#)  
**Subject:** FW: documents for RC's binder  
**Date:** Thursday, September 15, 2016 12:31:57 PM  
**Attachments:** [Opening Investigation Memo---Wells Fargo Sales Practices.docx](#)  
[ENF.DM.RC.Authority to Settle with Wells Fargo, N.A. and to File Suit -....pdf](#)  
[ENF.RM.RC. Authority to Settle with Wells Fargo Bank, N.A. and to File S....pdf](#)  
[ENF.RM.RC.Recommendation to Issue Consent Order with Wells Fargo Bank, N....pdf](#)  
[Wells Sales Practices.pdf](#)  
[2016.09.08 FAQs.WFSP QA Cleared.docx](#)  
[Responsible Business Conduct.pdf](#)  
[Los Angeles v. Wells Fargo.pdf](#)

---

**From:** Galicia, Catherine (CFPB)  
**Sent:** Thursday, September 15, 2016 7:25 AM  
**To:** Coleman, John (CFPB)  
**Subject:** Fw: documents for RC's binder

Here are the SEFL documents that went into the briefing binder last night. LA's complaint is one of them.

---

**From:** Pearl, Joanna (CFPB)  
**Sent:** Wednesday, September 14, 2016 11:48 AM Eastern Standard Time  
**To:** Manna, Meredith (CFPB); Pippin, Matthew (CFPB); Galicia, Catherine (CFPB)  
**Cc:** Alexis, Anthony (CFPB); Ehrlich, Jeffrey (CFPB); Donoghue, Kristen (CFPB); Boison, Elizabeth (CFPB)  
**Subject:** FW: documents for RC's binder

Updated with the LA complaint. Thanks!

**Joanna Pearl**  
Office of Enforcement  
Consumer Financial Protection Bureau  
  
[consumerfinance.gov](http://consumerfinance.gov)

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**From:** Pearl, Joanna (CFPB)  
**Sent:** Wednesday, September 14, 2016 11:09 AM  
**To:** Manna, Meredith (CFPB); Pippin, Matthew (CFPB); Galicia, Catherine (CFPB)  
**Cc:** Alexis, Anthony (CFPB); Ehrlich, Jeffrey (CFPB); Donoghue, Kristen (CFPB); Boison, Elizabeth (CFPB)  
**Subject:** documents for RC's binder

Hi Meredith,

Attached are:

- The opening memo for this matter
- Our recommendation settle or sue and Rich's decision memo authorizing action
- Our recommendation memo asking him to sign the consent order



- The final order
- Cleared Q&As on the matter
- The Bureau's Responsible Business Conduct Bulletin

Let me know if you are expecting more from Enforcement for this first iteration of the binder.

Joanna

**Joanna Pearl**  
Office of Enforcement  
Consumer Financial Protection Bureau



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CFPB OFFICE OF ENFORCEMENT  
INVESTIGATION – OPENING MEMORANDUM

Investigation Number: 2016-1667-02

Investigation Name: Wells Fargo Sales Practices

Date Investigation Opened: March     , 2016

Sources of Investigation (check at least one source):

Referral from Government Agency:

Non-Government Referral:

CFPB Division:

Consumer Complaints

Enforcement Research

Other: Leads database

Background:

According to a *Los Angeles Times* article published in December 2013, Wells Fargo allegedly maintains strict sales quotas that have driven many of its employees to engage in illegal behavior to satisfy the quotas and keep their jobs.<sup>1</sup> In public filings, Wells Fargo has emphasized its cross-selling strategy and goal of sharply increasing the number of Wells Fargo products and services its customers use.

In May 2015, the City Attorney for Los Angeles filed suit against Wells Fargo alleging illegal conduct in connection with opening accounts for consumers. The City Attorney’s suit alleged that, in an effort to meet sales quotas, Wells Fargo’s employees opened various accounts in consumers’ names without the consumers’ knowledge or consent or otherwise deceived consumers into opening accounts.

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<sup>1</sup> <http://www.latimes.com/business/la-fi-wells-fargo-sale-pressure-20131222-story.html>

The suit further alleges that Wells Fargo charged fees on these unauthorized accounts, debiting funds from the consumers' approved accounts. Wells Fargo allegedly reported negative information to consumer-reporting agencies about these unauthorized accounts and even engaged in collections activity on them. The bank also was charged with failing to promptly comply with consumer requests to close the unauthorized accounts.

The OCC and the Federal Reserve Board of San Francisco are investigating the sales practices alleged in the City Attorney's complaint. We intend to coordinate with these federal partners as well as the City Attorney's office in this investigation.

**Potential Violators:**

- Wells Fargo Bank, N.A.
- Unnamed employees or former employees of Wells Fargo Bank, N.A.

**Other Relevant Parties (describe relevance):**

- None at this time.

**Statement of Purpose Pursuant to 12 C.F.R. § 1080.5:**

The purpose of this investigation is to determine whether depository institutions or other persons have engaged or are engaging in unlawful acts or practices in connection with unauthorized consumer bank, credit card, and other accounts in violation of §§ 1031 and 1036 of the Consumer Financial Protection Act of 2010, 12 U.S.C. §§ 5531, 5536; the Truth In Savings Act, 12 U.S.C. § 4301 *et seq.*; the Fair Credit Reporting Act, 15 U.S.C. § 1681 *et seq.*; their implementing regulations; or any other Federal consumer financial law. The purpose of this investigation is also to determine whether Bureau action to obtain legal or equitable relief would be in the public interest.

**Enforcement Deputy Assigned: Jeffrey P. Ehrlich**

**Enforcement Assistant Deputy Assigned: Natalie Williams**

**Investigation Team Leader Assigned: Lawrence D. Brown**

**Investigation Team Members Assigned: Barry Reiferson and Leanne Hartmann**



Consumer Financial  
Protection Bureau

1700 G Street NW, Washington, DC 20552

### Decision Memorandum from the Director

**FROM** Richard Cordray, Director

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**TO** Tony Alexis, Assistant Director for Enforcement

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**SUBJECT** Authority to Settle with Wells Fargo, N.A. and to File Suit – ENF  
Matter No. 2016-1667-02

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I authorize the Office of Enforcement to enter into a settlement with and file a lawsuit against Wells Fargo, N.A. under the parameters recommended by the Office of Enforcement on July 11, 2016.

  
\_\_\_\_\_  
Richard Cordray  
Director  
Consumer Financial Protection Bureau

7/12/16  
\_\_\_\_\_  
Date



July 12, 2016

**Recommendation Memorandum for the Director**

<b>FROM</b>	Lawrence Brown, Barry Reiferson, Leanne Hartmann, John Wells, Jeff Ehrlich, and Tony Alexis, Office of Enforcement
<b>SUBJECT</b>	Authority to Settle with Wells Fargo Bank, N.A. and to File Suit – ENF Matter No. 2016-1667-02

**Recommendations**

We recommend that you authorize us (1) to settle with Wells Fargo Bank, N.A. under the parameters described below; (2) if settlement negotiations are successful, to file an administrative consent order effectuating the settlement; and (3) if settlement negotiations are unsuccessful, to commence an enforcement action, either administratively or in federal court, consistent with the attached complaint.<sup>1</sup>

**I. Overview**

We opened this matter in March following media reports and a lawsuit by the Los Angeles City Attorney (LA) alleging that Wells Fargo employees opened accounts for consumers or signed them up for additional products without their consent, and that the employees’ conduct was driven by the bank’s incentive-compensation program, unrealistic sales goals, and a high-pressure sales culture. At this stage of our investigation, we can confirm that Wells Fargo employees: (1) opened millions of unauthorized deposit accounts for existing customers and transferred funds to those accounts from their owners’ other accounts, all without customers’ consent; (2) applied for credit cards for consumers without their knowledge; (3) enrolled consumers in online-banking services that they did not request; and (4) ordered and activated debit cards for consumers without their authority. These acts, which were pervasive and occurred over several years, are plainly unfair, abusive, or both under the CFPA, and we stand ready to bring an enforcement action based on them. Alternatively, we could continue to investigate whether the bank has committed similar violations with respect to other products and services, or whether this conduct violates laws other than the CFPA. We think the better course would be to pause now to attempt to settle this matter by requiring the bank to reform its unlawful practices, provide redress to affected consumers, and pay a penalty. We therefore seek authority to settle or sue based only on the CFPA violations. Should we be forced to sue, we would explore later whether to amend our complaint to assert additional claims.

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<sup>1</sup> We also seek authority to make non-material changes before filing.

We have worked closely with LA and would continue to do so if you authorize us to act. Ideally, we would simultaneously announce the settlement of LA's pending case and an administrative consent order in ours.

## II. Factual Background

For years, Wells Fargo has used a “cross-sell strategy” to increase the number of products it sells to existing customers. To accomplish this, the bank has imposed sales goals and an incentive-based compensation system for tellers, bankers, and low-level managers that rewards them for selling new products and providing new services to existing customers. Over the last five years, tens of thousands of Wells Fargo employees attempted to game this system by engaging in unscrupulous conduct to meet sales goals and earn additional rewards. Meanwhile, the bank's cross-sell strategy has generated substantial revenue for the bank.<sup>2</sup> While we have not found evidence that high-level officials actively encouraged the wrongful behavior, there were enough senior executives aware of the problems stemming from the bank's aggressive sales culture to suggest that the bank turned a blind eye to unlawful conduct while reaping the benefits of its cross-sell strategy.

While there are instances of employees' wrongdoing related to many of the bank's products and services, our investigation has focused on four where the potential violations were most egregious: (1) opening new accounts and then “funding” them by transferring funds from consumers' existing accounts; (2) submitting credit-card applications for consumers, and causing credit cards to be issued without consumers' knowledge; (3) enrolling consumers in online-banking services without their knowledge and in ways that prevented consumers from learning about it; and (4) ordering and activating debit cards by issuing the cards and entering PINs without consumers' knowledge.

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<sup>2</sup> Wells Fargo & Co., 2010 Annual Report, at 34, <https://www08.wellsfargomedia.com/assets/pdf/about/investor-relations/annual-reports/2010-annual-report.pdf> (“Our cross-sell strategy . . . facilitate[s] growth in both strong and weak economic cycles . . . .”); Wells Fargo & Co., 2012 Annual Report, at 116, <https://www08.wellsfargomedia.com/assets/pdf/about/investor-relations/annual-reports/2012-annual-report.pdf> (“Selling more products to our customers – ‘cross-selling’ – is very important to our business model and key to our ability to grow revenue and earnings especially during the current environment of slow economic growth and regulatory reform initiatives.”); Wells Fargo & Co., 2013 Annual Report, at 30, <https://www08.wellsfargomedia.com/assets/pdf/about/investor-relations/annual-reports/2013-annual-report.pdf> (citing as a financial highlight that the bank “achieved record cross-sell across the Company”).

## A. Simulated Funding

One feature of Wells Fargo's incentive-compensation program was to reward employees for opening new accounts that the consumer funded shortly after opening. As a result, it became common practice for employees seeking to game the program to open additional accounts for existing customers and then to "fund" those accounts by transferring funds from the consumers' primary accounts, all without the consumer's knowledge or consent. Once the second account had been "funded" such that it qualified under the incentive program, the banker would transfer the funds back to the consumer's primary account, again without informing the consumer. The bank refers to this practice as "simulated funding."

Wells Fargo admits that from May 2011 through July 2015, roughly 1.5 million accounts belonging to about 1 million consumers "possessed characteristics consistent with . . . simulated funding."<sup>3</sup> This figure represents 1.9% of all Wells Fargo deposit accounts opened during that period. The bank estimates that this conduct caused more than \$2.2 million in consumer harm, largely from fees assessed for insufficient funds in consumers' original accounts and inactivity in the new accounts, and it has already provided redress in this amount to affected consumers.

## B. Unauthorized Credit Cards

The incentive-compensation program also rewarded employees for selling new credit cards. Employees seeking to game the program completed credit-card applications for existing customers without their consent, resulting in hundreds of thousands of consumers receiving cards that they did not request. The bank estimates that from May 2011 through September 2015, more than 565,000 consumers were, without their consent, enrolled in credit cards. This figure represents 5.8% of all consumer credit cards issued during the same period. The bank estimates that these consumers were charged more than \$400,000 in unjustified fees, including annual fees, and it has already provided redress in this amount to affected consumers.<sup>4</sup>

Notably, the bank's estimates exclude credit cards that consumers activated after receiving them. The bank's rationale is that if the consumer activated the account and

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<sup>3</sup> In an internal audit, the bank considered an account to have characteristics of simulated funding if (1) within 60 days of its opening, it was initially funded with a single deposit sufficient for the banker to get credit under the incentive-compensation program, (2) the deposited money was withdrawn within 7 days, and (3) the account balance was depleted to zero following the withdrawal.

<sup>4</sup> In addition to unauthorized *consumer* credit-card accounts, Wells Fargo admits that during the same period, its employees opened more than 58,000 *business* credit cards without the customer's consent, resulting in more than \$60,000 in unauthorized fees. The bank has already refunded this amount to affected customers.

used the card as intended, he suffered no harm, even if he was enrolled without his consent. We believe, therefore, that the number of consumers who were actually enrolled in a credit-card product without their consent is likely greater than the 565,000 figure provided by the bank.

### **C. Enrollment in Online Banking Services**

The incentive-compensation program also rewarded employees for enrolling consumers in online-banking services. Some employees attempted to receive credit under the program by enrolling consumers without their consent. To enroll in online banking, the bank required consumers to provide an email address. To subvert this requirement, some employees enrolled consumers using fake or otherwise improper email addresses. In many cases, employees used *their own* work-email addresses ending in “@wellsfargo.com.” During its investigation, LA determined that *in California alone* almost 200,000 consumers who were not Wells Fargo employees were enrolled in online-banking services using an email address that ended in “@wellsfargo.com.” We estimate that the number is far greater nationwide, and we have requested information from Wells Fargo to confirm this. This practice was both widespread and seemingly easily detectable by the bank, yet it continued for over four years. The bank contends that consumers suffered no harm as a result of this conduct because it charged no fees for online-banking services that consumers did not use.

### **D. Requesting and Activating Debit Cards**

The incentive-compensation program rewarded bank employees for getting consumers to sign up for debit cards. Some bank employees attempted to game the program by requesting and activating debit cards for consumers without their consent. To accomplish this, thousands of bank employees, after requesting debit cards for consumers who had not asked for them, activated those cards by creating PINs without the consumers’ knowledge. Many Wells Fargo employees entered PINs to activate debit cards at times when their stores were closed, making it highly unlikely that consumers were present to have requested the cards and entered PINs themselves.

We do not yet know the number of debit cards that were requested and activated by bank employees without consumers’ consent; we have outstanding requests to the bank to help us determine that information. The bank contends that consumers suffered no harm from this conduct because it did not charge consumers for unused debit cards.

## **III. Legal Analysis**

The bank’s conduct potentially violated the requirements of several federal laws, including TISA, which prohibits inaccurate statements in soliciting deposit contracts; TILA, which requires that credit cards be issued only upon request or application; EFTA, which requires that access cards be issued only upon request or application; and the Gramm-Leach-Bliley Act, which requires banks to safeguard consumer information. For efficiency, we propose to settle or sue for only CFPB violations stemming from the bank’s providing products and services without consumers’ consent.



**A. By opening accounts and simulating funding, the bank committed about 1.5 million unfair and abusive acts.**

Simulated funding, whereby an employee would open a new account for the consumer, transfer funds to that account from the consumer's primary account, and then within a few days transfer the funds back to the consumer's primary account – all without the consumer's knowledge – is an unfair act. Simulated funding is likely to cause substantial injury; indeed, the bank admits that since 2011, its 1.5 million acts of simulated funding have caused more than \$2.2 million in consumer harm. Further, because the simulated funding occurred without consumers' knowledge, the injuries it caused were not reasonably avoidable, and they were not outweighed by countervailing benefits. Each act of simulated funding constitutes a violation of § 1031(c) of the CFPA.

Simulated funding is also an abusive act. By opening accounts without consumers' knowledge, the bank materially interfered with consumers' ability to understand those accounts' terms and conditions, as they would have no or limited knowledge of those terms and conditions, including fees charged for inactivity. Further, by opening accounts without consumers' knowledge, the bank took unreasonable advantage of the inability of consumers to protect their interests, including interests in having an account opened only after affirmative agreement and avoiding fees for things such as insufficient funds in the original or new accounts. Each act of simulated funding therefore constitutes a violation of § 1031(d)(1) and (d)(2)(B) of the CFPA.

**B. By completing credit-card applications without consumers' consent, the bank committed more than 565,000 unfair and abusive acts.**

Wells Fargo employees committed unfair acts by completing credit-card applications for consumers without their consent. This conduct is likely to cause substantial injury; indeed, the bank has conceded that these consumers were charged more than \$400,000 in unjustified fees. In addition, the new credit line would have appeared on the consumers' credit reports and, in some cases, could have adversely affected consumers' creditworthiness. Further, because these cards were opened without consumers' knowledge, the injuries caused were not reasonably avoidable, and they were not outweighed by countervailing benefits. Each false credit-card application submitted by a Wells Fargo banker constitutes a violation of § 1031(c) of the CFPA.

These acts are also abusive under the CFPA. By submitting credit-card applications without consumers' knowledge, the bank materially interfered with consumers' ability to understand the cards' terms and conditions, as they would have no or limited knowledge of those terms and conditions, including annual fees. Further, the bank took unreasonable advantage of the inability of consumers to protect their interests, including interests in having a credit-card account opened only after affirmative agreement and avoiding associated fees. Each credit-card application submitted without a consumer's approval was a violation of § 1031(d)(1) and (d)(2)(B) of the CFPA.

**C. By signing up consumers for online-banking without their consent, the bank committed hundreds of thousands of abusive acts.**

By enrolling consumers in online-banking services without their consent, Wells Fargo took unreasonable advantage of consumers' inability to protect their interests in selecting the service. Because of the benefits Wells Fargo perceived it gained through increased online-banking – evidenced in part by its incentive structure – Wells Fargo took unreasonable advantage of consumers' inability to protect their interests in having this service activated only after affirmative agreement. Similarly, Wells Fargo precluded consumers from choosing not to sign up for online-banking services, which consumers might have chosen not to activate for a number of reasons, including believing that such services are not secure or create other risks. Moreover, Wells Fargo did so using fake or otherwise improper login information, depriving consumers of the ability to protect their interests in confirming their accounts or identities. Each of these unauthorized enrollments was therefore a violation of § 1031(d)(2)(B) of the CFPA.

**D. By activating consumers' debit cards without their consent, the bank committed abusive acts.**

By requesting and activating debit cards without consumers' consent, Wells Fargo took unreasonable advantage of consumers' inability to protect their interests in selecting the product. Because of the benefits Wells Fargo perceived it gained through increased activation of debit cards – evidenced in part by its incentive structure – Wells Fargo took unreasonable advantage of consumers' inability to protect their interests in having debit cards activated only after affirmative agreement. Similarly, Wells Fargo precluded consumers from choosing not to sign up for debit cards, which consumers might have chosen not to open for a number of reasons, including not wanting an additional product or service activated in their name. Moreover, Wells Fargo activated debit cards using PINs created without consumers' knowledge, depriving consumers of the ability to protect their interests in confirming their accounts or identities. Each of these unauthorized enrollments therefore violated § 1031(d)(2)(B) of the CFPA.

**IV. Recommendation to Settle or Sue**

We recommend settling this matter for injunctive relief, redress to affected consumers, and a \$100 million penalty.

**A. Injunctive Relief**

The injunctive relief we would impose upon settlement would prohibit Wells Fargo from (1) opening any deposit, checking, or credit account of any type without the consumer's consent; (2) issuing any credit card or debit card without the consumer's consent; and (3) enrolling any consumer in online-banking services without the consumer's consent. Further, we would require the bank to establish procedures for notifying consumers who may have had accounts opened without their consent and allowing those consumers to have their accounts closed without incurring fees or penalties. To ensure that the bank

complies with this relief, we would require that it submit a compliance plan for the Bureau's approval within 60 days of the order.

## **B. Redress**

We would also require the bank to pay redress to injured consumers. The bank claims to have paid redress to all simulated-funding victims through July 2015 and all credit-card victims through September 2015. We would further require the bank to pay redress to all consumers injured since those dates, and to any other consumers who, through implementation of the compliance plan described above, were wrongfully charged fees or penalties. To ensure that the bank pays the full amount of redress, we would require the bank to submit a redress plan for the Bureau's approval within 60 days of the order.

## **C. Penalty**

The CFPA provides three tiers of statutory penalties. Effective July 14, those amounts are up to \$5,437 for ordinary violations, \$27,186 for reckless violations, and \$1.087 million for knowing violations.<sup>5</sup> We have substantial evidence that the bank was generally aware of employees "gaming" its incentive-compensation program by creating false customer accounts as early as 2006. By mid-2013, the bank's violations could be characterized as reckless, at least, and possibly knowing. One bank analysis in July 2013 concluded that 11.26% of the accounts opened in a recent period in the bank's West Coast Region had been funded through simulated funding. This information was shared by email on July 2, 2013 with many of the bank's regional presidents and numerous other senior executives. Yet the simulated funding continued. Another bank analysis, shared with regional presidents and other senior executives by email in May 2013, warned of "a significant increase in the number of cards activated by Bankers," in some cases "before the customer even receives [the card] in the mail." Yet the practice continued. Moreover, the bank's wrongdoing was publicly exposed in late 2013, when a series of *Los Angeles Times* articles discussed the bank's "pressure-cooker sales culture."<sup>6</sup> Even then, the violations continued, with bank employees opening hundreds of thousands of unauthorized accounts in 2014 and 2015. And despite knowing about all of these violations since at least 2013, the bank made no effort to notify or pay redress to affected consumers until after LA sued it in 2015.

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<sup>5</sup> 12 U.S.C. § 5565(c)(2); 12 C.F.R. § 1083.1.

<sup>6</sup> See, e.g., E. Scott Reckard, *Wells Fargo Accuses Workers of Opening Fake Accounts to Meet Goals*, L.A. Times, Oct. 3, 2013, <http://articles.latimes.com/2013/oct/03/business/la-fi-1004-wells-fargo-firings-20131004>; E. Scott Reckard, *Wells Fargo's Pressure-Cooker Sales Culture Comes at a Cost*, L.A. Times, Dec. 21, 2013, <http://www.latimes.com/business/la-fi-wells-fargo-sale-pressure-20131222-story.html>.

But even if we were to calculate only a first-tier penalty for each of Wells Fargo's more than 2 million violations, the penalty could exceed \$10 billion before considering any mitigating factors. Among the mitigating factors we must consider are the size and good faith of the subject, the gravity of the violations, the severity of the risks to or losses suffered by consumers, the history of previous violations, and "such other matters as justice may require."<sup>7</sup> Those factors do not justify significantly reducing the penalty here. Wells Fargo is one of the world's largest banks. Last year, it earned \$86.1 billion in net revenue and a \$22.9 billion profit; it finished the year with more than \$1.8 trillion in total assets.<sup>8</sup> While the amount of known consumer harm is only a few million dollars, the severity of the risks to consumers is demonstrated by the pervasiveness of the violations: the bank opened millions of deposit and credit-card accounts without consumers' consent, affecting more than a million consumers.

Although applying these statutory provisions could potentially justify a multi-billion-dollar penalty, the CFPB allows the Bureau to compromise or modify a penalty before it is assessed,<sup>9</sup> and we recommend doing so here to help resolve this case. Accordingly, we recommend settling this matter for a penalty of at least \$100 million. A penalty in that amount would sufficiently deter similar violations and would impress upon the bank the need to review its incentive-compensation program and to better monitor its effect on bank employees in the future. But we also believe that a lower penalty would *not* suffice, as the bank has consistently demonstrated that it has failed to appreciate the gravity of what has occurred:

- The bank knew since at least 2006 that its employees were gaming its incentive-compensation program, yet failed to take actions sufficient to stop it.
- In May 2013 and again in July 2013, senior executives were told that simulated funding accounted for a large percentage of new deposit accounts, yet the bank failed to take actions sufficient to stop it, and hundreds of thousands of acts of simulated funding occurred after those dates.
- Despite knowing that millions of its customers had been victims of its unscrupulous employees, the bank did not inform its customers of its employees' wrongdoing or pay redress to those consumers until after it had been sued by LA in May 2015.

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<sup>7</sup> 12 U.S.C. § 5565(c)(3).

<sup>8</sup> Wells Fargo & Co., 2015 Annual Report, at 30, <https://www08.wellsfargomedia.com/assets/pdf/about/investor-relations/annual-reports/2015-annual-report.pdf>.

<sup>9</sup> 12 U.S.C. § 5565(c)(4).

- While the bank has terminated or disciplined more than 10,000 employees who it determined engaged in wrongdoing, it has only terminated seven employees above the branch-manager level, and three of those occurred this year.

In short, the Bureau must impose a penalty weighty enough for the bank to understand the seriousness of its conduct and to motivate it to prevent this from happening again.

## **V. Assessment of Risks of the Recommended Approach**

The bank has asked that we resolve this matter quickly, so have we decided not to provide a NORA.

By pausing our investigation to attempt to resolve this matter, we risk failing to identify similar sales-integrity issues involving other products or developing theories for why the practices identified may violate other laws within the Bureau's authority. The Legal Division perceives optical and legal risks in advancing only UDAAP claims for conduct that may also violate other Federal consumer financial laws, but we (and the Legal Division) believe those risks are outweighed here by the benefits of proceeding quickly. Moreover, during our investigation we briefly explored other acts and practices that may also be illegal, but we've determined that these potential violations are likely to be less pervasive and less egregious than the ones we've identified here. None appear likely to involve significant consumer harm. Given the seriousness of the violations we *have* identified, and the significant penalties associated with them, we see little upside to continuing our investigation in the hope that we might find more.

Should we be forced to litigate in this matter, we see no significant risks – the facts underlying the violations we have identified are undisputed, and our claims are straightforward applications of our standard UDAAP authority.

## **VI. Conclusion**

We recommend that you authorize us to settle this matter under the parameters above. Further, if settlement negotiations are unsuccessful, we recommend that you authorize us to file suit.

## **Attachments**

Tab 1: Draft Decision Memorandum from the Director

Tab 2: Draft Complaint



Consumer Financial  
Protection Bureau

1700 G Street NW, Washington, DC 20552

## Decision Memorandum from the Director

**FROM** Richard Cordray, Director

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**TO** Tony Alexis, Assistant Director for Enforcement

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**SUBJECT** Authority to Settle with Wells Fargo, N.A. and to File Suit – ENF  
Matter No. 2016-1667-02

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I authorize the Office of Enforcement to enter into a settlement with and file a lawsuit against Wells Fargo, N.A. under the parameters recommended by the Office of Enforcement on July 11, 2016.

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Richard Cordray  
Director  
Consumer Financial Protection Bureau

---

Date

1 ANTHONY ALEXIS, DC Bar #384545

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2 JEFFREY PAUL EHRLICH, FL Bar #51561

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7 1700 G Street NW

8 Washington, DC 20552

9 Fax: [REDACTED]

10 Attorneys for Plaintiff

11 Consumer Financial Protection Bureau

12 UNITED STATES DISTRICT COURT  
13 NORTHERN DISTRICT OF CALIFORNIA

14 Consumer Financial Protection Bureau,

15 Plaintiff,

16 v.

17 Wells Fargo Bank, N.A.,

18 Defendant.

Case No.

COMPLAINT

19 The Consumer Financial Protection Bureau files this Complaint against Wells Fargo  
20 Bank, N.A. and alleges as follows:  
21  
22

## Introduction

1  
2 1. Wells Fargo, one of the world's largest banks, offers to American consumers an  
3 expansive array of financial products and services, including mortgages, savings and checking  
4 accounts, credit cards, debit and ATM cards, and online banking.

5 2. For years, the bank has used a "cross-sell strategy" to increase the number of  
6 products and services it sells to existing customers. To further this strategy, the bank has  
7 encouraged a high-achievement sales culture by, among other things, conditioning employee-  
8 performance evaluations and promotion decisions on whether managers and their employees  
9 meet aggressive sales goals. But the centerpiece of the bank's cross-sell strategy has been an  
10 incentive-compensation program that rewards managers and their employees for selling new  
11 products and providing new services to existing consumers.

12 3. Wells Fargo's fervent pursuit of sales and growth through its cross-sell strategy,  
13 while beneficial for the bank, resulted in a systemic pattern of unfair and abusive sales  
14 practices committed by thousands of Wells Fargo employees, including tellers and bankers,  
15 nationwide. To earn additional compensation under the bank's incentive-compensation  
16 system, bank employees opened millions of accounts in consumers' names without their  
17 consent, submitted credit-card applications in consumers' names without their knowledge,  
18 enrolled consumers in online-banking services that they did not request, and ordered and  
19 activated debit cards in consumers' names without their permission.

20 4. Even worse, to get credit for selling new accounts that were funded soon after  
21 opening, Wells Fargo employees transferred funds from more than a million consumers'



1 existing accounts to new, fraudulently opened accounts—all without the consumers’  
2 knowledge or consent.

3 5. The Bureau brings this action to stop this unlawful conduct and to obtain  
4 redress for affected consumers and an appropriate penalty.

### 5 **Jurisdiction**

6 6. This Court has subject-matter jurisdiction over this action because it is brought  
7 under “Federal consumer financial law,” 12 U.S.C. § 5565(a)(1), presents a federal question,  
8 28 U.S.C. § 1331, and is brought by an agency of the United States, 28 U.S.C. § 1345.

### 9 **Venue**

10 7. Venue is proper in this district because a substantial part of the events or  
11 omissions giving rise to the claims occurred here and because Wells Fargo is doing business  
12 in this district. 28 U.S.C. § 1391(b); 12 U.S.C. § 5564(f).

### 13 **Parties**

14 8. The Bureau is an agency of the United States created by the Consumer  
15 Financial Protection Act of 2010 (“CFPA”). It has independent litigating authority, including  
16 the authority to enforce federal consumer-financial laws and to secure appropriate relief for  
17 violations thereof. 12 U.S.C. §§ 5564(a)-(b), 5565.

18 9. Wells Fargo is a national banking association that offers and provides an array  
19 of financial products and services primarily used by consumers for personal, family, or  
20 household purposes. Wells Fargo is therefore a “covered person” under the CFPA. 12  
21 U.S.C. § 5481(5), (6), (15)(A).

## Factual Background

10. Wells Fargo operates thousands of branches, which it calls “stores,” throughout the United States.

11. Among the products and services Wells Fargo offers at these stores are checking accounts, savings accounts, certificates of deposit, debit and prepaid cards, credit cards, foreign exchange, global remittance, mortgages, unsecured loans and other forms of credit, and online banking.

12. Wells Fargo sold more than 80 million of these products and services from 2011 to 2015, alone.

13. To achieve these high sales figures, Wells Fargo imposed sales goals and implemented an incentive-compensation program for tellers, bankers, and managers that financially rewards them for selling new products and providing new services to existing customers. Wells Fargo also used the achievement or non-achievement of sales goals as a key component in its consideration of performance reviews and promotions.

14. The bank’s emphasis on sales led to undue pressure placed upon employees to achieve sales goals.

15. Wells Fargo was aware by at least 2006 that employees were engaged in “gaming” the system to reach sales goals and obtain incentive rewards by signing consumers up for an array of products and services without those consumers’ knowledge or consent.

16. Wells Fargo recorded more than 100 complaints from consumers about unauthorized accounts in just the first quarter of 2008. Wells Fargo knew or should have

1 known that these complaints pertained to accounts that were the product of its employees'  
2 illegal conduct.

3 17. Despite these complaints and the bank's knowledge of the practices, the bank  
4 failed to take effective measures to stop its employees' illegal conduct.

5 18. By 2011, Wells Fargo employees were providing to consumers hundreds of  
6 thousands of unauthorized products and services, but the bank made no systematic effort to  
7 notify affected consumers until at least 2015.

### 8 Unauthorized Deposit Accounts & Simulated Funding

9 19. Deposit accounts are subject to sales goals, and Wells Fargo's incentive-  
10 compensation program rewards employees for opening new accounts that the consumer  
11 funds shortly after opening.

12 20. It became common practice for employees to engage in gaming by opening  
13 additional accounts for existing customers and then "funding" those unauthorized accounts  
14 by transferring funds from the consumer's authorized accounts without the consumer's  
15 knowledge or consent.

16 21. Once an unauthorized account had been "funded" such that it qualified under  
17 the incentive program, the banker would transfer the funds back to the consumer's  
18 authorized account, again without informing the consumer.

19 22. Wells Fargo refers to this practice as "simulated funding."

20 23. Wells Fargo has been aware of significant amounts of simulated funding by its  
21 employees for years. One internal analysis concluded that 11.26% of the accounts opened in  
22 a recent period in the bank's West Coast Region had been funded through simulated

1 funding. This information was shared by email on July 2, 2013 with many of the bank's  
2 regional presidents and other senior executives. Yet the simulated funding continued.

3 24. Since 2011, more than 1.5 million of Wells Fargo's newly opened accounts  
4 involved simulated funding.

5 25. Consumers who had accounts opened without their permission, and whose  
6 funds were transferred from their existing accounts to their new, fraudulently opened  
7 accounts, were charged millions of dollars in unjustified fees.

#### 8 Unauthorized Credit Cards

9 26. Credit cards are subject to sales goals, and Wells Fargo's incentive-  
10 compensation program rewards employees for selling new credit cards.

11 27. Employees completed credit-card applications for existing customers without  
12 their knowledge or consent, resulting in hundreds of thousands of consumers receiving cards  
13 they did not request or authorize.

14 28. Since May 2011, more than a half million consumers were, without their  
15 consent, enrolled in credit cards. Many of these consumers were charged unjustified fees for  
16 cards they did not request.

#### 17 Enrollment in Online Services without Consent

18 29. Online-banking services are subject to sales goals, and Wells Fargo's incentive-  
19 compensation program rewards employees for enrolling consumers in those services.

20 30. Employees attempted to receive credit under the program by enrolling  
21 consumers in online-banking services without their knowledge or consent.

1 31. To enroll in online banking, the bank required consumers to provide an email  
2 address. To subvert this requirement, employees enrolled consumers in online banking using  
3 fake or otherwise improper email addresses. Hundreds of thousands of consumers were  
4 enrolled in online banking without their knowledge or consent.

5 32. In many instances, employees used their own work-email addresses ending in  
6 “@wellsfargo.com.” In other instances, employees made up fake Wells Fargo or other email  
7 addresses. Hundreds of thousands of consumers who were not Wells Fargo employees were  
8 enrolled in online-banking services without their knowledge or consent using an email  
9 address that ended in “@wellsfargo.com.”

#### 10 Unauthorized Debit Cards

11 33. Debit cards are subject to sales goals, and Wells Fargo’s incentive-  
12 compensation program rewards employees for signing up consumers for receipt of a debit  
13 card.

14 34. Bank employees engaged in gaming by requesting and activating debit cards in  
15 consumers’ names without their knowledge or consent.

16 35. To accomplish this, thousands of bank employees requested debit cards for  
17 consumers who had not asked for them, and activated those cards by creating personal  
18 identification numbers (PINs) without the consumers’ knowledge or consent.

#### 19 **Count I**

#### 20 *Unauthorized Demand Accounts & Simulated Funding* 21 *(Unfair)*

22 36. The Bureau realleges and incorporates by reference paragraphs 1-XX.

1 37. Section 1036(a)(1)(B) of the CFPA prohibits “unfair” acts or practices. 12  
2 U.S.C. § 5536(a)(1)(B). An act or practice is unfair if it causes or is likely to cause consumers  
3 substantial injury that is not reasonably avoidable and is not outweighed by countervailing  
4 benefits to consumers or to competition. 12 U.S.C. § 5531(c)(1).

5 38. Wells Fargo has caused and is likely to cause substantial injury that is not  
6 reasonably avoidable and is not outweighed by countervailing benefits to consumers or to  
7 competition by opening unauthorized demand accounts and engaging in the practice of  
8 simulated funding.

9 39. Therefore, Wells Fargo has engaged in “unfair” acts or practices that violate §§  
10 1031(c)(1) and 1036(a)(1)(B) of the CFPA. 12 U.S.C. §§ 5531(c)(1), 5536(a)(1)(B).

## 11 **Count II**

### 12 *Unauthorized Demand Accounts & Simulated Funding* 13 *(Abusive)*

13 40. The Bureau realleges and incorporates by reference paragraphs 1-XX.

14 41. Section 1036(a)(1)(B) of the CFPA prohibits “abusive” acts or practices. 12  
15 U.S.C. § 5536(a)(1)(B). An act or practice is abusive if it materially interferes with the ability  
16 of a consumer to understand a term or condition of a consumer-financial product or service.  
17 12 U.S.C. § 5531(d)(1).

18 42. Additionally, an act or practice is abusive if it takes unreasonable advantage of  
19 the inability of the consumer to protect the interests of the consumer in selecting or using a  
20 consumer-financial product or service. 12 U.S.C. § 5531(d)(2)(B).

1 43. Wells Fargo’s acts of opening unauthorized deposit accounts and of simulated  
2 funding materially interfere with the ability of consumers to understand terms or conditions  
3 of a consumer-financial product or service.

4 44. Additionally, Wells Fargo’s acts of opening unauthorized deposit accounts and  
5 of simulated funding take unreasonable advantage of the inability of consumers to protect  
6 their interests in selecting or using a consumer-financial product or service.

7 45. Therefore, Wells Fargo has engaged in “abusive” acts or practices that violate  
8 §§ 1031(d)(1) & (2)(B) and 1036(a)(1)(B) of the CFPA. 12 U.S.C. §§ 5531(d)(1) & (2)(B),  
9 5536(a)(1)(B).

10 **Count III**  
11 *Unauthorized Credit Cards*  
12 *(Unfair)*

13 46. The Bureau realleges and incorporates by reference paragraphs 1- **XX**.

14 47. Section 1036(a)(1)(B) of the CFPA prohibits “unfair” acts or practices. 12  
15 U.S.C. § 5536(a)(1)(B). An act or practice is unfair if it causes or is likely to cause consumers  
16 substantial injury that is not reasonably avoidable and is not outweighed by countervailing  
17 benefits to consumers or to competition. 12 U.S.C. § 5531(c)(1).

18 48. Wells Fargo has caused and is likely to cause substantial injury that is not  
19 reasonably avoidable and is not outweighed by countervailing benefits to consumers or to  
20 competition by opening credit cards on behalf of consumers without their knowledge or  
21 consent.

22 49. Therefore, Wells Fargo has engaged in “unfair” acts or practices that violate §§  
1031(c)(1) and 1036(a)(1)(B) of the CFPA. 12 U.S.C. §§ 5531(c)(1), 5536(a)(1)(B).

**Count IV**  
*Unauthorized Credit Cards*  
*(Abusive)*

50. The Bureau realleges and incorporates by reference paragraphs 1- **XX**.

51. Section 1036(a)(1)(B) of the CFPA prohibits “abusive” acts or practices. 12 U.S.C. § 5536(a)(1)(B). An act or practice is abusive if it materially interferes with the ability of a consumer to understand a term or condition of a consumer-financial product or service. 12 U.S.C. § 5531(d)(1).

52. Additionally, an act or practice is abusive if it takes unreasonable advantage of the inability of the consumer to protect the interests of the consumer in selecting or using a consumer-financial product or service. 12 U.S.C. § 5531(d)(2)(B).

53. Wells Fargo’s acts of opening credit cards on behalf of consumers without their knowledge or consent interferes with the ability of consumers to understand a term or condition of a consumer-financial product or service.

54. Additionally, Wells Fargo’s acts of opening credit cards on behalf of consumers without their knowledge or consent takes unreasonable advantage of the inability of the consumers to protect their interests in selecting or using consumer-financial products or services.

55. Therefore, Wells Fargo has engaged in “abusive” acts or practices that violate §§ 1031(d)(1), (d)(2)(B), and 1036(a)(1)(B) of the CFPA. 12 U.S.C. §§ 5531(d)(1) & (2)(B), 5536(a)(1)(B).



1 **Count V**

2 *Unauthorized Enrollment in Online Services*  
3 *(Abusive)*

4 56. The Bureau realleges and incorporates by reference paragraphs 1- **XX**.

5 57. Section 1036(a)(1)(B) of the CFPA prohibits “abusive” acts or practices. 12  
6 U.S.C. § 5536(a)(1)(B). An act or practice is abusive if it takes unreasonable advantage of the  
7 inability of the consumer to protect the interests of the consumer in selecting or using a  
8 consumer-financial product or service. 12 U.S.C. § 5531(d)(2)(B).

9 58. Wells Fargo’s acts of enrolling consumers in online-banking services without  
10 their knowledge or consent takes unreasonable advantage of the inability of consumers to  
11 protect their interests in selecting or using a consumer-financial product or service.

12 59. Therefore, Wells Fargo has engaged in “abusive” acts or practices that violate  
13 §§ 1031(d)(2)(B) and 1036(a)(1)(B) of the CFPA. 12 U.S.C. §§ 5531(d)(2)(B), 5536(a)(1)(B).

14 **Count VI**

15 *Unauthorized Debit Cards & Pinning*  
16 *(Abusive)*

17 60. The Bureau realleges and incorporates by reference paragraphs 1- **XX**.

18 61. Section 1036(a)(1)(B) of the CFPA prohibits “abusive” acts or practices. 12  
19 U.S.C. § 5536(a)(1)(B). An act or practice is abusive if it takes unreasonable advantage of the  
20 inability of the consumer to protect the interests of the consumer in selecting or using a  
21 consumer-financial product or service. 12 U.S.C. § 5531(d)(2)(B).

22 62. Wells Fargo’s acts of issuing debit cards to consumers without their knowledge  
or consent and then activating those cards, again without consumers’ knowledge or consent,

1 takes unreasonable advantage of consumers' inability to protect their interests in selecting or  
2 using a consumer-financial product or service.

3 63. Therefore, Wells Fargo has engaged in "abusive" acts or practices that violate  
4 §§ 1031(d)(2)(B) and 1036(a)(1)(B) of the CFPB. 12 U.S.C. §§ 5531(d)(2)(B), 5536(a)(1)(B).

### 5 **Demand for Relief**

6 The Bureau requests that the Court:

- 7 a. permanently enjoin Wells Fargo from committing future violations of the  
8 CFPB, and any other provision of "Federal consumer financial law," as defined  
9 by 12 U.S.C. § 5481(14);
- 10 b. order Wells Fargo to notify consumers who may have had accounts opened  
11 without their consent and allow those consumers to have their accounts closed  
12 without incurring fees or penalties;
- 13 c. grant additional injunctive relief as the Court may deem just and proper;
- 14 d. order Wells Fargo to pay redress to consumers harmed by its unlawful conduct;
- 15 e. order Wells Fargo to disgorge all ill-gotten gains;
- 16 f. impose on Wells Fargo a civil money penalty under 12 U.S.C. § 5565(c);
- 17 g. award costs against Wells Fargo; and
- 18 h. award additional relief as the Court may determine to be just and proper.

19 Dated: **July XX**, 2016

20 Respectfully Submitted,

21 Anthony Alexis (DC Bar #384545)  
*Enforcement Director*

22 Jeffrey Paul Ehrlich (FL Bar #51561)

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*Deputy Enforcement Director*

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*Attorneys for Consumer Financial Protection Bureau*



September 2, 2016

## Recommendation Memorandum for the Director

<b>FROM</b>	Lawrence Brown, Barry Reiferson, Leanne Hartmann, John Wells, and Jeff Ehrlich
<b>THROUGH</b>	Tony Alexis, Office of Enforcement
<b>SUBJECT</b>	Recommendation to Issue Consent Order with Wells Fargo Bank, N.A. – ENF Matter No. 2016-1667-02

### Recommendation

Please sign the attached Consent Order by Wednesday, September 7, 2016 for an anticipated announcement on Thursday September 8, 2016.

### Background

We are pleased to report that Wells Fargo has agreed to stipulate to the attached Consent Order containing terms within the previously authorized parameters. The agreement contains the following terms:

- Restitution of approximately \$5 million;
- Civil money penalty of \$100 million;
- Injunctive relief related to the conduct at issue; and
- Prospective compliance and reporting requirements.

### Attachments

Tab 1: Consent Order for Your Signature

Tab 2: Executed Stipulation

**UNITED STATES OF AMERICA  
CONSUMER FINANCIAL PROTECTION BUREAU**

**ADMINISTRATIVE PROCEEDING**

**2016-CFPB-0015**

**In the Matter of:**

**WELLS FARGO BANK, N.A.**

**CONSENT ORDER**

The Consumer Financial Protection Bureau (Bureau) has reviewed the sales practices of Wells Fargo Bank, N.A. (Respondent, as defined below) and determined that it has engaged in the following acts and practices: (1) opened unauthorized deposit accounts for existing customers and transferred funds to those accounts from their owners' other accounts, all without their customers' knowledge or consent; (2) submitted applications for credit cards in consumers' names using consumers' information without their knowledge or consent; (3) enrolled consumers in online-banking services that they did not request; and (4) ordered and activated debit cards using consumers' information without their knowledge or consent. The Bureau has concluded that such acts violate §§ 1031 and 1036(a)(1)(B) of the Consumer Financial Protection Act of 2010 (CFPA), 12 U.S.C. §§ 5531 and 5536(a)(1)(B). Under §§ 1053 and 1055 of CFPA, 12 U.S.C. §§ 5563, 5565, the Bureau issues this Consent Order (Consent Order).

## **I Jurisdiction**

1. The Bureau has jurisdiction over this matter under §§ 1053 and 1055 of the CFPA, 12 U.S.C. §§ 5563, 5565.

## **II Stipulation**

2. Respondent has executed a “Stipulation and Consent to the Issuance of a Consent Order” (Stipulation), which is incorporated by reference and is accepted by the Bureau. By this Stipulation, Respondent has consented to the issuance of this Consent Order by the Bureau under §§ 1053 and 1055 of the CFPA, 12 U.S.C. §§ 5563, 5565, without admitting or denying the findings of facts and conclusions of law, except that Respondent admits the facts necessary to establish the Bureau’s jurisdiction over Respondent and the subject matter of this action.

## **III Definitions**

3. The following definitions apply to this Consent Order:
- a. **“Affected Consumers”** means any consumer subjected to any of the Improper Sales Practices.
  - b. **“Board”** means Respondent’s duly-elected and acting Board of Directors.
  - c. **“California Enforcement Action”** means the lawsuit styled *People v. Wells Fargo & Co., et al.*, Los Angeles Superior Court, Case No. BC580778, filed by the Office of the Los Angeles City Attorney.
  - d. **“Community Bank Regional Bank Branch Network”** means the Respondent’s retail-branch operations within Respondent’s Regional Bank group.

e. **“Effective Date”** means the date on which this Order is issued.

f. **“Improper Sales Practices”** means any of the following in the

Community Bank Regional Bank Branch Network:

- (1) opening any account without the consumer’s consent;
- (2) transferring funds between a consumer’s accounts without the consumer’s consent;
- (3) applying for any credit card without the consumer’s consent;
- (4) issuing any debit card without the consumer’s consent; and
- (5) enrolling any consumer in online-banking services without the consumer’s consent.

g. **“Los Angeles City Attorney”** means the Office of the Los Angeles City Attorney.

h. **“Regional Director”** means the Regional Director for the West Region for the Office of Supervision for the Consumer Financial Protection Bureau, or his/her delegate.

i. **“Related Consumer Action”** means a private action by or on behalf of one or more consumers or an enforcement action by a governmental agency other than the California Enforcement Action, brought against Respondent based on substantially the same facts as described in Section IV of this Consent Order.

j. **“Relevant Period”** includes the period from January 1, 2011, to the Effective Date.

k. **“Respondent”** means Wells Fargo Bank, N.A. and its successors and assigns.

## **IV Bureau Findings and Conclusions**

The Bureau finds the following:

4. Respondent is a national bank headquartered in Sioux Falls, South Dakota. Respondent is an insured depository institution with assets greater than \$10 billion within the meaning of 12 U.S.C. § 5515(a).
5. Respondent is a “covered person” under 12 U.S.C. § 5481(6).
6. During the Relevant Period, Respondent offered a broad array of consumer financial products and services, including mortgages, savings and checking accounts, credit cards, debit and ATM cards, and online-banking services.
7. Respondent sought to distinguish itself in the marketplace as a leader in “cross-selling” banking products and services to its existing customers.
8. Respondent set sales goals and implemented sales incentives, including an incentive-compensation program, in part to increase the number of banking products and services that its employees sold to its customers.
9. Thousands of Respondent’s employees engaged in Improper Sales Practices to satisfy sales goals and earn financial rewards under Respondent’s incentive-compensation program. During the Relevant Period, Respondent terminated roughly 5,300 employees for engaging in Improper Sales Practices.
10. Respondent’s employees engaged in “simulated funding.” To qualify for incentives that rewarded bankers for opening new accounts that were funded shortly after opening, Respondent’s employees opened deposit accounts without consumers’ knowledge or consent and then transferred funds from consumers’ authorized accounts



to temporarily fund the unauthorized accounts in a manner sufficient for the employee to obtain credit under the incentive-compensation program.

11. Respondent's employees submitted applications for and obtained credit cards for consumers without the consumers' knowledge or consent.

12. Respondent's employees used email addresses not belonging to consumers to enroll consumers in online-banking services without their knowledge or consent.

13. Respondent's employees requested debit cards and created personal identification numbers (PINs) to activate them without the consumer's knowledge or consent.

14. During the Relevant Period, Respondent's employees opened hundreds of thousands of unauthorized deposit accounts and applied for tens of thousands of credit cards for consumers without consumers' knowledge or consent.

15. Respondent has performed an analysis to assess the scope of Improper Sales Practices that occurred between May 2011 and July 2015, including the number of potential instances of such practices.

### **Findings and Conclusions as to Unauthorized Deposit Accounts & Simulated Funding**

16. Respondent's analysis concluded that its employees opened 1,534,280 deposit accounts that may not have been authorized and that may have been funded through simulated funding, or transferring funds from consumers' existing accounts without their knowledge or consent. That analysis determined that roughly 85,000 of those accounts incurred about \$2 million in fees, which Respondent is in the process of refunding. The fees included overdraft fees on linked accounts the consumers already

had, monthly service fees imposed for failure to keep a minimum balance in the unauthorized account, and other fees.

17. Section 1036(a)(1)(B) of the CFPA prohibits “unfair” acts or practices. 12 U.S.C. § 5536(a)(1)(B). An act or practice is unfair if it causes or is likely to cause consumers substantial injury that is not reasonably avoidable and is not outweighed by countervailing benefits to consumers or to competition. 12 U.S.C. § 5531(c)(1).

18. By opening unauthorized deposit accounts and engaging in acts of simulated funding, Respondent caused and was likely to cause substantial injury to consumers that was not reasonably avoidable, because it occurred without consumers’ knowledge, and was not outweighed by countervailing benefits to consumers or to competition.

19. Section 1036(a)(1)(B) of the CFPA prohibits “abusive” acts or practices. 12 U.S.C. § 5536(a)(1)(B). An act or practice is abusive if it materially interferes with the ability of a consumer to understand a term or condition of a consumer financial product or service. 12 U.S.C. § 5531(d)(1). Additionally, an act or practice is abusive if it takes unreasonable advantage of the inability of the consumer to protect his or her interests in selecting or using a consumer financial product or service. 12 U.S.C. § 5531(d)(2)(B).

20. Respondent’s acts of opening unauthorized deposit accounts and engaging in simulated funding materially interfered with the ability of consumers to understand a term or condition of a consumer financial product or service, as they had no or limited knowledge of those terms and conditions, including associated fees.

21. Additionally, Respondent’s acts of opening unauthorized deposit accounts and engaging in simulated funding took unreasonable advantage of consumers’ inability

to protect their interests in selecting or using consumer financial products or services, including interests in having an account opened only after affirmative agreement, protecting themselves from security and other risks, and avoiding associated fees.

22. Therefore, Respondent engaged in “unfair” and “abusive” acts or practices that violate §§ 1031(c)(1), (d)(1), (d)(2)(B), and 1036(a)(1)(B) of the CFPA. 12 U.S.C. §§ 5531(c)(1), (d)(1), (d)(2)(B), 5536(a)(1)(B).

### **Findings and Conclusions as to Unauthorized Credit Cards**

23. Respondent’s analysis concluded that its employees submitted applications for 565,443 credit-card accounts that may not have been authorized by using consumers’ information without their knowledge or consent. That analysis determined that roughly 14,000 of those accounts incurred \$403,145 in fees, which Respondent is in the process of refunding. Fees incurred by consumers on such accounts included annual fees and overdraft-protection fees, as well as associated finance or interest charges and other late fees.

24. Section 1036(a)(1)(B) of the CFPA prohibits “unfair” acts or practices. 12 U.S.C. § 5536(a)(1)(B). An act or practice is unfair if it causes or is likely to cause consumers substantial injury that is not reasonably avoidable and is not outweighed by countervailing benefits to consumers or to competition. 12 U.S.C. § 5531(c)(1).

25. By applying for and opening credit-card accounts using consumers’ information without their knowledge or consent, Respondent caused and was likely to cause substantial injury that was not reasonably avoidable, because it occurred without consumers’ knowledge, and was not outweighed by countervailing benefits to consumers or competition.

26. Section 1036(a)(1)(B) of the CFPA prohibits “abusive” acts or practices. 12 U.S.C. § 5536(a)(1)(B). An act or practice is abusive if it materially interferes with the ability of a consumer to understand a term or condition of a consumer financial product or service. 12 U.S.C. § 5531(d)(1). Additionally, an act or practice is abusive if it takes unreasonable advantage of the consumer’s inability to protect his or her interests in selecting or using a consumer financial product or service. 12 U.S.C. § 5531(d)(2)(B).

27. Respondent’s acts of opening credit-card accounts using consumers’ information without their knowledge or consent materially interfered with the ability of consumers to understand a term or condition of a consumer financial product or service, as they had no or limited knowledge of those terms and conditions, including associated fees.

28. Additionally, Respondent’s acts of opening credit-card accounts using consumers’ information without their knowledge or consent took unreasonable advantage of the consumers’ inability to protect their interests in selecting or using a consumer financial product or service.

29. Therefore, Respondent engaged in “unfair” and “abusive” acts or practices that violate §§ 1031(c)(1), (d)(1), (d)(2)(B), and 1036(a)(1)(B) of the CFPA. 12 U.S.C. §§ 5531(c)(1), (d)(1), (d)(2)(B), 5536(a)(1)(B).

### **Findings and Conclusions as to Unauthorized Enrollment into Online-Banking Services**

30. During the Relevant Period, Respondent’s employees used email addresses not belonging to consumers to enroll consumers in online-banking services without their knowledge or consent.

31. Section 1036(a)(1)(B) of the CFPA prohibits “abusive” acts or practices. 12 U.S.C. § 5536(a)(1)(B). An act or practice is abusive if it takes unreasonable advantage of the consumer’s inability to protect his or her interests in selecting or using a consumer financial product or service. 12 U.S.C. § 5531(d)(2)(B).

32. Respondent’s acts of enrolling consumers in online-banking services without their knowledge or consent took unreasonable advantage of consumers’ inability to protect their interests in selecting or using a consumer financial product or service, including interests in having these products or services activated only after affirmative agreement and protecting themselves from security and other risks.

33. Therefore, Respondent engaged in “abusive” acts or practices that violate §§ 1031(d)(2)(B) and 1036(a)(1)(B) of the CFPA. 12 U.S.C. §§ 5531(d)(2)(B), 5536(a)(1)(B).

### **Findings and Conclusions as to Unauthorized Debit Cards**

34. During the relevant period, Respondent’s employees requested debit cards and created PINs to activate them without consumers’ knowledge or consent.

35. Section 1036(a)(1)(B) of the CFPA prohibits “abusive” acts or practices. 12 U.S.C. § 5536(a)(1)(B). An act or practice is abusive if it takes unreasonable advantage of the consumer’s inability to protect his or her interests in selecting or using a consumer financial product or service. 12 U.S.C. § 5531(d)(2)(B).

36. Respondent’s acts of issuing debit cards to consumers without their knowledge or consent took unreasonable advantage of consumers’ inability to protect their interests in selecting or using a consumer financial product or service. 12 U.S.C. § 5531(d)(2)(B).

37. Therefore, Respondent engaged in “abusive” acts that violate §§ 1031(d)(2)(B) and 1036(a)(1)(B) of the CFPA, 12 U.S.C. §§ 5531(d)(2)(B), 5536(a)(1)(B).

### **ORDER**

#### **V Conduct Provisions**

**IT IS ORDERED**, under §§ 1053 and 1055 of the CFPA, that:

38. Respondent and its officers, agents, servants, employees, and attorneys who have actual notice of this Consent Order, whether acting directly or indirectly, may not violate §§ 1031 and 1036 of the CFPA, 12 U.S.C. §§ 5531, 5536, by engaging in Improper Sales Practices.

#### **VI Independent Consultant’s Report and Compliance Plan**

**IT IS FURTHER ORDERED** that:

39. Within 45 days of the Effective Date, Respondent must select an independent consultant with specialized experience in consumer-finance-compliance issues to conduct an independent review of Respondent’s sales practices within the Community Bank Regional Bank Branch Network related to deposit accounts, credit-card accounts, unsecured lines of credit, and related products and services (Independent Consultant’s Review). Respondent must submit the name of the independent consultant to the Regional Director for non-objection. Upon receipt of non-objection from the Regional Director, the Bank must retain the independent consultant. The Independent Consultant’s Review must assess whether Respondent’s current policies and procedures are reasonably designed to ensure that Respondent’s sales practices comply with all applicable Federal consumer financial laws as defined in 12 U.S.C. § 5481(14), and that Respondent’s employees do not engage in Improper Sales Practices.

40. The Independent Consultant's Review must include but will not be limited to:

a. whether Respondent's employees are required to undergo training reasonably designed to prevent Improper Sales Practices and other sales-integrity violations; whether such training is adequate, complete, and timely updated, provided when employees join Respondent, and repeated at sufficient recurring intervals during their employment to reinforce such training; whether training records are complete, accurate and adequate; and whether employees are informed of an obligation to report all sales-integrity issues internally through an "ethics hotline" or similar mechanism;

b. whether Respondent's monitoring policies and procedures ensure that Respondent monitors employees' sales practices proactively, and that Respondent devotes sufficient personnel and resources to monitor those practices appropriately;

c. whether Respondent has adequate policies and procedures for (i) receiving, retaining, and addressing consumer inquiries or complaints; (ii) receiving, retaining, and addressing employee allegations of Improper Sales Practices or any other allegations of sales-integrity violations; (iii) tracking and addressing indicators of potential Improper Sales Practices or any other sales-integrity violations; and (iv) identifying and remediating consumers for Improper Sales Practices or other sales-integrity violations identified after the Effective Date, as well as for correcting any related systemic issues identified after the Effective Date;

d. whether Respondent's policies and procedures related to sales of deposit accounts, credit cards, unsecured lines of credit, and related products and services are reasonably designed to ensure consumer consent is obtained before any such product is sold or issued to a consumer. The Independent Consultant's Review

must include, but not be limited to, whether Respondent has adequate policies and procedures for capturing and retaining consumer signatures and other evidence of consent for such products and services, for providing a grace period before assessing fees on any deposit account, and for closing accounts in which there is no customer-initiated activity during the grace period without assessing fees; and

e. whether Respondent's performance-management and sales goals for its employees are consistent with the objective of preventing Improper Sales Practices and other sales-integrity violations.

41. Within 180 days of the retention of the independent consultant, the independent consultant must prepare a written report (Independent Consultant's Report) detailing the findings of the review and provide the Independent Consultant's Report to the Board or a committee thereof.

42. Within 90 days of receiving the Independent Consultant's Report, the Board or a committee thereof must:

a. In consultation with the independent consultant, develop a plan (Compliance Plan) to: (i) correct any deficiencies identified, and (ii) implement any recommendations or explain in writing why a particular recommendation is not being implemented; and

b. submit the Independent Consultant's Report and the Compliance Plan to the Regional Director.

43. The Regional Director may, in his or her discretion, make a determination of non-objection to the Compliance Plan or direct Respondent to revise it. If the Regional Director directs Respondent to revise the Compliance Plan, the Board or a committee thereof must make the requested revisions to the Compliance Plan, have the



independent consultant review the revised Compliance Plan for adequacy, accuracy, effectiveness, and completeness, and resubmit the revised Compliance Plan and the independent consultant's review of the revised Compliance Plan to the Regional Director within 60 days of the date that the Regional Director directs the Company to revise the Compliance Plan. The Regional Director may, in his or her discretion, consult with the Los Angeles City Attorney in arriving at a determination of non-objection to the Compliance Plan or direction to Respondent to revise the Compliance Plan.

44. After receiving notification that the Regional Director has made a determination of non-objection to the Compliance Plan, Respondent must implement and adhere to the steps, recommendations, deadlines, and timeframes outlined in the Compliance Plan and have the independent consultant review and assess compliance with the Compliance Plan and validate that the Compliance Plan has been properly executed; the results of such review should be submitted to the Regional Director within 30 days after completion.

## **VII Role of the Board**

**IT IS FURTHER ORDERED** that:

45. The Board or a committee thereof must review all submissions (including plans, reports, programs, policies, and procedures) required by this Consent Order before submission to the Bureau.

46. Although this Consent Order requires Respondent to submit certain documents for the review or non-objection by the Regional Director, the Board will have the ultimate responsibility for proper and sound management of Respondent and for

ensuring that Respondent complies with Federal consumer financial law and this Consent Order.

47. In each instance that this Consent Order requires the Board or a committee thereof to ensure adherence to, or perform certain obligations of Respondent, the Board or a committee thereof must:

- a. authorize whatever actions are necessary for Respondent to fully comply with the Consent Order;
- b. require timely reporting by management to the Board or a committee thereof on the status of compliance obligations; and
- c. require timely and appropriate corrective action to remedy any material non-compliance with any failures to comply with directives from the Board or a committee thereof related to this Section.

### **VIII Order to Pay Redress**

**IT IS FURTHER ORDERED** that:

48. Respondent has retained the services of an independent third-party consulting firm (which is not the independent consultant referred to in Section VI) to identify consumers who have incurred fees or other charges as a result of Improper Sales Practices.

49. Within 10 days of the Effective Date, Respondent must reserve or deposit into a segregated deposit account an amount not less than \$5 million, for the purpose of providing redress to Affected Consumers as required by this Section.

50. Within 90 days of the Effective Date, Respondent must submit to the Regional Director for review and non-objection the comprehensive written plan for

providing redress consistent with this Consent Order (Redress Plan). The Regional Director may, in his or her discretion, make a determination of non-objection to the Redress Plan or direct Respondent to revise it. If the Regional Director directs Respondent to revise the Redress Plan, Respondent must make the revisions and resubmit the Redress Plan to the Regional Director within 45 days. After receiving notification that the Regional Director has made a determination of non-objection to the Redress Plan, Respondent must implement and adhere to the steps, recommendations, deadlines, and timeframes outlined in the Redress Plan.

51. The Redress Plan must:

a. identify all Affected Consumers, except insofar as it is impracticable to do so, as well as the types and amounts of any fees or charges incurred by Affected Consumers as a result of the Improper Sales Practices, and state the means by which Affected Consumers have been identified and by which the fees or charges they incurred have been calculated;

b. describe procedures by which Respondent will notify Affected Consumers who were subject to any of the Improper Sales Practices described in paragraph 3.f of this Order, including the form of the notification such consumers will receive;

c. describe the process for providing redress to Affected Consumers and identify the dollar amount of redress for each category of Affected Consumers;

d. detail how Respondent will locate Affected Consumers for payment of redress, and the steps Respondent will take with respect to consumers whose redress payments are returned as undeliverable or not cashed within a prescribed time period;

e. state the manner in which redress will be provided to each such Affected Consumer, and the form of redress; and

f. provide the form of the letter or notice that will be sent to such Affected Consumers notifying them of the redress.

52. Within 120 days after completing the Redress Plan, Respondent's Internal Audit department must review and assess compliance with the terms of the Redress Plan (Redress Plan Review) and validate that the Redress Plan has been properly executed.

53. Within 30 days after completion of the Redress Plan Review, Respondent must prepare and submit to the Regional Director a report summarizing the results of the Redress Plan Review.

54. After completing the Redress Plan, if the amount of redress provided to Affected Consumers is less than \$5 million, Respondent may recoup any remaining funds up to the amount Respondent paid to Affected Consumers before the submission of the Redress Plan as redress for fees or charges those Affected Consumers incurred as a result of the Improper Sales Practices. Respondent must, within 30 days of the completion of the Redress Plan, pay to the Bureau, by wire transfer to the Bureau or to the Bureau's agent and according to the Bureau's wiring instructions, any remaining funds not recouped by Respondent under this paragraph.

55. The Bureau may use these remaining funds to pay additional redress to Affected Consumers. Upon receiving a written request from Respondent, the Bureau may provide Respondent with information concerning additional redress. If the Bureau determines, in its sole discretion, that additional redress is wholly or partially impracticable or otherwise inappropriate, or if funds remain after the additional redress

is completed, the Bureau will deposit any remaining funds in the U.S. Treasury as disgorgement. Respondent will have no right to challenge any actions that the Bureau or its representatives may take under this Section.

56. Respondent may not condition the payment of any redress to any Affected Consumer under this Order on that Affected Consumer waiving any right.

## **IX Order to Pay Civil Money Penalties**

**IT IS FURTHER ORDERED** that:

57. Under § 1055(c) of the CFPA, 12 U.S.C. § 5565(c), by reason of the violations of law described in Section IV of this Consent Order, and taking into account the factors in 12 U.S.C. § 5565(c)(3), Respondent must pay a civil money penalty of \$100 million to the Bureau.

58. Within 10 days of the Effective Date, Respondent must pay the civil money penalty by wire transfer to the Bureau or to the Bureau's agent in compliance with the Bureau's wiring instructions.

59. The civil money penalty paid under this Consent Order will be deposited in the Civil Penalty Fund of the Bureau as required by § 1017(d) of the CFPA, 12 U.S.C. § 5497(d).

60. Respondent must treat the civil money penalty paid under this Consent Order as a penalty paid to the government for all purposes. Regardless of how the Bureau ultimately uses those funds, Respondent may not:

a. claim, assert, or apply for a tax deduction, tax credit, or any other tax benefit for any civil money penalty paid under this Consent Order; or

b. seek or accept, directly or indirectly, reimbursement or indemnification from any source, including but not limited to payment made under any insurance policy, with regard to any civil money penalty paid under this Consent Order.

61. To preserve the deterrent effect of any civil money penalty in the California Enforcement Action or any Related Consumer Action, Respondent may not argue that Respondent is entitled to, nor may Respondent benefit by, any offset or reduction of any compensatory monetary remedies imposed in the California Enforcement Action or any Related Consumer Action because of the civil money penalty paid in this action (Penalty Offset). If the court in the California Enforcement Action or any Related Consumer Action grants such a Penalty Offset, Respondent must, within 30 days after entry of a final order granting the Penalty Offset, notify the Bureau, and pay the amount of the Penalty Offset to the U.S. Treasury. Such a payment will not be considered an additional civil money penalty and will not change the amount of the civil money penalty imposed in this action.

## **X Additional Monetary Provisions**

**IT IS FURTHER ORDERED** that:

62. In the event of any default on Respondent's obligations to make payment under this Consent Order, interest, computed under 28 U.S.C. § 1961, as amended, will accrue on any outstanding amounts not paid from the date of default to the date of payment, and will immediately become due and payable.

63. Respondent must relinquish all dominion, control, and title to the funds paid to the fullest extent permitted by law and no part of the funds may be returned to Respondent.

64. Under 31 U.S.C. § 7701, Respondent, unless it already has done so, must furnish to the Bureau its taxpayer identifying numbers, which may be used for purposes of collecting and reporting on any delinquent amount arising out of this Consent Order.

65. Within 30 days of the entry of a final judgment, consent order, or settlement in the California Enforcement Action or any Related Consumer Action, Respondent must notify the Regional Director of the final judgment, consent order, or settlement in writing. That notification must indicate the amount of redress, if any, that Respondent paid or is required to pay to consumers and describe the consumers or classes of consumers to whom that redress has been or will be paid.

## **XI Reporting Requirements**

**IT IS FURTHER ORDERED** that:

66. Respondent must notify the Bureau of any development that may affect compliance obligations arising under this Consent Order, including but not limited to a dissolution, assignment, sale, merger, or other action that would result in the emergence of a successor company; the creation or dissolution of a subsidiary, parent, or affiliate that engages in any acts or practices subject to this Consent Order; the filing of any bankruptcy or insolvency proceeding by or against Respondent; or a change in Respondent's name or address. Respondent must provide this notice, if practicable, at least 30 days before the development, but in any case no later than 14 days after the development.

67. Within 7 days of the Effective Date, Respondent must designate at least one telephone number and email, physical, and postal address as points of contact, which the Bureau may use to communicate with Respondent.

68. Respondent must report any change in the information required to be submitted under Paragraph 67 at least 30 days before the change or as soon as practicable after the learning about the change, whichever is sooner.

69. Within 90 days of the Effective Date, and again at least semi-annually until the actions under this Consent Order have been completed, Respondent must submit to the Regional Director an accurate written compliance progress report (Compliance Report) that has been approved by the Board or a committee thereof, which, at a minimum:

- a. describes in detail the manner and form in which Respondent has complied with this Order;
- b. separately lists each corrective action required by this Consent Order, the Compliance Plan, and the Redress Plan;
- c. Describes the current status of each corrective action taken and the required, actual, and anticipated completion date for each corrective action; and
- d. attaches a copy of each Order Acknowledgment obtained under Section XII, unless previously submitted to the Bureau.

## **XII Order Distribution and Acknowledgment**

**IT IS FURTHER ORDERED** that,

70. Within 30 days of the Effective Date, Respondent must deliver a copy of this Consent Order to each of its board members and executive officers, as well as to any managers, employees, or other agents and representatives who have responsibilities related to the subject matter of the Consent Order.



71. For 5 years from the Effective Date, Respondent must deliver a copy of this Consent Order to any business entity resulting from any change in structure referred to in Section XI, any future board members and executive officers, as well as to any managers, employees, or other agents and representatives who will have responsibilities related to the subject matter of this Consent Order before they assume their responsibilities.

72. Respondent must secure a signed and dated statement acknowledging receipt of a copy of this Consent Order, ensuring that any electronic signatures comply with the requirements of the E-Sign Act, 15 U.S.C. § 7001 et seq., within 30 days of delivery, from all persons receiving a copy of this Consent Order under this Section.

### **XIII Recordkeeping**

**IT IS FURTHER ORDERED** that

73. Respondent must create or, if already created, retain for at least 5 years from the Effective Date the following business records:

a. all documents and records necessary to demonstrate full compliance with each provision of this Consent Order, including all submissions to the Bureau.

b. all documents and records pertaining to the Redress Plan, described in Section VIII above.

74. Respondent must retain the documents identified in Paragraph 73 for the duration of the Consent Order.

75. Respondent must make the documents identified in Paragraph 73 available to the Bureau upon the Bureau's request.

**XIV**  
**Notices**

**IT IS FURTHER ORDERED** that:

76. Unless otherwise directed in writing by the Bureau, Respondent must provide all submissions, requests, communications, or other documents relating to this Consent Order in writing, with the subject line, “In re Wells Fargo Bank, N.A., File No. 2016-CFPB-0015,” and send them as follows:

- a. via email to [WestRegion@cfpb.gov](mailto:WestRegion@cfpb.gov); and
- b. via overnight courier (not the U.S. Postal Service) as follows:

Regional Director, CFPB West Region, 301 Howard Street, 12th Floor, San Francisco, CA 94105.

**XV**  
**Cooperation with the Bureau**

**IT IS FURTHER ORDERED** that:

77. Respondent must cooperate fully to help the Bureau determine the identity and location of, and the amount of injury sustained by, each Affected Consumer. Respondent must provide such information in its or its agents’ possession or control within 14 days of receiving a written request from the Bureau.

78. Respondent must cooperate fully with the Bureau in this matter and in any investigation related to or associated with the conduct described in Section IV. Respondent must provide truthful and complete information, evidence, and testimony and Respondent must cause Respondent’s officers, employees, representatives, or agents to appear for interviews, discovery, hearings, trials, and any other proceedings that the Bureau may reasonably request upon 5 days written notice, or other reasonable

notice, at such places and times as the Bureau may designate, without the service of compulsory process.

**XVI**  
**Compliance Monitoring**

**IT IS FURTHER ORDERED** that, to monitor Respondent's compliance with this Consent Order:

79. Within 30 days of receipt of a written request from the Bureau, Respondent must submit additional Compliance Reports or other requested information, which must be made under penalty of perjury; provide sworn testimony; or produce documents.

80. Respondent must permit Bureau representatives to interview any employee or other person affiliated with Respondent who has agreed to such an interview. The person interviewed may have counsel present.

81. Nothing in this Consent Order will limit the Bureau's lawful use of civil investigative demands under 12 C.F.R. § 1080.6 or other compulsory process.

**XVII**  
**Modifications to Non-Material Requirements**

**IT IS FURTHER ORDERED** that:

82. Respondent may seek a modification to non-material requirements of this Consent Order (e.g., reasonable extensions of time and changes to reporting requirements) by submitting a written request to the Regional Director.

83. The Regional Director may, in his or her discretion, modify any non-material requirements of this Consent Order (e.g., reasonable extensions of time and changes to reporting requirements) if he or she determines that good cause justifies the modification. Any such modification by the Regional Director must be in writing.

**XVIII**  
**Administrative Provisions**

84. The provisions of this Consent Order do not bar, estop, or otherwise prevent the Bureau, or any other governmental agency, from taking any other action against Respondent, except as described in Paragraph 85.

85. The Bureau releases and discharges Respondent from all potential liability for law violations that the Bureau has or might have asserted based on the practices described in Section IV of this Consent Order, to the extent such practices occurred before the Effective Date and the Bureau knows about them as of the Effective Date. The Bureau may use the practices described in this Consent Order in future enforcement actions against Respondent and its affiliates, including, without limitation, to establish a pattern or practice of violations or the continuation of a pattern or practice of violations or to calculate the amount of any penalty. This release does not preclude or affect any right of the Bureau to determine and ensure compliance with the Consent Order, or to seek penalties for any violations of the Consent Order.

86. This Consent Order is intended to be, and will be construed as, a final Consent Order issued under § 1053 of the CFPB, 12 U.S.C. § 5563, and expressly does not form, and may not be construed to form, a contract binding the Bureau or the United States.

87. This Consent Order will terminate 5 years from the Effective Date or 5 years from the most recent date that the Bureau initiates an action alleging any violation of the Consent Order by Respondent. If such action is dismissed or the relevant adjudicative body rules that Respondent did not violate any provision of the Consent Order, and the dismissal or ruling is either not appealed or upheld on appeal, then the

Consent Order will terminate as though the action had never been filed. The Consent Order will remain effective and enforceable until such time, except to the extent that any provisions of this Consent Order have been amended, suspended, waived, or terminated in writing by the Bureau or its designated agent.

88. Calculation of time limitations will run from the Effective Date and be based on calendar days, unless otherwise noted.

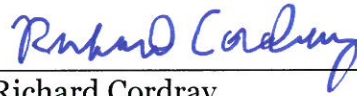
89. Should Respondent seek to transfer or assign all or part of its operations that are subject to this Consent Order, Respondent must, as a condition of sale, obtain the written agreement of the transferee or assignee to comply with all applicable provisions of this Consent Order.

90. The provisions of this Consent Order will be enforceable by the Bureau. For any violation of this Consent Order, the Bureau may seek to impose the maximum amount of civil money penalties allowed under § 1055(c) of the CFPA, 12 U.S.C. § 5565(c). In connection with any attempt by the Bureau to enforce this Consent Order in federal district court, the Bureau may serve Respondent wherever Respondent may be found and Respondent may not contest that court's personal jurisdiction over Respondent.

91. This Consent Order and the accompanying Stipulation contain the complete agreement between the parties. The parties have made no promises, representations, or warranties other than what is contained in this Consent Order and the accompanying Stipulation. This Consent Order and the accompanying Stipulation supersede any prior oral or written communications, discussions, or understandings.

92. Nothing in this Consent Order or the accompanying Stipulation may be construed as allowing Respondent, its Board, officers, or employees to violate any law, rule, or regulation.

**IT IS SO ORDERED**, this 4<sup>th</sup> day of September, 2016.



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Richard Cordray  
Director  
Consumer Financial Protection Bureau

**UNITED STATES OF AMERICA  
CONSUMER FINANCIAL PROTECTION BUREAU**

**2016-CFPB-00XX**

**STIPULATION AND CONSENT  
TO THE ISSUANCE OF  
A CONSENT ORDER**

**In the matter of:**

**WELLS FARGO BANK, N.A.**

The Consumer Financial Protection Bureau (Bureau) intends to initiate an administrative proceeding against Wells Fargo Bank, N.A. (Respondent), under 12 U.S.C. §§ 5563 and 5565, for its sales practices violating the CFPB's prohibition on unfair, deceptive, or abusive acts or practices, 12 U.S.C. §§ 5531, 5536.

Respondent, in the interest of compliance and resolution of the matter consents to the issuance of a Consent Order substantially in the form of the one to which this Stipulation and Consent to the Issuance of a Consent Order is attached (Consent Order), and which is incorporated by reference.

In consideration of the above premises, Respondent agrees to the following:

### **Jurisdiction**

1. The Bureau has jurisdiction over this matter under sections 1053 and 1055 of the Consumer Financial Protection Act (CFPA), 12 U.S.C. §§ 5563, 5565.

### **Consent**

2. Respondent agrees to the issuance of the Consent Order, without admitting or denying any of the findings of fact or conclusions of law, except the facts necessary to establish the Bureau's jurisdiction over Respondent and the subject matter of this action.

3. Respondent agrees that the Consent Order will be deemed an "order issued with the consent of the person concerned" under 12 U.S.C. § 5563(b)(4), and agrees that the Order will become a final order, effective upon issuance, and will be fully enforceable by the Bureau under 12 U.S.C. §§ 5563(d)(1) and 5565.

4. Respondent voluntarily enters into this Stipulation and Consent to the Issuance of a Consent Order.

5. The Consent Order resolves only Respondent's potential liability for law violations that the Bureau asserted or might have asserted based on the practices described in Section IV of the Consent Order, to the extent such practices occurred before the Effective Date and the Bureau knows about them as of the Effective Date. Respondent acknowledges that no promise or representation has been made by the Bureau or any employee, agent, or representative of the Bureau, about any liability outside of this action that may have arisen or may arise from the facts underlying this action or immunity from any such liability.

**STIPULATION AND CONSENT TO THE ISSUANCE OF A CONSENT ORDER**

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6. Respondent agrees that the facts described in Section IV of the Consent Order will be taken as true and be given collateral estoppel effect, without further proof, in any proceeding before the Bureau to enforce the Consent Order, or in any subsequent civil litigation by the Bureau to enforce the Consent Order or its rights to any payment or monetary judgment under the Consent Order, such as a non-dischargeability complaint in any bankruptcy case.

7. The terms and provisions of this Stipulation and the Consent Order will be binding upon, and inure to the benefit of, the parties hereto and their successors in interest.

8. Respondent agrees that the Bureau may present the Consent Order to the Bureau Director for signature and entry without further notice.

#### **Waivers**

9. Respondent, by consenting to this Stipulation, waives:
- a. Any right to service of the Consent Order, and agrees that issuance of the Consent Order will constitute notice to the Respondent of its terms and conditions;
  - b. Any objection to the jurisdiction of the Bureau, including, without limitation, under section 1053 of the CFPB, 12 U.S.C. § 5563;
  - c. The rights to all hearings under the statutory provisions under which the proceeding is to be or has been instituted; the filing of proposed findings of fact and conclusions of law; proceedings before, and a recommended decision by, a hearing officer; all post-hearing procedures; and any other procedural right available under section 1053 of the CFPB, 12 U.S.C. § 5563, or 12 CFR Part 1081;

- d. The right to seek any administrative or judicial review of the Consent Order;
- e. Any claim for fees, costs or expenses against the Bureau, or any of its agents or employees, and any other governmental entity, related in any way to this enforcement matter or the Consent Order, whether arising under common law or under the terms of any statute, including, but not limited to the Equal Access to Justice Act and the Small Business Regulatory Enforcement Fairness Act of 1996; for these purposes, Respondent agrees that Respondent is not the prevailing party in this action because the parties have reached a good faith settlement;
- f. Any other right to challenge or contest the validity of the Consent Order;
- g. Such provisions of the Bureau's rules or other requirements of law as may be construed to prevent any Bureau employee from participating in the preparation of, or advising the Director as to, any order, opinion, finding of fact, or conclusion of law to be entered in connection with this Stipulation or the Consent Order; and
- h. Any right to claim bias or prejudice by the Director based on the consideration of or discussions concerning settlement of all or any part of the proceeding.

**WELLS FARGO BANK, N.A. BY:**



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MARY T. MACK  
Executive Vice President  
Wells Fargo Bank, N.A.

**STIPULATION AND CONSENT TO THE ISSUANCE OF A CONSENT ORDER**

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**UNITED STATES OF AMERICA  
CONSUMER FINANCIAL PROTECTION BUREAU**

**ADMINISTRATIVE PROCEEDING**

**2016-CFPB-0015**

**In the Matter of:**

**WELLS FARGO BANK, N.A.**

**CONSENT ORDER**

The Consumer Financial Protection Bureau (Bureau) has reviewed the sales practices of Wells Fargo Bank, N.A. (Respondent, as defined below) and determined that it has engaged in the following acts and practices: (1) opened unauthorized deposit accounts for existing customers and transferred funds to those accounts from their owners' other accounts, all without their customers' knowledge or consent; (2) submitted applications for credit cards in consumers' names using consumers' information without their knowledge or consent; (3) enrolled consumers in online-banking services that they did not request; and (4) ordered and activated debit cards using consumers' information without their knowledge or consent. The Bureau has concluded that such acts violate §§ 1031 and 1036(a)(1)(B) of the Consumer Financial Protection Act of 2010 (CFPA), 12 U.S.C. §§ 5531 and 5536(a)(1)(B). Under §§ 1053 and 1055 of CFPA, 12 U.S.C. §§ 5563, 5565, the Bureau issues this Consent Order (Consent Order).

## **I Jurisdiction**

1. The Bureau has jurisdiction over this matter under §§ 1053 and 1055 of the CFPA, 12 U.S.C. §§ 5563, 5565.

## **II Stipulation**

2. Respondent has executed a “Stipulation and Consent to the Issuance of a Consent Order” (Stipulation), which is incorporated by reference and is accepted by the Bureau. By this Stipulation, Respondent has consented to the issuance of this Consent Order by the Bureau under §§ 1053 and 1055 of the CFPA, 12 U.S.C. §§ 5563, 5565, without admitting or denying the findings of facts and conclusions of law, except that Respondent admits the facts necessary to establish the Bureau’s jurisdiction over Respondent and the subject matter of this action.

## **III Definitions**

3. The following definitions apply to this Consent Order:
- a. “**Affected Consumers**” means any consumer subjected to any of the Improper Sales Practices.
  - b. “**Board**” means Respondent’s duly-elected and acting Board of Directors.
  - c. “**California Enforcement Action**” means the lawsuit styled *People v. Wells Fargo & Co., et al.*, Los Angeles Superior Court, Case No. BC580778, filed by the Office of the Los Angeles City Attorney.
  - d. “**Community Bank Regional Bank Branch Network**” means the Respondent’s retail-branch operations within Respondent’s Regional Bank group.

e. **“Effective Date”** means the date on which this Order is issued.

f. **“Improper Sales Practices”** means any of the following in the Community Bank Regional Bank Branch Network:

- (1) opening any account without the consumer’s consent;
- (2) transferring funds between a consumer’s accounts without the consumer’s consent;
- (3) applying for any credit card without the consumer’s consent;
- (4) issuing any debit card without the consumer’s consent; and
- (5) enrolling any consumer in online-banking services without the consumer’s consent.

g. **“Los Angeles City Attorney”** means the Office of the Los Angeles City Attorney.

h. **“Regional Director”** means the Regional Director for the West Region for the Office of Supervision for the Consumer Financial Protection Bureau, or his/her delegate.

i. **“Related Consumer Action”** means a private action by or on behalf of one or more consumers or an enforcement action by a governmental agency other than the California Enforcement Action, brought against Respondent based on substantially the same facts as described in Section IV of this Consent Order.

j. **“Relevant Period”** includes the period from January 1, 2011, to the Effective Date.

k. **“Respondent”** means Wells Fargo Bank, N.A. and its successors and assigns.

#### **IV Bureau Findings and Conclusions**

The Bureau finds the following:

4. Respondent is a national bank headquartered in Sioux Falls, South Dakota. Respondent is an insured depository institution with assets greater than \$10 billion within the meaning of 12 U.S.C. § 5515(a).
5. Respondent is a “covered person” under 12 U.S.C. § 5481(6).
6. During the Relevant Period, Respondent offered a broad array of consumer financial products and services, including mortgages, savings and checking accounts, credit cards, debit and ATM cards, and online-banking services.
7. Respondent sought to distinguish itself in the marketplace as a leader in “cross-selling” banking products and services to its existing customers.
8. Respondent set sales goals and implemented sales incentives, including an incentive-compensation program, in part to increase the number of banking products and services that its employees sold to its customers.
9. Thousands of Respondent’s employees engaged in Improper Sales Practices to satisfy sales goals and earn financial rewards under Respondent’s incentive-compensation program. During the Relevant Period, Respondent terminated roughly 5,300 employees for engaging in Improper Sales Practices.
10. Respondent’s employees engaged in “simulated funding.” To qualify for incentives that rewarded bankers for opening new accounts that were funded shortly after opening, Respondent’s employees opened deposit accounts without consumers’ knowledge or consent and then transferred funds from consumers’ authorized accounts

to temporarily fund the unauthorized accounts in a manner sufficient for the employee to obtain credit under the incentive-compensation program.

11. Respondent's employees submitted applications for and obtained credit cards for consumers without the consumers' knowledge or consent.

12. Respondent's employees used email addresses not belonging to consumers to enroll consumers in online-banking services without their knowledge or consent.

13. Respondent's employees requested debit cards and created personal identification numbers (PINs) to activate them without the consumer's knowledge or consent.

14. During the Relevant Period, Respondent's employees opened hundreds of thousands of unauthorized deposit accounts and applied for tens of thousands of credit cards for consumers without consumers' knowledge or consent.

15. Respondent has performed an analysis to assess the scope of Improper Sales Practices that occurred between May 2011 and July 2015, including the number of potential instances of such practices.

### **Findings and Conclusions as to Unauthorized Deposit Accounts & Simulated Funding**

16. Respondent's analysis concluded that its employees opened 1,534,280 deposit accounts that may not have been authorized and that may have been funded through simulated funding, or transferring funds from consumers' existing accounts without their knowledge or consent. That analysis determined that roughly 85,000 of those accounts incurred about \$2 million in fees, which Respondent is in the process of refunding. The fees included overdraft fees on linked accounts the consumers already

had, monthly service fees imposed for failure to keep a minimum balance in the unauthorized account, and other fees.

17. Section 1036(a)(1)(B) of the CFPA prohibits “unfair” acts or practices. 12 U.S.C. § 5536(a)(1)(B). An act or practice is unfair if it causes or is likely to cause consumers substantial injury that is not reasonably avoidable and is not outweighed by countervailing benefits to consumers or to competition. 12 U.S.C. § 5531(c)(1).

18. By opening unauthorized deposit accounts and engaging in acts of simulated funding, Respondent caused and was likely to cause substantial injury to consumers that was not reasonably avoidable, because it occurred without consumers’ knowledge, and was not outweighed by countervailing benefits to consumers or to competition.

19. Section 1036(a)(1)(B) of the CFPA prohibits “abusive” acts or practices. 12 U.S.C. § 5536(a)(1)(B). An act or practice is abusive if it materially interferes with the ability of a consumer to understand a term or condition of a consumer financial product or service. 12 U.S.C. § 5531(d)(1). Additionally, an act or practice is abusive if it takes unreasonable advantage of the inability of the consumer to protect his or her interests in selecting or using a consumer financial product or service. 12 U.S.C. § 5531(d)(2)(B).

20. Respondent’s acts of opening unauthorized deposit accounts and engaging in simulated funding materially interfered with the ability of consumers to understand a term or condition of a consumer financial product or service, as they had no or limited knowledge of those terms and conditions, including associated fees.

21. Additionally, Respondent’s acts of opening unauthorized deposit accounts and engaging in simulated funding took unreasonable advantage of consumers’ inability



to protect their interests in selecting or using consumer financial products or services, including interests in having an account opened only after affirmative agreement, protecting themselves from security and other risks, and avoiding associated fees.

22. Therefore, Respondent engaged in “unfair” and “abusive” acts or practices that violate §§ 1031(c)(1), (d)(1), (d)(2)(B), and 1036(a)(1)(B) of the CFPA. 12 U.S.C. §§ 5531(c)(1), (d)(1), (d)(2)(B), 5536(a)(1)(B).

### **Findings and Conclusions as to Unauthorized Credit Cards**

23. Respondent’s analysis concluded that its employees submitted applications for 565,443 credit-card accounts that may not have been authorized by using consumers’ information without their knowledge or consent. That analysis determined that roughly 14,000 of those accounts incurred \$403,145 in fees, which Respondent is in the process of refunding. Fees incurred by consumers on such accounts included annual fees and overdraft-protection fees, as well as associated finance or interest charges and other late fees.

24. Section 1036(a)(1)(B) of the CFPA prohibits “unfair” acts or practices. 12 U.S.C. § 5536(a)(1)(B). An act or practice is unfair if it causes or is likely to cause consumers substantial injury that is not reasonably avoidable and is not outweighed by countervailing benefits to consumers or to competition. 12 U.S.C. § 5531(c)(1).

25. By applying for and opening credit-card accounts using consumers’ information without their knowledge or consent, Respondent caused and was likely to cause substantial injury that was not reasonably avoidable, because it occurred without consumers’ knowledge, and was not outweighed by countervailing benefits to consumers or competition.

26. Section 1036(a)(1)(B) of the CFPA prohibits “abusive” acts or practices. 12 U.S.C. § 5536(a)(1)(B). An act or practice is abusive if it materially interferes with the ability of a consumer to understand a term or condition of a consumer financial product or service. 12 U.S.C. § 5531(d)(1). Additionally, an act or practice is abusive if it takes unreasonable advantage of the consumer’s inability to protect his or her interests in selecting or using a consumer financial product or service. 12 U.S.C. § 5531(d)(2)(B).

27. Respondent’s acts of opening credit-card accounts using consumers’ information without their knowledge or consent materially interfered with the ability of consumers to understand a term or condition of a consumer financial product or service, as they had no or limited knowledge of those terms and conditions, including associated fees.

28. Additionally, Respondent’s acts of opening credit-card accounts using consumers’ information without their knowledge or consent took unreasonable advantage of the consumers’ inability to protect their interests in selecting or using a consumer financial product or service.

29. Therefore, Respondent engaged in “unfair” and “abusive” acts or practices that violate §§ 1031(c)(1), (d)(1), (d)(2)(B), and 1036(a)(1)(B) of the CFPA. 12 U.S.C. §§ 5531(c)(1), (d)(1), (d)(2)(B), 5536(a)(1)(B).

**Findings and Conclusions as to  
Unauthorized Enrollment into Online-Banking Services**

30. During the Relevant Period, Respondent’s employees used email addresses not belonging to consumers to enroll consumers in online-banking services without their knowledge or consent.

31. Section 1036(a)(1)(B) of the CFPA prohibits “abusive” acts or practices. 12 U.S.C. § 5536(a)(1)(B). An act or practice is abusive if it takes unreasonable advantage of the consumer’s inability to protect his or her interests in selecting or using a consumer financial product or service. 12 U.S.C. § 5531(d)(2)(B).

32. Respondent’s acts of enrolling consumers in online-banking services without their knowledge or consent took unreasonable advantage of consumers’ inability to protect their interests in selecting or using a consumer financial product or service, including interests in having these products or services activated only after affirmative agreement and protecting themselves from security and other risks.

33. Therefore, Respondent engaged in “abusive” acts or practices that violate §§ 1031(d)(2)(B) and 1036(a)(1)(B) of the CFPA. 12 U.S.C. §§ 5531(d)(2)(B), 5536(a)(1)(B).

### **Findings and Conclusions as to Unauthorized Debit Cards**

34. During the relevant period, Respondent’s employees requested debit cards and created PINs to activate them without consumers’ knowledge or consent.

35. Section 1036(a)(1)(B) of the CFPA prohibits “abusive” acts or practices. 12 U.S.C. § 5536(a)(1)(B). An act or practice is abusive if it takes unreasonable advantage of the consumer’s inability to protect his or her interests in selecting or using a consumer financial product or service. 12 U.S.C. § 5531(d)(2)(B).

36. Respondent’s acts of issuing debit cards to consumers without their knowledge or consent took unreasonable advantage of consumers’ inability to protect their interests in selecting or using a consumer financial product or service. 12 U.S.C. § 5531(d)(2)(B).

37. Therefore, Respondent engaged in “abusive” acts that violate §§ 1031(d)(2)(B) and 1036(a)(1)(B) of the CFPA, 12 U.S.C. §§ 5531(d)(2)(B), 5536(a)(1)(B).

**ORDER**

**V  
Conduct Provisions**

**IT IS ORDERED**, under §§ 1053 and 1055 of the CFPA, that:

38. Respondent and its officers, agents, servants, employees, and attorneys who have actual notice of this Consent Order, whether acting directly or indirectly, may not violate §§ 1031 and 1036 of the CFPA, 12 U.S.C. §§ 5531, 5536, by engaging in Improper Sales Practices.

**VI  
Independent Consultant’s Report and Compliance Plan**

**IT IS FURTHER ORDERED** that:

39. Within 45 days of the Effective Date, Respondent must select an independent consultant with specialized experience in consumer-finance-compliance issues to conduct an independent review of Respondent’s sales practices within the Community Bank Regional Bank Branch Network related to deposit accounts, credit-card accounts, unsecured lines of credit, and related products and services (Independent Consultant’s Review). Respondent must submit the name of the independent consultant to the Regional Director for non-objection. Upon receipt of non-objection from the Regional Director, the Bank must retain the independent consultant. The Independent Consultant’s Review must assess whether Respondent’s current policies and procedures are reasonably designed to ensure that Respondent’s sales practices comply with all applicable Federal consumer financial laws as defined in 12 U.S.C. § 5481(14), and that Respondent’s employees do not engage in Improper Sales Practices.

40. The Independent Consultant's Review must include but will not be limited to:

a. whether Respondent's employees are required to undergo training reasonably designed to prevent Improper Sales Practices and other sales-integrity violations; whether such training is adequate, complete, and timely updated, provided when employees join Respondent, and repeated at sufficient recurring intervals during their employment to reinforce such training; whether training records are complete, accurate and adequate; and whether employees are informed of an obligation to report all sales-integrity issues internally through an "ethics hotline" or similar mechanism;

b. whether Respondent's monitoring policies and procedures ensure that Respondent monitors employees' sales practices proactively, and that Respondent devotes sufficient personnel and resources to monitor those practices appropriately;

c. whether Respondent has adequate policies and procedures for (i) receiving, retaining, and addressing consumer inquiries or complaints; (ii) receiving, retaining, and addressing employee allegations of Improper Sales Practices or any other allegations of sales-integrity violations; (iii) tracking and addressing indicators of potential Improper Sales Practices or any other sales-integrity violations; and (iv) identifying and remediating consumers for Improper Sales Practices or other sales-integrity violations identified after the Effective Date, as well as for correcting any related systemic issues identified after the Effective Date;

d. whether Respondent's policies and procedures related to sales of deposit accounts, credit cards, unsecured lines of credit, and related products and services are reasonably designed to ensure consumer consent is obtained before any such product is sold or issued to a consumer. The Independent Consultant's Review

must include, but not be limited to, whether Respondent has adequate policies and procedures for capturing and retaining consumer signatures and other evidence of consent for such products and services, for providing a grace period before assessing fees on any deposit account, and for closing accounts in which there is no customer-initiated activity during the grace period without assessing fees; and

e. whether Respondent's performance-management and sales goals for its employees are consistent with the objective of preventing Improper Sales Practices and other sales-integrity violations.

41. Within 180 days of the retention of the independent consultant, the independent consultant must prepare a written report (Independent Consultant's Report) detailing the findings of the review and provide the Independent Consultant's Report to the Board or a committee thereof.

42. Within 90 days of receiving the Independent Consultant's Report, the Board or a committee thereof must:

a. In consultation with the independent consultant, develop a plan (Compliance Plan) to: (i) correct any deficiencies identified, and (ii) implement any recommendations or explain in writing why a particular recommendation is not being implemented; and

b. submit the Independent Consultant's Report and the Compliance Plan to the Regional Director.

43. The Regional Director may, in his or her discretion, make a determination of non-objection to the Compliance Plan or direct Respondent to revise it. If the Regional Director directs Respondent to revise the Compliance Plan, the Board or a committee thereof must make the requested revisions to the Compliance Plan, have the

independent consultant review the revised Compliance Plan for adequacy, accuracy, effectiveness, and completeness, and resubmit the revised Compliance Plan and the independent consultant's review of the revised Compliance Plan to the Regional Director within 60 days of the date that the Regional Director directs the Company to revise the Compliance Plan. The Regional Director may, in his or her discretion, consult with the Los Angeles City Attorney in arriving at a determination of non-objection to the Compliance Plan or direction to Respondent to revise the Compliance Plan.

44. After receiving notification that the Regional Director has made a determination of non-objection to the Compliance Plan, Respondent must implement and adhere to the steps, recommendations, deadlines, and timeframes outlined in the Compliance Plan and have the independent consultant review and assess compliance with the Compliance Plan and validate that the Compliance Plan has been properly executed; the results of such review should be submitted to the Regional Director within 30 days after completion.

## **VII Role of the Board**

**IT IS FURTHER ORDERED** that:

45. The Board or a committee thereof must review all submissions (including plans, reports, programs, policies, and procedures) required by this Consent Order before submission to the Bureau.

46. Although this Consent Order requires Respondent to submit certain documents for the review or non-objection by the Regional Director, the Board will have the ultimate responsibility for proper and sound management of Respondent and for

ensuring that Respondent complies with Federal consumer financial law and this Consent Order.

47. In each instance that this Consent Order requires the Board or a committee thereof to ensure adherence to, or perform certain obligations of Respondent, the Board or a committee thereof must:

- a. authorize whatever actions are necessary for Respondent to fully comply with the Consent Order;
- b. require timely reporting by management to the Board or a committee thereof on the status of compliance obligations; and
- c. require timely and appropriate corrective action to remedy any material non-compliance with any failures to comply with directives from the Board or a committee thereof related to this Section.

### **VIII Order to Pay Redress**

**IT IS FURTHER ORDERED** that:

48. Respondent has retained the services of an independent third-party consulting firm (which is not the independent consultant referred to in Section VI) to identify consumers who have incurred fees or other charges as a result of Improper Sales Practices.

49. Within 10 days of the Effective Date, Respondent must reserve or deposit into a segregated deposit account an amount not less than \$5 million, for the purpose of providing redress to Affected Consumers as required by this Section.

50. Within 90 days of the Effective Date, Respondent must submit to the Regional Director for review and non-objection the comprehensive written plan for



providing redress consistent with this Consent Order (Redress Plan). The Regional Director may, in his or her discretion, make a determination of non-objection to the Redress Plan or direct Respondent to revise it. If the Regional Director directs Respondent to revise the Redress Plan, Respondent must make the revisions and resubmit the Redress Plan to the Regional Director within 45 days. After receiving notification that the Regional Director has made a determination of non-objection to the Redress Plan, Respondent must implement and adhere to the steps, recommendations, deadlines, and timeframes outlined in the Redress Plan.

51. The Redress Plan must:

- a. identify all Affected Consumers, except insofar as it is impracticable to do so, as well as the types and amounts of any fees or charges incurred by Affected Consumers as a result of the Improper Sales Practices, and state the means by which Affected Consumers have been identified and by which the fees or charges they incurred have been calculated;
- b. describe procedures by which Respondent will notify Affected Consumers who were subject to any of the Improper Sales Practices described in paragraph 3.f of this Order, including the form of the notification such consumers will receive;
- c. describe the process for providing redress to Affected Consumers and identify the dollar amount of redress for each category of Affected Consumers;
- d. detail how Respondent will locate Affected Consumers for payment of redress, and the steps Respondent will take with respect to consumers whose redress payments are returned as undeliverable or not cashed within a prescribed time period;

e. state the manner in which redress will be provided to each such Affected Consumer, and the form of redress; and

f. provide the form of the letter or notice that will be sent to such Affected Consumers notifying them of the redress.

52. Within 120 days after completing the Redress Plan, Respondent's Internal Audit department must review and assess compliance with the terms of the Redress Plan (Redress Plan Review) and validate that the Redress Plan has been properly executed.

53. Within 30 days after completion of the Redress Plan Review, Respondent must prepare and submit to the Regional Director a report summarizing the results of the Redress Plan Review.

54. After completing the Redress Plan, if the amount of redress provided to Affected Consumers is less than \$5 million, Respondent may recoup any remaining funds up to the amount Respondent paid to Affected Consumers before the submission of the Redress Plan as redress for fees or charges those Affected Consumers incurred as a result of the Improper Sales Practices. Respondent must, within 30 days of the completion of the Redress Plan, pay to the Bureau, by wire transfer to the Bureau or to the Bureau's agent and according to the Bureau's wiring instructions, any remaining funds not recouped by Respondent under this paragraph.

55. The Bureau may use these remaining funds to pay additional redress to Affected Consumers. Upon receiving a written request from Respondent, the Bureau may provide Respondent with information concerning additional redress. If the Bureau determines, in its sole discretion, that additional redress is wholly or partially impracticable or otherwise inappropriate, or if funds remain after the additional redress

is completed, the Bureau will deposit any remaining funds in the U.S. Treasury as disgorgement. Respondent will have no right to challenge any actions that the Bureau or its representatives may take under this Section.

56. Respondent may not condition the payment of any redress to any Affected Consumer under this Order on that Affected Consumer waiving any right.

**IX**  
**Order to Pay Civil Money Penalties**

**IT IS FURTHER ORDERED** that:

57. Under § 1055(c) of the CFPA, 12 U.S.C. § 5565(c), by reason of the violations of law described in Section IV of this Consent Order, and taking into account the factors in 12 U.S.C. § 5565(c)(3), Respondent must pay a civil money penalty of \$100 million to the Bureau.

58. Within 10 days of the Effective Date, Respondent must pay the civil money penalty by wire transfer to the Bureau or to the Bureau's agent in compliance with the Bureau's wiring instructions.

59. The civil money penalty paid under this Consent Order will be deposited in the Civil Penalty Fund of the Bureau as required by § 1017(d) of the CFPA, 12 U.S.C. § 5497(d).

60. Respondent must treat the civil money penalty paid under this Consent Order as a penalty paid to the government for all purposes. Regardless of how the Bureau ultimately uses those funds, Respondent may not:

a. claim, assert, or apply for a tax deduction, tax credit, or any other tax benefit for any civil money penalty paid under this Consent Order; or

b. seek or accept, directly or indirectly, reimbursement or indemnification from any source, including but not limited to payment made under any insurance policy, with regard to any civil money penalty paid under this Consent Order.

61. To preserve the deterrent effect of any civil money penalty in the California Enforcement Action or any Related Consumer Action, Respondent may not argue that Respondent is entitled to, nor may Respondent benefit by, any offset or reduction of any compensatory monetary remedies imposed in the California Enforcement Action or any Related Consumer Action because of the civil money penalty paid in this action (Penalty Offset). If the court in the California Enforcement Action or any Related Consumer Action grants such a Penalty Offset, Respondent must, within 30 days after entry of a final order granting the Penalty Offset, notify the Bureau, and pay the amount of the Penalty Offset to the U.S. Treasury. Such a payment will not be considered an additional civil money penalty and will not change the amount of the civil money penalty imposed in this action.

**X**  
**Additional Monetary Provisions**

**IT IS FURTHER ORDERED** that:

62. In the event of any default on Respondent's obligations to make payment under this Consent Order, interest, computed under 28 U.S.C. § 1961, as amended, will accrue on any outstanding amounts not paid from the date of default to the date of payment, and will immediately become due and payable.

63. Respondent must relinquish all dominion, control, and title to the funds paid to the fullest extent permitted by law and no part of the funds may be returned to Respondent.

64. Under 31 U.S.C. § 7701, Respondent, unless it already has done so, must furnish to the Bureau its taxpayer identifying numbers, which may be used for purposes of collecting and reporting on any delinquent amount arising out of this Consent Order.

65. Within 30 days of the entry of a final judgment, consent order, or settlement in the California Enforcement Action or any Related Consumer Action, Respondent must notify the Regional Director of the final judgment, consent order, or settlement in writing. That notification must indicate the amount of redress, if any, that Respondent paid or is required to pay to consumers and describe the consumers or classes of consumers to whom that redress has been or will be paid.

## **XI Reporting Requirements**

**IT IS FURTHER ORDERED** that:

66. Respondent must notify the Bureau of any development that may affect compliance obligations arising under this Consent Order, including but not limited to a dissolution, assignment, sale, merger, or other action that would result in the emergence of a successor company; the creation or dissolution of a subsidiary, parent, or affiliate that engages in any acts or practices subject to this Consent Order; the filing of any bankruptcy or insolvency proceeding by or against Respondent; or a change in Respondent's name or address. Respondent must provide this notice, if practicable, at least 30 days before the development, but in any case no later than 14 days after the development.

67. Within 7 days of the Effective Date, Respondent must designate at least one telephone number and email, physical, and postal address as points of contact, which the Bureau may use to communicate with Respondent.

68. Respondent must report any change in the information required to be submitted under Paragraph 67 at least 30 days before the change or as soon as practicable after the learning about the change, whichever is sooner.

69. Within 90 days of the Effective Date, and again at least semi-annually until the actions under this Consent Order have been completed, Respondent must submit to the Regional Director an accurate written compliance progress report (Compliance Report) that has been approved by the Board or a committee thereof, which, at a minimum:

- a. describes in detail the manner and form in which Respondent has complied with this Order;
- b. separately lists each corrective action required by this Consent Order, the Compliance Plan, and the Redress Plan;
- c. Describes the current status of each corrective action taken and the required, actual, and anticipated completion date for each corrective action; and
- d. attaches a copy of each Order Acknowledgment obtained under Section XII, unless previously submitted to the Bureau.

## **XII Order Distribution and Acknowledgment**

**IT IS FURTHER ORDERED** that,

70. Within 30 days of the Effective Date, Respondent must deliver a copy of this Consent Order to each of its board members and executive officers, as well as to any managers, employees, or other agents and representatives who have responsibilities related to the subject matter of the Consent Order.

71. For 5 years from the Effective Date, Respondent must deliver a copy of this Consent Order to any business entity resulting from any change in structure referred to in Section XI, any future board members and executive officers, as well as to any managers, employees, or other agents and representatives who will have responsibilities related to the subject matter of this Consent Order before they assume their responsibilities.

72. Respondent must secure a signed and dated statement acknowledging receipt of a copy of this Consent Order, ensuring that any electronic signatures comply with the requirements of the E-Sign Act, 15 U.S.C. § 7001 et seq., within 30 days of delivery, from all persons receiving a copy of this Consent Order under this Section.

### **XIII Recordkeeping**

**IT IS FURTHER ORDERED** that

73. Respondent must create or, if already created, retain for at least 5 years from the Effective Date the following business records:

a. all documents and records necessary to demonstrate full compliance with each provision of this Consent Order, including all submissions to the Bureau.

b. all documents and records pertaining to the Redress Plan, described in Section VIII above.

74. Respondent must retain the documents identified in Paragraph 73 for the duration of the Consent Order.

75. Respondent must make the documents identified in Paragraph 73 available to the Bureau upon the Bureau's request.

**XIV  
Notices**

**IT IS FURTHER ORDERED** that:

76. Unless otherwise directed in writing by the Bureau, Respondent must provide all submissions, requests, communications, or other documents relating to this Consent Order in writing, with the subject line, “In re Wells Fargo Bank, N.A., File No. 2016-CFPB-0015,” and send them as follows:

- a. via email to WestRegion@cfpb.gov; and
- b. via overnight courier (not the U.S. Postal Service) as follows:

Regional Director, CFPB West Region, 301 Howard Street, 12th Floor, San Francisco, CA 94105.

**XV  
Cooperation with the Bureau**

**IT IS FURTHER ORDERED** that:

77. Respondent must cooperate fully to help the Bureau determine the identity and location of, and the amount of injury sustained by, each Affected Consumer. Respondent must provide such information in its or its agents’ possession or control within 14 days of receiving a written request from the Bureau.

78. Respondent must cooperate fully with the Bureau in this matter and in any investigation related to or associated with the conduct described in Section IV. Respondent must provide truthful and complete information, evidence, and testimony and Respondent must cause Respondent’s officers, employees, representatives, or agents to appear for interviews, discovery, hearings, trials, and any other proceedings that the Bureau may reasonably request upon 5 days written notice, or other reasonable



notice, at such places and times as the Bureau may designate, without the service of compulsory process.

**XVI**  
**Compliance Monitoring**

**IT IS FURTHER ORDERED** that, to monitor Respondent's compliance with this Consent Order:

79. Within 30 days of receipt of a written request from the Bureau, Respondent must submit additional Compliance Reports or other requested information, which must be made under penalty of perjury; provide sworn testimony; or produce documents.

80. Respondent must permit Bureau representatives to interview any employee or other person affiliated with Respondent who has agreed to such an interview. The person interviewed may have counsel present.

81. Nothing in this Consent Order will limit the Bureau's lawful use of civil investigative demands under 12 C.F.R. § 1080.6 or other compulsory process.

**XVII**  
**Modifications to Non-Material Requirements**

**IT IS FURTHER ORDERED** that:

82. Respondent may seek a modification to non-material requirements of this Consent Order (e.g., reasonable extensions of time and changes to reporting requirements) by submitting a written request to the Regional Director.

83. The Regional Director may, in his or her discretion, modify any non-material requirements of this Consent Order (e.g., reasonable extensions of time and changes to reporting requirements) if he or she determines that good cause justifies the modification. Any such modification by the Regional Director must be in writing.

**XVIII**  
**Administrative Provisions**

84. The provisions of this Consent Order do not bar, estop, or otherwise prevent the Bureau, or any other governmental agency, from taking any other action against Respondent, except as described in Paragraph 85.

85. The Bureau releases and discharges Respondent from all potential liability for law violations that the Bureau has or might have asserted based on the practices described in Section IV of this Consent Order, to the extent such practices occurred before the Effective Date and the Bureau knows about them as of the Effective Date. The Bureau may use the practices described in this Consent Order in future enforcement actions against Respondent and its affiliates, including, without limitation, to establish a pattern or practice of violations or the continuation of a pattern or practice of violations or to calculate the amount of any penalty. This release does not preclude or affect any right of the Bureau to determine and ensure compliance with the Consent Order, or to seek penalties for any violations of the Consent Order.

86. This Consent Order is intended to be, and will be construed as, a final Consent Order issued under § 1053 of the CFPA, 12 U.S.C. § 5563, and expressly does not form, and may not be construed to form, a contract binding the Bureau or the United States.

87. This Consent Order will terminate 5 years from the Effective Date or 5 years from the most recent date that the Bureau initiates an action alleging any violation of the Consent Order by Respondent. If such action is dismissed or the relevant adjudicative body rules that Respondent did not violate any provision of the Consent Order, and the dismissal or ruling is either not appealed or upheld on appeal, then the

Consent Order will terminate as though the action had never been filed. The Consent Order will remain effective and enforceable until such time, except to the extent that any provisions of this Consent Order have been amended, suspended, waived, or terminated in writing by the Bureau or its designated agent.

88. Calculation of time limitations will run from the Effective Date and be based on calendar days, unless otherwise noted.

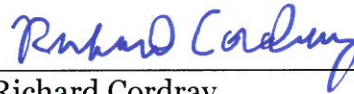
89. Should Respondent seek to transfer or assign all or part of its operations that are subject to this Consent Order, Respondent must, as a condition of sale, obtain the written agreement of the transferee or assignee to comply with all applicable provisions of this Consent Order.

90. The provisions of this Consent Order will be enforceable by the Bureau. For any violation of this Consent Order, the Bureau may seek to impose the maximum amount of civil money penalties allowed under § 1055(c) of the CFPA, 12 U.S.C. § 5565(c). In connection with any attempt by the Bureau to enforce this Consent Order in federal district court, the Bureau may serve Respondent wherever Respondent may be found and Respondent may not contest that court's personal jurisdiction over Respondent.

91. This Consent Order and the accompanying Stipulation contain the complete agreement between the parties. The parties have made no promises, representations, or warranties other than what is contained in this Consent Order and the accompanying Stipulation. This Consent Order and the accompanying Stipulation supersede any prior oral or written communications, discussions, or understandings.

92. Nothing in this Consent Order or the accompanying Stipulation may be construed as allowing Respondent, its Board, officers, or employees to violate any law, rule, or regulation.

**IT IS SO ORDERED**, this 4<sup>th</sup> day of September, 2016.



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Richard Cordray  
Director  
Consumer Financial Protection Bureau

**Enforcement Action against Wells Fargo Bank, N.A. re: Illegal Sales Practices – Q&A**

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**Q: What is this case about?**

A: The CFPB entered a consent order against Wells Fargo Bank, N.A. for unfair and abusive sales practices. The bank’s employees opened accounts for customers without their knowledge or consent, transferring money into those accounts from customers’ existing accounts to “fund” the new accounts sufficiently to qualify the employees for sales and compensation credit. They also applied for and opened credit cards for customers, obtained and created PINs for debit cards, and enrolled customers in online banking services, all without the customers’ knowledge or consent. Wells Fargo is liable for this conduct, and the CFPB is taking action against the bank today.

**Q: Who is the respondent?**

A: Wells Fargo Bank, N.A. is the respondent.

**Q: Why is the Bureau taking this action?**

A: Between January 2011 and the present, Wells Fargo employees engaged in these unfair and abusive practices to artificially inflate their sales numbers in an effort to meet sales goals and qualify for incentive compensation. The CFPB is taking this action to stop unlawful conduct, provide redress to harmed consumers, and prevent this kind of conduct in the future.

**Q: What laws did Wells Fargo violate?**

A: The CFPB found that Wells Fargo committed unfair and abusive acts or practices, in violation of the Consumer Financial Protection Act, 12 U.S.C. §§ 5531, 5536.

**Q: What relief did the CFPB obtain?**

A: Wells Fargo will pay full restitution to all victims, an amount estimated to be at least \$2.5 million, and a \$100 million fine to the CFPB’s Civil Penalty Fund. The bank will also pay an additional \$35 million penalty to the Office of the Comptroller of the Currency, and another \$50 million to Los Angeles, in settlements also announced today.

**Q: How many consumers were affected? How were they harmed?**

A: The CFPB found that Wells Fargo opened hundreds of thousands of deposit accounts, and tens of thousands of credit cards, for consumers without their knowledge or consent. Analyses the bank performed indicate that about 1.5

million deposit accounts and about 565,000 credit cards may have been opened without consumers' knowledge or consent.

Some customers who had accounts or credit cards opened in their names were charged fees, such as insufficient funds or overdraft fees on deposit accounts, and annual fees, overdraft-protection fees, finance or interest charges, and other late fees on credit cards.

**Q: What incentive did the bank's employees have to engage in this conduct?**

A: The bank had sales goals and compensation programs for its employees that encouraged them to sign up existing clients for deposit accounts, credit cards, debit cards, and online banking. The bank's employees sought to artificially inflate their sales numbers in an effort to meet these sales goals and qualify for incentive compensation.

**Q: How many employees were involved? Why isn't the CFPB taking action against individual employees?**

A: The bank terminated more than 5,000 employees for these illegal sales practices. The action the Bureau is taking today is against Wells Fargo. The Bureau takes enforcement action where appropriate to address violations of consumer-financial laws.

**Q: Why did the CFPB, the OCC, and the City of Los Angeles all take action against Wells Fargo?**

A: The CFPB, the OCC, and the City of Los Angeles conducted independent investigations and evaluations of Wells Fargo's practices. While the conduct addressed in the three actions is the same, the legal requirements and violations addressed in the orders are different. The CFPB's order finds that Wells Fargo violated the Consumer Financial Protection Act by committing unfair and abusive practices. The OCC's order addresses separate federal law requirements. The City of Los Angeles action is based on violations of California state law that Wells Fargo committed.

**Q: Why did the CFPB impose a \$100 million fine, the City of Los Angeles \$50 million, and the OCC \$35 million?**

A: The Bureau considers a number of factors to determine the appropriate amount of civil money penalties to impose in particular circumstances, including the gravity of the violations. In this case, the CFPB imposed a \$100 million civil money penalty on Wells Fargo. We believe this amount, together with the \$35 million the OCC imposed and the \$50 million the City of Los Angeles imposed on Wells Fargo for the unfair and abusive practices at issue, is appropriate for the conduct and to deter similar conduct going forward.

**Q: How did the CFPB discover these violations?**

A: The Bureau does not comment on how its enforcement actions originate or come about. We investigated this matter fully and determined that enforcement action was appropriate.

**Q: Did Wells Fargo admit any wrongdoing? If not, why not?**

The bank consented to the order without admitting or denying any of the findings of fact or conclusions of law, except that it admitted the facts necessary to establish the Bureau's jurisdiction over it and the subject matter of this action.

The Bureau is focused on enforcing the laws under its jurisdiction and obtaining appropriate relief for consumers when we find violations of those laws.

**Q: Are you still collecting evidence on this case?**

A. No, the Bureau's action is complete.

**Q: How do I know if I was affected by this conduct?**

A: Consumers who were affected by the conduct in question will be contacted by Wells Fargo.

**Q: Who will receive redress under the order?**

A: Wells Fargo customers who had accounts or credit cards opened without their knowledge or consent, and who incurred fees or charges on those accounts as a result, will receive refunds.

**Q: Do consumers need to take any action to receive redress?**

A: No. Consumers who are eligible for a refund will not have to do anything to apply for relief. If a consumer is eligible for a refund as a result of this action, Wells Fargo will contact the consumer regarding their refund. Redress will be automatically provided to eligible consumers.

**Q: If consumers had their credit report affected by these unauthorized account openings, how will they be made whole? What should they do?**

A: Credit report remediation is not part of the action announced today. Consumers who believe their credit reports may have been affected by improper or illegal

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practices may contact Wells Fargo and the credit bureaus to dispute any report they believe to be inaccurate.

**Q: Is this the largest penalty the CFPB has imposed?**

A: Yes, this is the largest penalty the CFPB has imposed.

**Q: Has the CFPB ever taken an enforcement action against other financial institutions for similar practices?**

A: Today's action is the first the CFPB has taken that addresses illegal sales practices involving signing existing customers up for additional deposit accounts or credit cards. The CFPB has taken other actions, including in matters involving credit card "add-on" products, in which it has addressed circumstances where consumers were signed up for products or services without their knowledge or consent.

	<b>Question</b>	<b>Answer</b>
<b>1</b>	I am calling about the recent news regarding the CFPB and Wells Fargo.	On September 8, 2016 the Bureau announced an enforcement action against Wells Fargo. The Bureau found that Wells Fargo engaged in unfair and abusive sales practices.
<b>2</b>	What happened? Why was there an enforcement action against Wells Fargo?	See above.
<b>3</b>	What relief has the Bureau ordered?	Consumers who had accounts opened without their knowledge or consent, and who incurred fees or charges on those accounts as a result, will be contacted by Wells Fargo and will receive refunds. Refunds of fees and charges are anticipated to total at least \$2.5 million.
<b>4</b>	Who do I contact to find out whether or not I'm eligible for relief?	Consumers do not need to do anything to determine if they're eligible for relief. If you're eligible for relief, you'll be contacted by Wells Fargo.
<b>5</b>	Where can I get more information?	For more information, see the Newsroom section of the CFPB's website at: <a href="http://www.consumerfinance.gov/newsroom/">http://www.consumerfinance.gov/newsroom/</a> .



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**CFPB Bulletin 2013-06****Date:** June 25, 2013**Subject:** Responsible Business Conduct: Self-Policing, Self-Reporting, Remediation, and Cooperation

The Bureau considers many factors in the exercise of its enforcement discretion. These include, for example: (1) the nature, extent, and severity of the violations identified; (2) the actual or potential harm from those violations; (3) whether there is a history of past violations; and (4) a party's effectiveness in addressing violations. This guidance is being provided to inform those subject to the Bureau's enforcement authority that in addition to these and other factors, there are activities they can engage in both before and after the conduct in question has occurred that the Bureau may favorably consider in exercising its enforcement discretion. Specifically, a party may proactively self-police for potential violations, promptly self-report to the Bureau when it identifies potential violations, quickly and completely remediate the harm resulting from violations, and affirmatively cooperate with any Bureau investigation above and beyond what is required. If a party meaningfully engages in these activities, which this bulletin refers to collectively as "responsible conduct," it may favorably affect the ultimate resolution of a Bureau enforcement investigation.

The purpose of this guidance is to encourage activity that has concrete and substantial benefits for consumers and contributes significantly to the success of the Bureau's mission. Depending on its form and substance, responsible conduct can improve the Bureau's ability to promptly detect violations of the federal consumer protection laws, increase the effectiveness and efficiency of enforcement investigations, enable the Bureau to pursue a larger number of worthy investigations with its finite resources, provide important evidence in enforcement investigations and cases, and help more consumers in more matters promptly receive financial redress and additional meaningful remedies for any harm they experienced.

Depending on the nature and extent of a party's actions, the Bureau has a wide range of options available to properly account for responsible conduct in enforcement investigations. For example, the Bureau could resolve an investigation with no public enforcement action, treat the conduct as a less severe type of violation, reduce the number of violations pursued, or reduce the sanctions or penalties sought by the Bureau in an enforcement action. It must be emphasized, however, that in order for the Bureau to consider awarding affirmative credit in the context of an enforcement investigation, a party's conduct must substantially exceed the standard of what is required by law in its interactions with the Bureau.

In the Bureau's consideration of a party's conduct in these areas it must be stressed that what best protects consumers is ultimately central to the Bureau's exercise of its enforcement discretion. Self-policing, self-reporting, remediation, and cooperation with the Bureau's investigation are unquestionably important in promoting the best interests of consumers, but so

too are vigorous, consistent enforcement of the law and the imposition of appropriate sanctions where the law has been violated.

In addition, this guidance, and its description of activities that may warrant favorable consideration, is not adopting any rule or formula, or making a promise to any person about any specific case. The Bureau is not in any way limiting its discretion and responsibility to evaluate each case individually on its own facts and circumstances. There is no consistent formula that can be applied to all enforcement actions to accomplish the goal of protecting consumers. Similarly, there is no formula that can be applied to account for cooperation based on a party's actions related to the activities set forth above. Indeed, there may be circumstances where the misconduct is so egregious, or the harm inflicted so great, that no amount of cooperation or other mitigating conduct could justify a decision not to bring an enforcement action, or even to forgo seeking the imposition of a civil money penalty. In short, the fact that a party may argue it has satisfied some or even all of the elements set forth in this guidance will not foreclose the Bureau from bringing any enforcement action or seeking any remedy if it believes such a course is necessary and appropriate.

#### Factors Used to Evaluate and Acknowledge Responsible Conduct

As noted previously, the Bureau principally considers four categories of conduct when evaluating whether some form of credit is warranted in an enforcement investigation: self-policing, self-reporting, remediation, and cooperation during the Bureau's enforcement investigation. However, if a party engages in another type of activity particular to its situation that is both substantial and meaningful, the Bureau may take that activity into consideration.

Listed below are some of the factors the Bureau will consider in determining whether and how much to take into account self-policing, self-reporting, remediation, and cooperation. This list is not exhaustive, and some of the factors identified may relate to more than one category of responsible conduct. Finally, the importance of each factor in a given case, and the way in which the Bureau evaluates each factor, will depend on the circumstances.

#### Self-policing:

This concept, which can also be described as self-monitoring or self-auditing, reflects a proactive commitment by a party to use resources for the prevention and early detection of potential violations of consumer financial laws. The Bureau recognizes that a robust compliance management system appropriate for the size and complexity of a party's business will not always prevent violations, but it will often facilitate early detection of potential violations, which can limit the size and scope of consumer harm. Questions the Bureau will consider in determining whether to provide favorable consideration for self-policing activity that detects violations or potential violations of federal consumer financial laws include:

1. What is the nature of the violation or potential violation and how did it arise? Was the conduct pervasive or an isolated act? How long did it last? Was the conduct significant to the party's profitability or business model?
2. How was the violation or potential violation detected and who uncovered it? What compliance procedures or self-policing mechanisms were in place to prevent, identify, or limit the conduct that occurred and to preserve relevant information? In what ways, if any, were the party's self-policing mechanisms particularly noteworthy and effective?
3. If the party's self-policing functions have previously been the subject of supervisory examination by the Bureau or other regulators, what have been the results of such examination? How, if at all, has the party changed its self-policing following such examination? If the party's self-policing functions have not previously been the subject of supervisory examination, how do those functions measure up to customary supervisory expectations?
4. If the party is a business entity, what was the "tone at the top" of the business about compliance? Was there a culture of compliance? How high up in the chain of command did people know of or participate in the conduct at issue? Did senior personnel participate in, or turn a blind eye toward, obvious indicia of misconduct or deficiencies in compliance procedures?

#### Self-reporting:

Each category of responsible conduct is important to the Bureau and can significantly affect the Bureau's decision about whether a party should receive favorable consideration. Of the four categories, however, prompt and complete self-reporting to the Bureau of significant violations and potential violations is worth special mention. While no substitute for effective self-policing, self-reporting substantially advances the Bureau's protection of consumers and enhances its enforcement mission by reducing the resources it must expend to identify potential or actual violations that are significant enough to warrant an enforcement investigation and making those resources available for other significant matters. Prompt self-reporting of serious violations also represents concrete evidence of a party's commitment to responsibly address the conduct at issue. For these reasons, the Bureau puts special emphasis on this category in its evaluation of a party's overall conduct. Questions the Bureau will examine in determining whether to provide favorable consideration for self-reporting of violations or potential violations of federal consumer financial laws include:

1. Did the party completely and effectively disclose the existence of the conduct to the Bureau, to other regulators, and, if applicable, to self-regulators? Did affected consumers receive appropriate information related to the violations or potential violations within a reasonable period of time?
2. Did the party report the conduct promptly to the Bureau? If it delayed, what justification, if any, existed for the delay? How did the delay affect the preservation of relevant information, the ability of the Bureau to conduct its investigation, or the interests of affected consumers?

3. Did the party proactively self-report, or wait until discovery or disclosure was likely to happen anyway, for example due to impending supervisory activity, public company reporting requirements, the emergence of a whistleblower, consumer complaints or actions, or the conduct of a Bureau investigation?

**Remediation:**

When violations of federal consumer financial laws have occurred, the Bureau's remedial priorities include obtaining full redress for those injured by the violations, ensuring that the party who violated the law implements measures designed to prevent the violations from recurring, and, when appropriate, effectuating changes in the party's future conduct for the protection and/or benefit of consumers. Remediation may be viewed positively even when the party believes that it may have identified a potential rather than an actual violation. Questions the Bureau will examine in determining whether to provide favorable consideration for remediation activity regarding violations of federal consumer financial laws include:

1. What steps did the party take upon learning of the misconduct? Did it immediately stop the misconduct? How long after the misconduct was uncovered did it take to implement an effective response?
2. If the party is a business, were there any consequences imposed on the individuals responsible for the misconduct?
3. Did the party take prompt and effective steps to preserve information, identify the extent of the harm to consumers, and appropriately recompense those adversely affected? In situations where the harm caused by the violation goes beyond the amounts the victims may have paid to the party, did the party identify and implement additional ways to completely redress the harm?
4. What assurances are there that the misconduct is unlikely to recur? By the time of the resolution of the Bureau matter, did the party improve internal controls and procedures designed to prevent and detect a recurrence of such violations? Similarly, have the party's business practices, policies and procedures changed to remove harmful incentives and encourage proper compliance?

**Cooperation:**

Unlike self-policing and remediation, which may occur with or without Bureau involvement, cooperation relates to the quality of a party's interactions with the Bureau after the Bureau becomes aware of a potential violation of federal consumer financial laws, either through a party's self-reporting or the Bureau's own discovery efforts. In order to receive credit for cooperation in this context, a party must take substantial and material steps above and beyond what the law requires in its interactions with the Bureau. Simply meeting those obligations will not be rewarded by any special consideration. Questions the Bureau will examine in determining whether to provide favorable consideration for cooperation in a Bureau investigation include:

1. Did the party cooperate promptly and completely with the Bureau and other appropriate regulatory and law enforcement bodies? Was that cooperation present throughout the course of the investigation? Did the actor identify any additional related misconduct likely to have occurred?
2. Did the party take proper steps to develop the truth quickly and completely and to fully share its findings with the Bureau? Did it undertake a thorough review of the nature, extent, origins, and consequences of the misconduct and related behavior? Who conducted the review and did they have a vested interest or bias in the outcome? Were scope limitations placed on the review? If so, why and what were they?
3. Did the party promptly make available to the Bureau the results of its review and provide sufficient documentation reflecting its response to the situation? Did it provide evidence with sufficient precision and completeness to facilitate, among other things, enforcement actions against others who violated the law? Did the party produce a complete and thorough written report detailing the findings of its review? Did it voluntarily disclose material information not directly requested by the Bureau or that otherwise might not have been uncovered? If the party is a business, did it direct its employees to cooperate with the Bureau and make reasonable efforts to secure such cooperation?

The Bureau intends and expects that this guidance will encourage parties subject to the Bureau's enforcement authority to engage in more self-policing. When potential violations of the consumer financial laws arise, the Bureau intends and expects that parties will engage in more self-reporting to the Bureau, more prompt and complete remediation of harm to victimized consumers, and more cooperation with the Bureau in its enforcement investigations. Such an outcome, the Bureau believes, would benefit both consumers and providers of consumer financial products and services.



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[NO FEE - Govt. Code § 6103]

**FILED**  
Superior Court of California  
County of Los Angeles

MAY 04 2015

Sherri R. Carter, Executive Officer/Clerk  
By Cristina Grijalva Deputy  
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D53 Steven J. Kleinfeld  
SUPERIOR COURT OF THE STATE OF CALIFORNIA

COUNTY OF LOS ANGELES, CENTRAL DISTRICT

BC580778

THE PEOPLE OF THE STATE OF CALIFORNIA,

Plaintiff,

vs.

16 WELLS FARGO & COMPANY, a Delaware  
17 Corporation; WELLS FARGO BANK,  
18 NATIONAL ASSOCIATION, a National  
19 Banking Association, and DOES 1-100,  
20 inclusive,

Defendants.

Case No. [REDACTED]

COMPLAINT FOR EQUITABLE  
RELIEF AND CIVIL PENALTIES FOR:

(1) VIOLATION OF THE CALIFORNIA  
UNFAIR COMPETITION LAW FOR  
GAMING (Bus. and Prof. Code  
§ 17200, et seq.); AND

(2) VIOLATION OF THE CALIFORNIA  
UNFAIR COMPETITION LAW FOR  
FAILURE TO PROVIDE NOTICE OF  
DATA BREACH (Bus. and Prof. Code  
§ 17200, et seq.)

AMOUNT RECOVERABLE PURSUANT  
TO 6103.5 GO § 435.00  
PLUS A ONE TIME ADMINISTRATIVE FEE UPON JUDGEMENT  
IF THE PARTY RECORDS JUDGEMENT CREDITOR

ORIGINAL

1 Plaintiff, the People of the State of California (“People”), complaining of the above-  
 2 named Defendants (“Defendants”), alleges as follows, which allegations are based upon  
 3 information and belief:

#### 4 INTRODUCTION

5 1. For years, Wells Fargo & Company and Wells Fargo Bank, National Association  
 6 (collectively “Wells Fargo”) have victimized their customers by using pernicious and often  
 7 illegal sales tactics to maintain high levels of sales of their banking and financial products. The  
 8 banking business model employed by Wells Fargo is based on selling customers multiple  
 9 banking products, which Wells Fargo calls “solutions.” In order to achieve its goal of selling a  
 10 high number of “solutions” to each customer, Wells Fargo imposes unrealistic sales quotas on its  
 11 employees, and has adopted policies that have, predictably and naturally, driven its bankers to  
 12 engage in fraudulent behavior to meet those unreachable goals. As a result, Wells Fargo’s  
 13 employees have engaged in unfair, unlawful, and fraudulent conduct, including opening  
 14 customer accounts, and issuing credit cards, without authorization. Wells Fargo has known  
 15 about and encouraged these practices for years. It has done little, if anything, to discourage its  
 16 employees’ behavior and protect its customers. Worse, on the rare occasions when Wells Fargo  
 17 did take action against its employees for unethical sales conduct, Wells Fargo further victimized  
 18 its customers by failing to inform them of the breaches, refund fees they were owed, or otherwise  
 19 remedy the injuries that Wells Fargo and its bankers have caused. The result is that Wells Fargo  
 20 has engineered a virtual fee-generating machine, through which its customers are harmed, its  
 21 employees take the blame, and Wells Fargo reaps the profits.

22 2. This is a civil law enforcement action brought on behalf of the People by the  
 23 Criminal Branch of the Los Angeles City Attorney’s Office, under the Unfair Competition Law  
 24 (“UCL”) (Business and Professions Code § 17200, *et seq.*).<sup>1</sup> The People seek, *inter alia*: (a) to  
 25 enjoin the above-named Defendants from engaging in unlawful, unfair, and fraudulent business  
 26 acts and practices; (b) an order to restore to all persons in interest any money or property the  
 27

28 <sup>1</sup> All further references are to California codes, unless otherwise noted.



1 above-named Defendants acquired by means of those unfair, deceptive, and fraudulent business  
2 acts and practices, pursuant to Business and Professions Code sections 17203 and 17204; (c) an  
3 order that above-named Defendants be assessed civil penalties pursuant to Business and  
4 Professions Code sections 17206 and 17206.1; and (d) recovery of the costs of this action.

5 3. Defendant Wells Fargo & Company operates the fourth biggest bank in the  
6 United States, and the largest bank headquartered in California. It is California's oldest bank,  
7 having begun banking services in 1852. Wells Fargo Bank, National Association is a subsidiary  
8 of Wells Fargo & Company, and provides most of the banking products and services that are the  
9 subject of this action.

10 4. Wells Fargo boasts about the average number of products held by its customers,  
11 currently approximately six bank accounts or financial products per customer. Wells Fargo  
12 seeks to increase this to an average of eight bank accounts or financial products per account  
13 holder, a company goal Wells Fargo calls the "Gr-eight" initiative.

14 5. Wells Fargo's resulting market dominance has come at a significant price to the  
15 general public, because it has been achieved in large part through an ambitious and strictly  
16 enforced sales quota system. Wells Fargo quotas are difficult for many bankers to meet without  
17 resorting to the abusive and fraudulent tactics described further below. Moreover, Wells Fargo  
18 enforces its sales quotas by constant monitoring. Daily sales for each branch, and each sales  
19 employee, are reported and discussed by Wells Fargo's District Managers four times a day, at  
20 11:00 a.m., 1:00 p.m., 3:00 p.m., and 5:00 p.m. Those failing to meet daily sales quotas are  
21 approached by management, and often reprimanded and/or told to "do whatever it takes" to meet  
22 their individual sales quotas. Consequently, Wells Fargo's managers and bankers have for years  
23 engaged in practices called "gaming." Gaming consists of, among other things, opening and  
24 manipulating fee-generating customer accounts through often unfair, fraudulent, and unlawful  
25 means, such as omitting signatures and adding unwanted secondary accounts to primary accounts  
26 without permission. Other practices utilized as part of these "gaming" schemes have included  
27 misrepresenting the costs, benefits, fees, and/or attendant services that come with an account or  
28 product, all in order to meet sales quotas.

1           6.       Wells Fargo's gaming practices have caused significant stress to, and hardship  
2 and financial losses for, its customers. Specifically, Well Fargo has: (a) withdrawn money from  
3 customers' authorized accounts to pay for the fees assessed by Wells Fargo on unauthorized  
4 accounts opened in customers' names; (b) placed customers into collections when the  
5 unauthorized withdrawals from customer accounts went unpaid; (c) placed derogatory  
6 information in credit reports when unauthorized fees went unpaid; (d) denied customers access to  
7 their funds while Wells Fargo stockpiled account applications; and (e) caused customers to  
8 purchase identity theft protection.

9           7.       These gaming practices are so pervasive in Wells Fargo's business model that  
10 some methods of gaming have even been given their own names. For example:

11           a.       "*Sandbagging*" refers to Wells Fargo's practice of failing to open  
12 accounts when requested by customers, and instead accumulating a number of  
13 account applications to be opened at a later date. Specifically, Wells Fargo  
14 employees collect manual applications for various products, stockpile them in an  
15 unsecured fashion, and belatedly open up the accounts (often with additional,  
16 unauthorized accounts) in the next sales reporting period, frequently before or  
17 after banking hours, or on bank holidays such as New Year's Day.

18           b.       "*Pinning*" refers to Wells Fargo's practice of assigning, without customer  
19 authorization, Personal Identification Numbers ("PINs") to customer ATM card  
20 numbers with the intention of, among other things, impersonating customers on  
21 Wells Fargo computers, and enrolling those customers in online banking and  
22 online bill paying without their consent.

23           c.       "*Bundling*" refers to Wells Fargo's practice of incorrectly informing  
24 customers that certain products are available only in packages with other products  
25 such as additional accounts, insurance, annuities, and retirement plans.

26           8.       While Wells Fargo has ostensibly terminated a small number of employees who  
27 have engaged in gaming, other employees have been rewarded for these practices, and even  
28 promoted, perpetuating the problem. Moreover, Wells Fargo has continued to impose the same

1 companywide goals of attaining as many accounts as possible at any expense, thereby fostering  
2 the practice of gaming. Wells Fargo thus puts its employees between a rock and a hard place,  
3 forcing them to choose between keeping their jobs and opening unauthorized accounts.

4 9. Wells Fargo has also failed to inform its customers when their personal  
5 information has been accessed or compromised as a result of Wells Fargo's gaming practices, in  
6 breach of its statutory duties to do so, thus causing its customers additional harm.

7 **PLAINTIFF**

8 10. Plaintiff, the People of the State of California, brings this action by and through  
9 Michael N. Feuer, City Attorney for the City of Los Angeles.

10 11. Pursuant to Business and Professions Code sections 17203, 17204, 17206 and  
11 17206.1, the Los Angeles City Attorney may bring a civil action in the name of the People of the  
12 State of California to enjoin any person who violates, or proposes to violate, the UCL, and to  
13 obtain mandatory civil penalties for each act of unfair competition.

14 **DEFENDANTS**

15 12. Defendant Wells Fargo & Company is, and at all times relevant hereto was, a  
16 corporation organized and existing under the laws of the State of Delaware, with its principal  
17 place of business in San Francisco, California. Wells Fargo & Company is a financial services  
18 company with \$1.5 trillion in assets, and provides banking, insurance, investments, mortgage,  
19 and consumer and commercial finance through more than 9,000 locations, 12,000 ATMs, and the  
20 Internet. It has approximately 265,000 full-time employees, and is ranked 29th on Fortune  
21 Magazine's 2014 rankings of America's 500 largest corporations.

22 13. Defendant Wells Fargo Bank, National Association is, and at all times relevant  
23 hereto was, a national banking association chartered under the laws of the United States, with its  
24 primary place of business in Sioux Falls, South Dakota. Wells Fargo Bank, National Association  
25 provides Wells Fargo & Company's personal and commercial banking services, and is Wells  
26 Fargo & Company's principal subsidiary.

27 14. The true names and capacities of Defendants sued herein as DOES 1 through 100,  
28 inclusive, are unknown to the People, who therefore sue said Defendants by such fictitious

1 names. When the true names and capacities of said Defendants have been ascertained, the  
2 People will ask leave of the Court to amend this Complaint, and to insert in lieu of such fictitious  
3 names the true names and capacities of said fictitiously-named Defendants. The People are  
4 informed and believe that DOES 1 through 100 participated in, and in some part are responsible  
5 for, the unlawful business acts and practices and other violations of law alleged herein.

6 15. At all relevant times, each Defendant was acting as an agent, servant, assignee,  
7 representative, partner, joint venturer, co-conspirator, or employee of the other Defendants, and,  
8 in doing the acts alleged herein, was acting within the course and scope of said agency, service,  
9 assignment, representation, partnership, joint venture, conspiracy, or employment. Due to the  
10 relationship between Defendants, each Defendant has knowledge or constructive notice of the  
11 acts of each of the other Defendants.

12 16. Each Defendant is a "person" within the meaning of Business and Professions  
13 Code section 17201.

14 17. In this Complaint, when reference is made to any act or omission of a Defendant,  
15 such allegations shall include the acts and omissions of owners, officers, directors, agents,  
16 employees, contractors, vendors, affiliates, and representatives of said Defendant while acting  
17 within the course and scope of their employment or agency on behalf of said Defendant.

18 **JURISDICTION AND VENUE**

19 18. Venue is proper in this county pursuant to Business and Professions Code sections  
20 17204 in that violations alleged in this Complaint occurred in the City of Los Angeles and the  
21 County of Los Angeles. The Court has jurisdiction pursuant to Article VI, section 10 of the  
22 California Constitution and section 393 of the Code of Civil Procedure.

23 **GENERAL ALLEGATIONS**

24 19. To the extent that the following descriptions include specific examples, they are  
25 provided for purposes of illustrating the operation of Wells Fargo's illegal activities, with no  
26 intention of limiting this action to these specific examples.

27 //  
28 //

*Wells Fargo's Quota – Driven Business Model*

20. Wells Fargo's *modus operandi* is to attempt to get each customer to maintain numerous accounts with Wells Fargo. In a brochure published by Wells Fargo called "The Vision & Values of Wells Fargo," Wells Fargo states: "'Going for gr-eight.' Our average retail banking household has about six products with us. We want to get to eight . . . and beyond. One of every four already has eight or more. Four of every 10 have six or more."

21. In its 2014 Annual Report to the U.S. Securities and Exchange Commission, Wells Fargo boasts about its "products" per customer and its "cross-sell strategy": "Our vision is to satisfy all our customers' financial needs, help them succeed financially, be recognized as the premier financial services company in our markets and be one of America's great companies. Important to our strategy to achieve this vision is to increase the number of our products our customers use and to offer them all of the financial products that fulfill their financial needs." That report further states: "Our cross-sell strategy is to increase the number of products our customers use by offering them all of the financial products that satisfy their financial needs."

22. Wells Fargo further stated in its 2014 Annual Report to the U.S. Securities Exchange Commission: "we continued to maintain our solid customer relationships across the Company, with retail banking household cross-sell of 6.17 products per household (November 2014); Wholesale Banking cross-sell of 7.2 products per relationship (September 2014); and Wealth, Brokerage and Retirement cross-sell of 10.49 products per retail banking household (November 2014)." Wells Fargo further stated in that same filing: "We believe there is more opportunity for cross-sell as we continue to earn more business from our customers. Our goal is eight products per household . . . ."

23. In order to achieve its goal of eight accounts per household, Wells Fargo puts unrelenting pressure on its bankers to open numerous accounts per customer.

24. Wells Fargo has strict quotas regulating the number of daily "solutions" that its bankers must reach; these "solutions" include the opening of all new banking and credit card accounts. Managers constantly hound, berate, demean and threaten employees to meet these unreachable quotas. Managers often tell employees to do whatever it takes to reach their quotas.

1 Employees who do not reach their quotas are often required to work hours beyond their typical  
2 work schedule without being compensated for that extra work time, and/or are threatened with  
3 termination.

4 25. The quotas imposed by Wells Fargo on its employees are often not attainable  
5 because there simply are not enough customers who enter a branch on a daily basis for  
6 employees to meet their quotas through traditional means.

7 26. Wells Fargo's bankers are thus naturally and predictably forced to resort to  
8 alternative means to meet quotas, including using high pressure sales tactics to coerce customers  
9 into opening additional accounts or using inaccurate or misleading information about potential  
10 accounts to induce customers to open them.

11 27. Wells Fargo employees also pressure their own family members and friends to  
12 sign up for accounts to meet their quotas. Some employees report that they have "tapped out"  
13 every family member and friend for accounts. Others report that they spend holiday dinners  
14 trying to convince family members to sign up for accounts. Management encourages employees  
15 to achieve "solutions" through family members. Since these accounts are opened by friends and  
16 family as favors, they are often unfunded, and can result in fees charged by Wells Fargo to its  
17 own employees' families or acquaintances, even for such "zero balance" accounts.

18 28. Employees thus resort to gaming tactics to increase their "solutions," and meet  
19 minimum quotas. Gaming is so ingrained in the business of Wells Fargo that many of the tactics  
20 employed to meet these sky-high quotas have commonly-used names.

21 *"Bundling"*

22 29. In the practice known at Wells Fargo as "bundling," its customers are told that the  
23 account or product they seek can be obtained only with the purchase of additional accounts or  
24 products, when, in fact, the desired product is available on its own. In many instances,  
25 employees are coached by management to ensure that every checking account is sold with three  
26 other products also known as a "packed" account. Employees were, and are, instructed by  
27 management to lie to customers by telling them that each checking account automatically comes  
28

1 with a savings account, credit card, or other product such as life insurance, and/or “Express  
2 Send” (an online program that allows customers to send money to foreign countries).

3 30. When customers discover an unauthorized account and inquire of Wells Fargo  
4 about it, they are often informed that the products and services came with the authorized  
5 accounts automatically. Even in the face of customer complaints, the “bundling” continues.

6 31. Customers who complain about receiving credit cards they did not request are  
7 advised by Wells Fargo to simply destroy the unrequested and unauthorized cards. However,  
8 simply destroying these unauthorized cards does not close the account nor repair the impact to a  
9 customer’s credit profile.

#### 10 *“Pinning”*

11 32. In the practice known at Wells Fargo as “pinning,” a Wells Fargo banker obtains  
12 a debit card number, and personally sets the PIN, often to 0000, without customer authorization.  
13 “Pinning” permits a banker to enroll a customer in online banking, for which the banker would  
14 receive a solution (sales credit). To bypass computer prompts requiring customer contact  
15 information, bankers impersonate the customer online, and input false generic email addresses  
16 such as 1234@wellsfargo.com, noname@wellsfargo.com, or none@wellsfargo.com to ensure  
17 that the transaction is completed, and that the customer remains unaware of the unauthorized  
18 activity.

#### 19 *“Sandbagging”*

20 33. In the practice known at Wells Fargo as “sandbagging,” a banker delays opening  
21 new accounts or processing a sale, unbeknownst to the account holder, until a time that is most  
22 beneficial, such as when a new sales reporting period commences.

23 34. “Sandbagging” is common at Wells Fargo. “Sandbagging” often occurred on  
24 New Year’s Day, or at the beginning of a sales reporting period. New Year’s Day was an  
25 especially common date to open “sandbagged” accounts, because Wells Fargo ran a sales  
26 program called “Jump into January.” In this Wells Fargo program, its bankers were required to  
27 meet even more aggressive sales goals than usual. As a result, bankers were encouraged to hold  
28 onto, or not to process, new accounts or other requests until January 1. In fact, some employees

1 were required to list or confirm the accounts they would open on January 1 before January 1.  
2 This permitted Wells Fargo to report inflated First Quarter sales.

3 35. When customers inquire about why an account was not opened timely, they are  
4 given false explanations including: (a) a computer system failure or similar technical problem;  
5 (b) an oversight and the account would be processed immediately; and/or, (c) a mistake that  
6 would take time to correct.

7 ***Other Gaming Tactics***

8 36. Because of Wells Fargo's on-going setting of unrealistic sales goals, Wells Fargo  
9 employees have engaged in, and continue to engage in, other gaming tactics, including:

10 a. Making misrepresentations to customers to get them to open additional  
11 accounts such as falsely stating: "you will incur a monthly fee on your checking  
12 account until you add a savings account."

13 b. Misrepresenting that additional accounts do not have monthly fees, when  
14 they actually do incur such fees.

15 c. Referring unauthorized, and therefore unfunded, accounts to collections  
16 because Wells Fargo's practices cause the accounts to have negative balances.

17 d. Targeting individuals holding Mexican Matriculada Consular cards  
18 because the lack of a Social Security Number makes it easier to open numerous  
19 fraudulent accounts. Wells Fargo employees provide false information to  
20 complaining customers, and advise many of these victims to ignore the  
21 unauthorized fees and letters from collection agencies because the lack of a Social  
22 Security number means the debt will not affect them.

23 e. Advising customers who do not want credit cards that they will be sent a  
24 credit card anyway, and to just tear it up when they receive it.

25 ***Customers' Discovery of Gaming and the Harm it Causes***

26 37. Customers who have discovered unauthorized accounts often make the discovery  
27 accidentally. For instance: (a) unexplained money being withdrawn from authorized accounts to  
28 fund unauthorized accounts; (b) mailings from Wells Fargo congratulating a customer on



1 opening a new account the customer does not recognize, or asking a customer to update account  
2 information for accounts that the customer does not recognize; (c) calls from collection agencies  
3 stating the customer is overdrawn on an account that the customer does not recognize; and (d)  
4 discovering that checks a customer intended to be deposited into an authorized account do not  
5 appear in monthly statements because the checks had instead been deposited into an  
6 unauthorized account.

7 38. Customers have been prejudiced in numerous ways by Wells Fargo's gaming: (a)  
8 customers lose money to monthly service fees charged for unauthorized accounts; (b) customer  
9 accounts are placed into collection, forcing customers to fight with debt collection agencies for  
10 fees charged by Wells Fargo on unauthorized accounts; (c) customers' credit reports are affected,  
11 impacting job applications, loans for automobiles, and mortgage applications; and (d) customers  
12 are forced to purchase costly identity theft protection services to ensure against further fraudulent  
13 activities. But for Wells Fargo's quota-based business model, its customers would not have  
14 incurred wrongful fees, been put into collections, suffered derogatory references on their credit  
15 reports, or forced to purchase identity theft protection.

16 39. Customers' unauthorized accounts remain open, despite repeated customer  
17 requests to Wells Fargo to close those accounts.

18 40. Customers have difficulty reporting unauthorized activity. Reaching the correct  
19 representative is no guarantee the unauthorized account will be remedied, as complaining  
20 customers often never receive return calls from Wells Fargo.

21 *Wells Fargo's Knowledge of Gaming and its Cosmetic Fixes*

22 41. Wells Fargo knew, or in the exercise of reasonable care should have known, that  
23 its employees open unauthorized accounts. For example:

24 a. Customers often enter Wells Fargo's branches to complain about  
25 unauthorized accounts; many victims have even contacted Wells Fargo  
26 management by telephone.

27 b. Wells Fargo has access to, and frequently monitors, actions taken on its  
28 computers by employees. Wells Fargo has been put on notice by unusual activity

1 such as: numerous accounts being opened on January 1, a bank holiday; numerous  
2 unfunded accounts; frequent reopening of closed accounts; and customer accounts  
3 with the only account activity being Wells Fargo fees.

4 c. Wells Fargo requires that all new customer accounts be approved by a  
5 branch manager or assistant manager, thereby providing Wells Fargo management  
6 with a clear record of the number and types of accounts opened for each  
7 customer.

8 d. Wells Fargo is also aware its daily, weekly and monthly quotas are  
9 unrealistic for employees during normal working hours, since they have generated  
10 numerous complaints and lawsuits by employees.

11 e. Online banking accounts are often opened by Wells Fargo with obviously  
12 false customer contact information such as noname@wellsfargo.com.

13 f. Wells Fargo has terminated and/or otherwise disciplined a number of  
14 employees for gaming, but far fewer than have actually engaged in the practices,  
15 given Wells Fargo's widespread imposition of the quota system.

16 42. Despite Wells Fargo's knowledge of gaming by its employees, it has done little, if  
17 anything, to terminate these practices, nor to reform the business model it created that has  
18 fostered them. While Wells Fargo has made a few minor changes to its policies, and has  
19 terminated a handful of employees, those efforts have been, at most, cosmetic, and ultimately  
20 benefit Wells Fargo by providing them with plausible deniability. However, the policies that  
21 encourage these tactics continue, and employees who engage in them continue to be rewarded  
22 monetarily, and even promoted. Wells Fargo has not altered its quota system, nor has it reduced  
23 the pressure it has applied to its management and employees to reach their quotas, and the  
24 gaming that has been its inevitable result.

## 25 STATUTORY AND REGULATORY BACKGROUND

### 26 *Laws Relating to Identity Theft*

27 43. California has strict laws against making false financial statements.  
28

1           44. It is unlawful to use another’s personal data for illegal purposes: “[E]very person  
 2 who willfully obtains personal identifying information . . . of another person, and uses that  
 3 information for any unlawful purpose, including to obtain, or attempt to obtain, credit, goods,  
 4 services, real property, or medical information without the consent of that person, is guilty of a  
 5 public offense . . .” (Penal Code § 530.5(a).) Pursuant to the Penal Code: “personal identifying  
 6 information” includes “name, address, telephone number, health insurance number, taxpayer  
 7 identification number, school identification number, state or federal driver’s license, or  
 8 identification number, social security number, place of employment, employee identification  
 9 number, professional or occupational number, mother’s maiden name, demand deposit account  
 10 number, savings account number, checking account number, PIN (personal identification  
 11 number) or password, alien registration number, government passport number, [and] date of  
 12 birth.” (Penal Code § 530.55(b)).

13   *Laws Relating to Computer Data Breaches*

14           45. In California, if a business is in possession of “computerized data that includes  
 15 personal information,” that business “shall disclose any breach of the security of the system  
 16 following discovery or notification of the breach in the security of the data to any resident of  
 17 California whose unencrypted personal information was, or is reasonably believed to have been,  
 18 acquired by an unauthorized person.” (Civil Code § 1798.82(a)). “[P]ersonal information”  
 19 includes: “[a]n individual’s first name or first initial and last name,” along with one or more of  
 20 the following: Social Security number; driver’s license number or California identification card  
 21 number; account number, credit or debit card number “in combination with any required security  
 22 code, access code, or password that would permit access to an individual’s financial account;”  
 23 medical information; or health insurance information. (Civil Code § 1798.82(h)(1).) “Personal  
 24 information” also includes: “[a] user name or email address, in combination with a password or  
 25 security question and answer that would permit access to an online account.” (Civil Code §  
 26 1798.82(h)(2).) For purposes of this law, “breach of the security system” refers to “unauthorized  
 27 acquisition of computerized data that compromises the security, confidentiality, or integrity of  
 28 personal information maintained by the person or business.” (Civil Code § 1798.82(g).)

1 46. It is illegal to knowingly access and without permission use "any data, computer,  
2 computer system, or computer network in order to either (A) devise or execute any scheme or  
3 artifice to defraud, deceive, or extort or (B) wrongfully control or obtain money, property, or  
4 data." (Penal Code § 502(c)(1).)

5 47. Furthermore, it is unlawful to knowingly access and without permission: "take[],  
6 cop[y], or make[] use of any data from a computer, computer system, or computer network . . .  
7 whether existing or residing internal or external to a computer, computer system, or computer  
8 network." (Penal Code § 502(c)(2).)

9 48. Under the California Penal Code "the word 'person' includes a corporation as  
10 well as a natural person." (Penal Code § 7).

11 49. Pursuant to the Gramm-Leach-Bliley Act, 15 United States Code section 6801, *et*  
12 *seq.*, and the rules and regulations promulgated thereunder, financial institutions have a duty to  
13 keep and protect the personal information of their customers from unauthorized access or misuse.  
14 When an "institution determines that misuse of its information has occurred or is reasonably  
15 possible, it should notify the affected customer as soon as possible. (70 Fed. Reg. 1575; 12  
16 C.F.R. Part 30, App. B.)

17 **ENFORCEMENT AUTHORITY**

18 *Business and Professions Code section 17200, et seq.*

19 50. "Unfair competition" is defined in Business and Professions Code section 17200  
20 as "any unlawful, unfair or fraudulent business act or practice," and any act prohibited by  
21 Chapter 1 (commencing with Section 17500) of Part 3 of Division 7 of the Business and  
22 Professions Code.

23 51. Pursuant to Business and Professions Code section 17206, any person who  
24 engages, has engaged, or proposes to engage in unfair competition shall be liable for a civil  
25 penalty not to exceed \$2,500 dollars for each violation.

26 52. Pursuant to Business and Professions Code section 17203, any person who  
27 engages, has engaged, or proposes to engage in unfair competition may be enjoined in any court  
28 of competent jurisdiction, and the court may make such orders or judgments to prevent the use of

1 any practice which constitutes unfair competition, or as may be necessary to restore to any  
2 person in interest any money or property which may have been acquired by means of such unfair  
3 competition.

4 53. Pursuant to Business and Professions Code section 17205, the remedies or  
5 penalties provided for violations of the UCL are cumulative to each other, and to the remedies or  
6 penalties available under all other laws of the state.

7 **FIRST CAUSE OF ACTION:**  
8 **VIOLATION OF THE UNFAIR COMPETITION LAW ("UCL")**  
9 **AGAINST ALL DEFENDANTS ("GAMING")**

10 (California Business and Professions Code § 17200, *et seq.*)

11 54. The People reallege and incorporate herein each and every allegation set forth in  
12 paragraphs 1 through and including 53 above, as though set forth fully herein.

13 55. Beginning on a date unknown to the People, but within the four years preceding  
14 the filing of this Complaint, Defendants and Does 1-100, and each of them, have violated and  
15 conspired to violate the UCL by engaging in one or more of the following *unlawful* business acts  
16 and practices, among others:

- 17 a. Willfully obtaining personal identifying information of another person  
18 (which includes name, address, telephone number, health insurance number,  
19 taxpayer identification number, school identification number, state or federal  
20 driver's license or identification number, Social Security number, place of  
21 employment, employee identification number, professional or occupational  
22 number, mother's maiden name, demand deposit account number, savings  
23 account number, checking account number, PIN or password, alien registration  
24 number, government passport number, and date of birth), and using that  
25 information for an unlawful purpose, including to obtain or attempt to obtain  
26 credit, goods, services, real property, or medical information without the consent  
27 of that person, in violation of Penal Code section 530.5, subdivision (a).

1 b. Being a party to any fraudulent conveyance of any contract or conveyance  
2 had, made, or contrived with intent to deceive and defraud others, or while being  
3 a party to any fraudulent conveyance of any contract or conveyance, wittingly and  
4 willingly putting in, using, avowing, maintaining, justifying, or defending the  
5 fraudulent conveyance of any contract or conveyance as true and done, had or  
6 made in good faith, or upon good consideration, in violation of Penal Code  
7 section 531.

8 c. Knowingly accessing and without permission using data, computers,  
9 computer systems, or computer networks to execute a scheme to defraud or  
10 wrongfully obtain money, property, or data, in violation of Penal Code section  
11 502, subdivision (c)(1).

12 d. Knowingly accessing, and without permission taking, copying, or making  
13 use of customer information, in violation of Penal Code section 502, subdivision  
14 (c)(2).

15 e. Knowingly accessing, and without permission taking, copying, or making  
16 use of customer information, in violation of 15 United States Code section 680, *et*  
17 *seq.*, and the rules and regulations promulgated thereunder.

18 56. Beginning on a date unknown to the People, but within the four years preceding  
19 the filing of this Complaint, Defendants and Does 1-100, and each of them, have violated and  
20 conspired to violating the UCL by engaging in one or more of the following *unfair* business acts  
21 and practices, among others:

22 a. Threatening incipient violations of the aforementioned California laws and  
23 violated the public policy embodied in and spirit of those laws.

24 b. Violating the established public policy of the State of California, which,  
25 among other things, seeks to ensure that: all monetary contracts are duly  
26 authorized by each party; all bank accounts are authorized and agreed to by the  
27 customer in whose name the bank account is opened; residents of the state are not  
28 harmed in their credit reports by acts not actually performed, or debts not actually

1 incurred, by that resident; personal information of an individual is not improperly  
 2 obtained and used for an unlawful purpose; and that when personal information is  
 3 obtained without authority, that the person whose information was obtained is  
 4 informed immediately.

5 c. Defendants' conduct as described in this Complaint has been immoral,  
 6 unethical, oppressive and unscrupulous in that Defendants: (1) profit by  
 7 improperly signing customers up for bank accounts to which the customers did  
 8 not agree; (2) boast about the average number of accounts per customer they have  
 9 achieved, knowing that many of those accounts were unauthorized; (3) expose the  
 10 consumer to financial hardships involving unjustified debt collection and negative  
 11 credit reporting, thus jeopardizing those customers' ability to obtain mortgages,  
 12 automobile loans, and employment; and (4) otherwise garnered an unfair  
 13 advantage over lawfully competing businesses.

14 d. Wells Fargo's acts and practices alleged in this Complaint have had, and  
 15 continue to have, a substantial detrimental impact upon its customers and the  
 16 community. This detrimental impact is not outweighed by any countervailing  
 17 reasons, justifications, and motives of Wells Fargo. In short, the harm  
 18 experienced by the customers and the surrounding community far outweighs the  
 19 utility of Wells Fargo's conduct.

20 57. Beginning on a date unknown to the People, but within the four years preceding  
 21 the filing of this Complaint, Defendants and Does 1-100, and each of them, have violated and  
 22 conspired to violate the UCL by engaging in one or more of the following *fraudulent* business  
 23 acts and practices, among others:

24 a. Using misrepresentations, deception, and concealment of material  
 25 information to open unauthorized accounts in customers' names.

26 b. Using misrepresentations, deception, and concealment of material  
 27 information to view customers' personal information, and then failing to reveal to  
 28 the customers that their personal information was compromised.

**SECOND CAUSE OF ACTION:**  
**VIOLATION OF THE UNFAIR COMPETITION LAW ("UCL")**  
**AGAINST ALL DEFENDANTS**  
**(FAILURE TO PROVIDE NOTICE OF DATA BREACH)**

(California Business and Professions Code § 17200, *et seq.*)

58. The People reallege and incorporate herein each and every allegation set forth in paragraphs 1 through and including 53 above, as though set forth fully herein.

59. Beginning on a date unknown to the People, but within the four years preceding the filing of this Complaint, Defendants and Does 1-100, and each of them, have violated and conspired to violate the UCL by engaging in one or more of the following *unlawful* business acts and practices, among others:

- a. Being a business that owns or licenses computerized data that includes personal information, and failing to disclose breaches of the security of the system containing that data following discovery or notification of the breach by an unauthorized person, in violation of Civil Code section 1798.82, subdivision (a).
- b. Failing to provide their customers with notice of any misuse of their customer information, as required by 15 United States Code section 6801, *et seq.*, and the rules and regulations promulgated thereunder.

60. Beginning on a date unknown to the People, but within the four years preceding the filing of this Complaint, Defendants and Does 1-100, and each of them, have violated and conspired to violate the UCL by engaging in one or more of the following *unfair* business acts and practices, among others:

- a. Threatening incipient violations of the aforementioned California laws, and violating the public policy embodied in, and the spirit of, those laws.
- b. Violating the established public policy of the State of California, which, among other things, seeks to ensure that: all monetary contracts are duly authorized by each party; all bank accounts are authorized and agreed to by the customer in whose name the bank account is opened; residents of the state



1 are not harmed in their credit reports by acts not actually performed, or debts  
2 not actually incurred, by that resident; personal information of an individual is  
3 not improperly obtained and used for an unlawful purpose; and that when  
4 personal information is obtained without authority, that the person whose  
5 information was obtained is informed immediately.

6 c. Defendants' conduct as described in this Complaint has been immoral,  
7 unethical, oppressive and unscrupulous in that Defendants: (1) profit by  
8 improperly signing customers up for bank accounts to which the customers  
9 did not agree; (2) boast about the average number of accounts per customer  
10 they have achieved, knowing that many of those accounts were unauthorized;  
11 (3) expose the consumer to financial hardships involving unjustified debt  
12 collection and negative credit reporting, thus jeopardizing those customers'  
13 ability to obtain as mortgages, automobile loans, and employment; and (4)  
14 otherwise garnered an unfair advantage over lawfully competing businesses.

15 d. Wells Fargo's acts and practices alleged in this Complaint have had, and  
16 continue to have, a substantial detrimental impact upon its customers and the  
17 community. This detrimental impact is not outweighed by any countervailing  
18 reasons, justifications, and motives of Wells Fargo. In short, the harm  
19 experienced by the customers and the surrounding community far outweighs  
20 the utility of Wells Fargo's conduct.

21 61. The acts of unfair competition of Defendants and Does 1-100, and each of them,  
22 present a continuing threat to the public's health, safety, and welfare, and the People have no  
23 adequate remedy at law. Accordingly, unless Defendants and Does 1-100 are permanently  
24 enjoined and restrained by order of this Court, they will continue to commit acts of unfair  
25 competition, and thereby continue to cause irreparable harm and injury to the public's health,  
26 safety, and welfare.

27 **PRAYER FOR RELIEF**

28 Wherefore, the People pray that:

1 Pursuant to Business and Professions Code sections 17203 and 17204, and the  
2 equitable powers of the Court, Defendant Wells Fargo and DOES 1 through 100, together with  
3 their officers, employees, servants, agents, partners, associates, representatives, contractors, and  
4 all persons acting on behalf of or in concert with them, be enjoined from engaging in the  
5 unlawful, unfair, and fraudulent business acts and practices described in this Complaint; be  
6 ordered to comply with all laws and regulations concerning the opening and maintaining of bank  
7 accounts; and be required to take such actions, and adopt such measures, as are necessary to  
8 prevent Defendants from engaging in further such acts or practices.

9 2. Pursuant to Business and Professions Code sections 17203 and 17204, Defendants  
10 be ordered to restore to all persons in interest any money or property they acquired by means of  
11 the unlawful, unfair, and fraudulent business acts and practices in this Complaint.

12 3. Pursuant to Business and Professions Code section 17206, Defendants be assessed  
13 a civil penalty of \$2,500 for each violation of the UCL that they committed, caused, aided and  
14 abetted, or conspired to commit.


15 4. Pursuant to Business and Professions Code section 17206.1, Defendants also be  
16 assessed a civil penalty of \$2,500 for each violation of the UCL that they committed, caused,  
17 aided and abetted, or conspired to commit, against senior citizens or disabled persons.

18 5. The People recover the costs of this action.

19 6. The People be granted such other and further relief as the Court may deem to be  
20 just and proper.

21 Dated: May 4, 2015

MICHAEL N. FEUER, City Attorney  
TINA HESS, Assistant City Attorney  
SUZANNE V. SPILLANE, Deputy City Attorney  
JESSICA B. BROWN, Deputy City Attorney  
JEREMY BERZON, Deputy City Attorney  
OFFICE OF THE LOS ANGELES CITY ATTORNEY  
CRIMINAL BRANCH  
COMPLEX & SPECIAL LITIGATION SECTION

26 By:   
27 SUZANNE SPILLANE  
Attorneys for Plaintiff,  
28 The People of the State of California

CM-010

ATTORNEY OR PARTY WITHOUT ATTORNEY (Name, State Bar number, and address): <b>MICHAEL N. FEUER, City Attorney, (SBN 111529)</b> <b>TINA HESS, Assistant City Attorney, (SBN 143900)</b> <b>SUZANNE V. SPILLANE, Deputy City Attorney, (164476)</b> Office of the Los Angeles City Attorney 200 North Main Street, 500 City Hall East, Los Angeles, CA 90012 TELEPHONE NO.: 213-473-6922 FAX NO.: 213-978-8112		FOR COURT USE ONLY  <b>FILED</b> Superior Court of California County of Los Angeles  MAY 04 2015 Sherri R. Carter, Executive Officer/Clerk By <i>Cristina Grijalva</i> , Deputy Cristina Grijalva
ATTORNEY FOR (Name): <b>Plaintiff</b> <b>SUPERIOR COURT OF CALIFORNIA, COUNTY OF Los Angeles</b> STREET ADDRESS: 111 North Hill Street MAILING ADDRESS: 111 North Hill Street CITY AND ZIP CODE: Los Angeles, CA 90012 BRANCH NAME: Central		
CASE NAME: <b>People v. Wells Fargo &amp; Company, et al.</b>		CASE NUMBER: [REDACTED]
<b>CIVIL CASE COVER SHEET</b> <input checked="" type="checkbox"/> <b>Unlimited</b> (Amount demanded exceeds \$25,000) <input type="checkbox"/> <b>Limited</b> (Amount demanded is \$25,000 or less)	<b>Complex Case Designation</b> <input type="checkbox"/> <b>Counter</b> <input type="checkbox"/> <b>Joinder</b> Filed with first appearance by defendant (Cal. Rules of Court, rule 3.402)	JUDGE: [REDACTED] DEPT: <b>BC 580778</b>

Items 1-6 below must be completed (see instructions on page 2).

1. Check one box below for the case type that best describes this case:

<b>Auto Tort</b> <input type="checkbox"/> Auto (22) <input type="checkbox"/> Uninsured motorist (46) <b>Other P/IPD/W/D (Personal Injury/Property Damage/Wrongful Death) Tort</b> <input type="checkbox"/> Asbestos (04) <input type="checkbox"/> Product liability (24) <input type="checkbox"/> Medical malpractice (45) <input type="checkbox"/> Other P/IPD/W/D (23) <b>Non-P/IPD/W/D (Other) Tort</b> <input checked="" type="checkbox"/> Business tort/unfair business practice (07) <input type="checkbox"/> Civil rights (08) <input type="checkbox"/> Defamation (13) <input type="checkbox"/> Fraud (16) <input type="checkbox"/> Intellectual property (19) <input type="checkbox"/> Professional negligence (25) <input type="checkbox"/> Other non-P/IPD/W/D tort (35) <b>Employment</b> <input type="checkbox"/> Wrongful termination (36) <input type="checkbox"/> Other employment (15)	<b>Contract</b> <input type="checkbox"/> Breach of contract/warranty (06) <input type="checkbox"/> Rule 3.740 collections (09) <input type="checkbox"/> Other collections (09) <input type="checkbox"/> Insurance coverage (18) <input type="checkbox"/> Other contract (37) <b>Real Property</b> <input type="checkbox"/> Eminent domain/Inverse condemnation (14) <input type="checkbox"/> Wrongful eviction (33) <input type="checkbox"/> Other real property (26) <b>Unlawful Detainer</b> <input type="checkbox"/> Commercial (31) <input type="checkbox"/> Residential (32) <input type="checkbox"/> Drugs (38) <b>Judicial Review</b> <input type="checkbox"/> Asset forfeiture (05) <input type="checkbox"/> Petition re: arbitration award (11) <input type="checkbox"/> Writ of mandate (02) <input type="checkbox"/> Other judicial review (39)	<b>Provisionally Complex Civil Litigation</b> (Cal. Rules of Court, rules 3.400-3.403) <input type="checkbox"/> Antitrust/Trade regulation (03) <input type="checkbox"/> Construction defect (10) <input type="checkbox"/> Mass tort (40) <input type="checkbox"/> Securities litigation (28) <input type="checkbox"/> Environmental/Toxic tort (30) <input type="checkbox"/> Insurance coverage claims arising from the above listed provisionally complex case types (41) <b>Enforcement of Judgment</b> <input type="checkbox"/> Enforcement of judgment (20) <b>Miscellaneous Civil Complaint</b> <input type="checkbox"/> RICO (27) <input type="checkbox"/> Other complaint (not specified above) (42) <b>Miscellaneous Civil Petition</b> <input type="checkbox"/> Partnership and corporate governance (21) <input type="checkbox"/> Other petition (not specified above) (43)
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ORIGINAL

2. This case  is  is not complex under rule 3.400 of the California Rules of Court. If the case is complex, mark the factors requiring exceptional judicial management:

a.  Large number of separately represented parties    d.  Large number of witnesses

b.  Extensive motion practice raising difficult or novel issues that will be time-consuming to resolve    e.  Coordination with related actions pending in one or more courts in other counties, states, or countries, or in a federal court

c.  Substantial amount of documentary evidence    f.  Substantial postjudgment judicial supervision

3. Remedies sought (check all that apply): a.  monetary    b.  nonmonetary; declaratory or injunctive relief    c.  punitive

4. Number of causes of action (specify): Two

5. This case  is  is not a class action suit.

6. If there are any known related cases, file and serve a notice of related case. (You may use form CM-015.)

Date: May 4, 2015

Suzanne V. Spillane, Deputy City Attorney  
 (TYPE OR PRINT NAME)

*[Signature]*  
 (SIGNATURE OF PARTY OR ATTORNEY FOR PARTY)

**NOTICE**

- Plaintiff must file this cover sheet with the first paper filed in the action or proceeding (except small claims cases or cases filed under the Probate Code, Family Code, or Welfare and Institutions Code). (Cal. Rules of Court, rule 3.220.) Failure to file may result in sanctions.
- File this cover sheet in addition to any cover sheet required by local court rule.
- If this case is complex under rule 3.400 et seq. of the California Rules of Court, you must serve a copy of this cover sheet on all other parties to the action or proceeding.
- Unless this is a collections case under rule 3.740 or a complex case, this cover sheet will be used for statistical purposes only.

**INSTRUCTIONS ON HOW TO COMPLETE THE COVER SHEET****CM-010**

**To Plaintiffs and Others Filing First Papers.** If you are filing a first paper (for example, a complaint) in a civil case, you must complete and file, along with your first paper, the *Civil Case Cover Sheet* contained on page 1. This information will be used to compile statistics about the types and numbers of cases filed. You must complete items 1 through 6 on the sheet. In item 1, you must check one box for the case type that best describes the case. If the case fits both a general and a more specific type of case listed in item 1, check the more specific one. If the case has multiple causes of action, check the box that best indicates the primary cause of action. To assist you in completing the sheet, examples of the cases that belong under each case type in item 1 are provided below. A cover sheet must be filed only with your initial paper. Failure to file a cover sheet with the first paper filed in a civil case may subject a party, its counsel, or both to sanctions under rules 2.30 and 3.220 of the California Rules of Court.

**To Parties in Rule 3.740 Collections Cases.** A "collections case" under rule 3.740 is defined as an action for recovery of money owed in a sum stated to be certain that is not more than \$25,000, exclusive of interest and attorney's fees, arising from a transaction in which property, services, or money was acquired on credit. A collections case does not include an action seeking the following: (1) tort damages, (2) punitive damages, (3) recovery of real property, (4) recovery of personal property, or (5) a prejudgment writ of attachment. The identification of a case as a rule 3.740 collections case on this form means that it will be exempt from the general time-for-service requirements and case management rules, unless a defendant files a responsive pleading. A rule 3.740 collections case will be subject to the requirements for service and obtaining a judgment in rule 3.740.

**To Parties in Complex Cases.** In complex cases only, parties must also use the *Civil Case Cover Sheet* to designate whether the case is complex. If a plaintiff believes the case is complex under rule 3.400 of the California Rules of Court, this must be indicated by completing the appropriate boxes in items 1 and 2. If a plaintiff designates a case as complex, the cover sheet must be served with the complaint on all parties to the action. A defendant may file and serve no later than the time of its first appearance a joinder in the plaintiff's designation, a counter-designation that the case is not complex, or, if the plaintiff has made no designation, a designation that the case is complex.

**CASE TYPES AND EXAMPLES****Auto Tort**

Auto (22)—Personal Injury/Property Damage/Wrongful Death  
Uninsured Motorist (46) (*if the case involves an uninsured motorist claim subject to arbitration, check this item instead of Auto*)

**Other PI/PD/WD (Personal Injury/Property Damage/Wrongful Death) Tort**

Asbestos (04)  
Asbestos Property Damage  
Asbestos Personal Injury/Wrongful Death  
Product Liability (*not asbestos or toxic/environmental*) (24)  
Medical Malpractice (45)  
Medical Malpractice—Physicians & Surgeons  
Other Professional Health Care Malpractice  
Other PI/PD/WD (23)  
Premises Liability (e.g., slip and fall)  
Intentional Bodily Injury/PD/WD (e.g., assault, vandalism)  
Intentional Infliction of Emotional Distress  
Negligent Infliction of Emotional Distress  
Other PI/PD/WD

**Non-PI/PD/WD (Other) Tort**

Business Tort/Unfair Business Practice (07)  
Civil Rights (e.g., discrimination, false arrest) (*not civil harassment*) (08)  
Defamation (e.g., slander, libel) (13)  
Fraud (16)  
Intellectual Property (19)  
Professional Negligence (25)  
Legal Malpractice  
Other Professional Malpractice (*not medical or legal*)  
Other Non-PI/PD/WD Tort (35)

**Employment**

Wrongful Termination (36)  
Other Employment (15)

**Contract**

Breach of Contract/Warranty (06)  
Breach of Rental/Lease  
Contract (*not unlawful detainer or wrongful eviction*)  
Contract/Warranty Breach—Seller Plaintiff (*not fraud or negligence*)  
Negligent Breach of Contract/Warranty  
Other Breach of Contract/Warranty  
Collections (e.g., money owed, open book accounts) (09)  
Collection Case—Seller Plaintiff  
Other Promissory Note/Collections Case  
Insurance Coverage (*not provisionally complex*) (18)  
Auto Subrogation  
Other Coverage  
Other Contract (37)  
Contractual Fraud  
Other Contract Dispute

**Real Property**

Eminent Domain/Inverse Condemnation (14)  
Wrongful Eviction (33)  
Other Real Property (e.g., quiet title) (26)  
Writ of Possession of Real Property  
Mortgage Foreclosure  
Quiet Title  
Other Real Property (*not eminent domain, landlord/tenant, or foreclosure*)

**Unlawful Detainer**

Commercial (31)  
Residential (32)  
Drugs (38) (*if the case involves illegal drugs, check this item; otherwise, report as Commercial or Residential*)

**Judicial Review**

Asset Forfeiture (05)  
Petition Re: Arbitration Award (11)  
Writ of Mandate (02)  
Writ—Administrative Mandamus  
Writ—Mandamus on Limited Court Case Matter  
Writ—Other Limited Court Case Review  
Other Judicial Review (39)  
Review of Health Officer Order  
Notice of Appeal—Labor  
Commissioner Appeals

**Provisionally Complex Civil Litigation (Cal. Rules of Court Rules 3.400–3.403)**

Antitrust/Trade Regulation (03)  
Construction Defect (10)  
Claims Involving Mass Tort (40)  
Securities Litigation (28)  
Environmental/Toxic Tort (30)  
Insurance Coverage Claims (*arising from provisionally complex case type listed above*) (41)

**Enforcement of Judgment**

Enforcement of Judgment (20)  
Abstract of Judgment (Out of County)  
Confession of Judgment (*non-domestic relations*)  
Sister State Judgment  
Administrative Agency Award (*not unpaid taxes*)  
Petition/Certification of Entry of Judgment on Unpaid Taxes  
Other Enforcement of Judgment Case

**Miscellaneous Civil Complaint**

RICO (27)  
Other Complaint (*not specified above*) (42)  
Declaratory Relief Only  
Injunctive Relief Only (*non-harassment*)  
Mechanics Lien  
Other Commercial Complaint Case (*non-tort/non-complex*)  
Other Civil Complaint (*non-tort/non-complex*)

**Miscellaneous Civil Petition**

Partnership and Corporate Governance (21)  
Other Petition (*not specified above*) (43)  
Civil Harassment  
Workplace Violence  
Elder/Dependent Adult Abuse  
Election Contest  
Petition for Name Change  
Petition for Relief from Late Claim  
Other Civil Petition

BC 580778

SHORT TITLE: People v. Wells Fargo & Company, et al.

CASE NUMBER

**CIVIL CASE COVER SHEET ADDENDUM AND STATEMENT OF LOCATION (CERTIFICATE OF GROUNDS FOR ASSIGNMENT TO COURTHOUSE LOCATION)**

This form is required pursuant to Local Rule 2.0 in all new civil case filings in the Los Angeles Superior Court.

Item I. Check the types of hearing and fill in the estimated length of hearing expected for this case:

JURY TRIAL?  YES CLASS ACTION?  YES LIMITED CASE?  YES TIME ESTIMATED FOR TRIAL 20  HOURS/  DAYS

Item II. Indicate the correct district and courthouse location (4 steps – If you checked "Limited Case", skip to Item III, Pg. 4):

**Step 1:** After first completing the Civil Case Cover Sheet form, find the main Civil Case Cover Sheet heading for your case in the left margin below, and, to the right in Column A, the Civil Case Cover Sheet case type you selected.

**Step 2:** Check one Superior Court type of action in Column B below which best describes the nature of this case.

**Step 3:** In Column C, circle the reason for the court location choice that applies to the type of action you have checked. For any exception to the court location, see Local Rule 2.0.

**Applicable Reasons for Choosing Courthouse Location (see Column C below)**

1. Class actions must be filed in the Stanley Mosk Courthouse, central district.
2. May be filed in central (other county, or no bodily injury/property damage).
3. Location where cause of action arose.
4. Location where bodily injury, death or damage occurred.
5. Location where performance required or defendant resides.
6. Location of property or permanently garaged vehicle.
7. Location where petitioner resides.
8. Location wherein defendant/respondent functions wholly.
9. Location where one or more of the parties reside.
10. Location of Labor Commissioner Office

ORIGINAL

**Step 4:** Fill in the information requested on page 4 in Item III; complete Item IV. Sign the declaration.

	<b>A</b> Civil Case Cover Sheet Category No	<b>B</b> Type of Action (Check only one)	<b>C</b> Applicable Reasons - See Step 3 Above
Auto Tort	Auto (22)	<input type="checkbox"/> A7100 Motor Vehicle - Personal Injury/Property Damage/Wrongful Death	1., 2., 4.
	Uninsured Motorist (46)	<input type="checkbox"/> A7110 Personal Injury/Property Damage/Wrongful Death - Uninsured Motorist	1., 2., 4.
Other Personal Injury/Property Damage/Wrongful Death Tort	Asbestos (04)	<input type="checkbox"/> A6070 Asbestos Property Damage	2.
		<input type="checkbox"/> A7221 Asbestos - Personal Injury/Wrongful Death	2.
	Product Liability (24)	<input type="checkbox"/> A7260 Product Liability (not asbestos or toxic/environmental)	1., 2., 3., 4., 8.
	Medical Malpractice (45)	<input type="checkbox"/> A7210 Medical Malpractice - Physicians & Surgeons	1., 4.
		<input type="checkbox"/> A7240 Other Professional Health Care Malpractice	1., 4.
Other Personal Injury Property Damage Wrongful Death (23)	<input type="checkbox"/> A7250 Premises Liability (e.g., slip and fall)	1., 4.	
	<input type="checkbox"/> A7230 Intentional Bodily Injury/Property Damage/Wrongful Death (e.g., assault, vandalism, etc.)	1., 4.	
	<input type="checkbox"/> A7270 Intentional Infliction of Emotional Distress	1., 3.	
	<input type="checkbox"/> A7220 Other Personal Injury/Property Damage/Wrongful Death	1., 4.	

SHORT TITLE: <b>People v. Wells Fargo &amp; Company, et al.</b>	CASE NUMBER
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	<b>A</b> Civil Case Cover Sheet Category No.	<b>B</b> Type of Action (Check only one)	<b>C</b> Applicable Reasons - See Step 3 Above
<b>Non-Personal Injury/Property Damage/Wrongful Death Tort</b>	Business Tort (07)	<input checked="" type="checkbox"/> A6029 Other Commercial/Business Tort (not fraud/breach of contract)	1., 3.
	Civil Rights (08)	<input type="checkbox"/> A6005 Civil Rights/Discrimination	1., 2., 3.
	Defamation (13)	<input type="checkbox"/> A6010 Defamation (slander/libel)	1., 2., 3.
	Fraud (16)	<input type="checkbox"/> A6013 Fraud (no contract)	1., 2., 3.
	Professional Negligence (25)	<input type="checkbox"/> A6017 Legal Malpractice <input type="checkbox"/> A6050 Other Professional Malpractice (not medical or legal)	1., 2., 3. 1., 2., 3.
	Other (35)	<input type="checkbox"/> A6025 Other Non-Personal Injury/Property Damage tort	2., 3.
<b>Employment</b>	Wrongful Termination (36)	<input type="checkbox"/> A6037 Wrongful Termination	1., 2., 3.
	Other Employment (15)	<input type="checkbox"/> A6024 Other Employment Complaint Case <input type="checkbox"/> A6109 Labor Commissioner Appeals	1., 2., 3. 10.
<b>Contract</b>	Breach of Contract/ Warranty (06) (not insurance)	<input type="checkbox"/> A6004 Breach of Rental/Lease Contract (not unlawful detainer or wrongful eviction) <input type="checkbox"/> A6008 Contract/Warranty Breach -Seller Plaintiff (no fraud/negligence) <input type="checkbox"/> A6019 Negligent Breach of Contract/Warranty (no fraud) <input type="checkbox"/> A6028 Other Breach of Contract/Warranty (not fraud or negligence)	2., 5. 2., 5. 1., 2., 5. 1., 2., 5.
	Collections (09)	<input type="checkbox"/> A6002 Collections Case-Seller Plaintiff <input type="checkbox"/> A6012 Other Promissory Note/Collections Case	2., 5., 6. 2., 5.
	Insurance Coverage (18)	<input type="checkbox"/> A6015 Insurance Coverage (not complex)	1., 2., 5., 8.
	Other Contract (37)	<input type="checkbox"/> A6009 Contractual Fraud <input type="checkbox"/> A6031 Tortious Interference	1., 2., 3., 5. 1., 2., 3., 5.
		<input type="checkbox"/> A6027 Other Contract Dispute(not breach/insurance/fraud/negligence)	1., 2., 3., 8.
<b>Real Property</b>	Eminent Domain/Inverse Condemnation (14)	<input type="checkbox"/> A7300 Eminent Domain/Condemnation    Number of parcels _____	2.
	Wrongful Eviction (33)	<input type="checkbox"/> A6023 Wrongful Eviction Case	2., 6.
	Other Real Property (26)	<input type="checkbox"/> A6018 Mortgage Foreclosure <input type="checkbox"/> A6032 Quiet Title <input type="checkbox"/> A6060 Other Real Property (not eminent domain, landlord/tenant, foreclosure)	2., 6. 2., 6. 2., 6.
<b>Unlawful Detainer</b>	Unlawful Detainer-Commercial (31)	<input type="checkbox"/> A6021 Unlawful Detainer-Commercial (not drugs or wrongful eviction)	2., 6.
	Unlawful Detainer-Residential (32)	<input type="checkbox"/> A6020 Unlawful Detainer-Residential (not drugs or wrongful eviction)	2., 6.
	Unlawful Detainer- Post-Foreclosure (34)	<input type="checkbox"/> A6020F Unlawful Detainer-Post-Foreclosure	2., 6.
	Unlawful Detainer-Drugs (38)	<input type="checkbox"/> A6022 Unlawful Detainer-Drugs	2., 6.

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	A Civil Case Cover Sheet Category No	B Type of Action (Check only one)	C Applicable Reasons - See Step 3 Above
<b>Judicial Review</b>	Asset Forfeiture (05)	<input type="checkbox"/> A6108 Asset Forfeiture Case	2., 6.
	Petition re Arbitration (11)	<input type="checkbox"/> A6115 Petition to Compel/Confirm/Vacate Arbitration	2., 5.
	Writ of Mandate (02)	<input type="checkbox"/> A6151 Writ - Administrative Mandamus <input type="checkbox"/> A6152 Writ - Mandamus on Limited Court Case Matter <input type="checkbox"/> A6153 Writ - Other Limited Court Case Review	2., 8. 2. 2.
	Other Judicial Review (39)	<input type="checkbox"/> A6150 Other Writ /Judicial Review	2., 8.
<b>Provisionally Complex Litigation</b>	Antitrust/Trade Regulation (03)	<input type="checkbox"/> A6003 Antitrust/Trade Regulation	1., 2., 8.
	Construction Defect (10)	<input type="checkbox"/> A6007 Construction Defect	1., 2., 3.
	Claims Involving Mass Tort (40)	<input type="checkbox"/> A6006 Claims Involving Mass Tort	1., 2., 8.
	Securities Litigation (28)	<input type="checkbox"/> A6035 Securities Litigation Case	1., 2., 8.
	Toxic Tort Environmental (30)	<input type="checkbox"/> A6036 Toxic Tort/Environmental	1., 2., 3., 8.
	Insurance Coverage Claims from Complex Case (41)	<input type="checkbox"/> A6014 Insurance Coverage/Subrogation (complex case only)	1., 2., 5., 8.
<b>Enforcement of Judgment</b>	Enforcement of Judgment (20)	<input type="checkbox"/> A6141 Sister State Judgment	2., 9.
		<input type="checkbox"/> A6160 Abstract of Judgment	2., 6.
		<input type="checkbox"/> A6107 Confession of Judgment (non-domestic relations)	2., 9.
		<input type="checkbox"/> A6140 Administrative Agency Award (not unpaid taxes)	2., 8.
		<input type="checkbox"/> A6114 Petition/Certificate for Entry of Judgment on Unpaid Tax	2., 8.
		<input type="checkbox"/> A6112 Other Enforcement of Judgment Case	2., 8., 9.
<b>Miscellaneous Civil Complaints</b>	RICO (27)	<input type="checkbox"/> A6033 Racketeering (RICO) Case	1., 2., 8.
	Other Complaints (Not Specified Above) (42)	<input type="checkbox"/> A6030 Declaratory Relief Only	1., 2., 8.
		<input type="checkbox"/> A6040 Injunctive Relief Only (not domestic/harassment)	2., 8.
		<input type="checkbox"/> A6011 Other Commercial Complaint Case (non-tort/non-complex)	1., 2., 8.
<input type="checkbox"/> A6000 Other Civil Complaint (non-tort/non-complex)		1., 2., 8.	
<b>Miscellaneous Civil Petitions</b>	Partnership Corporation Governance (21)	<input type="checkbox"/> A6113 Partnership and Corporate Governance Case	2., 8.
	Other Petitions (Not Specified Above) (43)	<input type="checkbox"/> A6121 Civil Harassment	2., 3., 9.
		<input type="checkbox"/> A6123 Workplace Harassment	2., 3., 9.
		<input type="checkbox"/> A6124 Elder/Dependent Adult Abuse Case	2., 3., 9.
		<input type="checkbox"/> A6190 Election Contest	2.
		<input type="checkbox"/> A6110 Petition for Change of Name	2., 7.
		<input type="checkbox"/> A6170 Petition for Relief from Late Claim Law	2., 3., 4., 8.
<input type="checkbox"/> A6100 Other Civil Petition		2., 9.	

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**Item III. Statement of Location:** Enter the address of the accident, party's residence or place of business, performance, or other circumstance indicated in Item II., Step 3 on Page 1, as the proper reason for filing in the court location you selected.

<p><b>REASON:</b> Check the appropriate boxes for the numbers shown under Column C for the type of action that you have selected for this case.</p> <p><input type="checkbox"/> 1. <input type="checkbox"/> 2. <input checked="" type="checkbox"/> 3. <input type="checkbox"/> 4. <input type="checkbox"/> 5. <input type="checkbox"/> 6. <input type="checkbox"/> 7. <input type="checkbox"/> 8. <input type="checkbox"/> 9. <input type="checkbox"/> 10.</p>	<p>ADDRESS: <u>200 North Main Street</u></p>			
<table border="1" style="width:100%; border-collapse: collapse;"> <tr> <td style="width:33%; padding: 2px;">CITY: <u>Los Angeles</u></td> <td style="width:33%; padding: 2px;">STATE: <u>CA</u></td> <td style="width:33%; padding: 2px;">ZIP CODE: <u>90012</u></td> </tr> </table>	CITY: <u>Los Angeles</u>	STATE: <u>CA</u>	ZIP CODE: <u>90012</u>	
CITY: <u>Los Angeles</u>	STATE: <u>CA</u>	ZIP CODE: <u>90012</u>		

**Item IV. Declaration of Assignment:** I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct and that the above-entitled matter is properly filed for assignment to the Stanley Mosk courthouse in the Central District of the Superior Court of California, County of Los Angeles [Code Civ. Proc., § 392 et seq., and Local Rule 2.0, subs. (b), (c) and (d)].

Dated: May 4, 2015

  
 \_\_\_\_\_  
 (SIGNATURE OF ATTORNEY/FILING PARTY)  
 Suzanne V. Spillane, Deputy City Attorney

**PLEASE HAVE THE FOLLOWING ITEMS COMPLETED AND READY TO BE FILED IN ORDER TO PROPERLY COMMENCE YOUR NEW COURT CASE:**

1. Original Complaint or Petition.
2. If filing a Complaint, a completed Summons form for issuance by the Clerk.
3. Civil Case Cover Sheet, Judicial Council form CM-010.
4. Civil Case Cover Sheet Addendum and Statement of Location form, LACIV 109, LASC Approved 03-04 (Rev. 03/11).
5. Payment in full of the filing fee, unless fees have been waived.
6. A signed order appointing the Guardian ad Litem, Judicial Council form CIV-010, if the plaintiff or petitioner is a minor under 18 years of age will be required by Court in order to issue a summons.
7. Additional copies of documents to be conformed by the Clerk. Copies of the cover sheet and this addendum must be served along with the summons and complaint, or other initiating pleading in the case.



BC 580778

SUPERIOR COURT OF CALIFORNIA, COUNTY OF LOS ANGELES  
 NOTICE OF CASE ASSIGNMENT - UNLIMITED CIVIL CASE (NON-CLASS ACTION)

Case Number \_\_\_\_\_

**THIS FORM IS TO BE SERVED WITH THE SUMMONS AND COMPLAINT**

Your case is assigned for all purposes to the judge indicated below. There is more information on the reverse side of this form.

ASSIGNED JUDGE	DEPT	ROOM	ASSIGNED JUDGE	DEPT	ROOM
Hon. Kevin C. Brazile	1	534	Hon. Elizabeth Allen White	48	506
Hon. Barbara A. Meiers	12	636	Hon. Deirdre Hill	49	509
Hon. Terry A. Green	14	300	Hon. John L. Segal	50	508
Hon. Richard Fruin	15	307	Hon. Mitchell L. Beckloff	51	511
Hon. Rita Miller	16	306	Hon. Susan Bryant-Deason	52	510
Hon. Richard E. Rico	17	309	Hon. Steven J. Kleifield	53	513
Hon. Stephanie Bowick	19	311	Hon. Ernest M. Hiroshige	54	512
Hon. Dalila Corral Lyons	20	310	Hon. Malcolm H. Mackey	55	515
Hon. Robert L. Hess	24	314	Hon. Michael Johnson	56	514
Hon. Yvette M. Palazuelos	28	318	Hon. Rolf M. Treu	58	516
Hon. Barbara Scheper	30	400	Hon. Gregory Keosian	61	732
Hon. Samantha Jessner	31	407	Hon. Michael L. Stern	62	600
Hon. Mary H. Strobel	32	406	Hon. Mark Mooney	68	617
Hon. Michael P. Linfield	34	408	Hon. William F. Fahey	69	621
Hon. Gregory Alarcon	36	410	Hon. Suzanne G. Bruguera	71	729
Hon. Marc Marmaro	37	413	Hon. Ruth Ann Kwan	72	731
Hon. Maureen Duffy-Lewis	38	412	Hon. Rafael Ongkeko	73	733
Hon. Elizabeth Feffer	39	415	Hon. Teresa Sanchez-Gordon	74	735
Hon. Michelle R. Rosenblatt	40	414	Hon. Gail Ruderman Feuer	78	730
Hon. Holly E. Kendig	42	416			
Hon. Mel Red Recana	45	529	Hon. Emile H. Elias	324	CCW
Hon. Frederick C. Shaller	46	500	*Provisionally Complex Non-class Action Cases Assignment is Pending Complex Determination	324	CCW
Hon. Debre K. Weintraub	47	507			

**\*Complex**

All non-class action cases designated as provisionally complex are forwarded to the Supervising Judge of the Complex Litigation Program located in the Central Civil West Courthouse (600 S. Commonwealth Ave., Los Angeles 90005), for complex/non-complex determination pursuant to Local Rule 3.3(k). This procedure is for the purpose of assessing whether or not the case is complex within the meaning of California Rules of Court, rule 3.400. Depending on the outcome of that assessment, the case may be reassigned to one of the judges of the Complex Litigation Program or reassigned randomly to a court in the Central District.

Given to the Plaintiff/Cross-Complainant/Attorney of Record on \_\_\_\_\_ SHERRI R. CARTER, Executive Officer/Clerk

MAY 04 2015

By \_\_\_\_\_, Deputy Clerk

## **INSTRUCTIONS FOR HANDLING UNLIMITED CIVIL CASES**

The following critical provisions of the Chapter Three Rules, as applicable in the Central District, are summarized for your assistance.

### **APPLICATION**

The Chapter Three Rules were effective January 1, 1994. They apply to all general civil cases.

### **PRIORITY OVER OTHER RULES**

The Chapter Three Rules shall have priority over all other Local Rules to the extent the others are inconsistent.

### **CHALLENGE TO ASSIGNED JUDGE**

A challenge under Code of Civil Procedure section 170.6 must be made within 15 days after notice of assignment for all purposes to a judge, or if a party has not yet appeared, within 15 days of the first appearance.

### **TIME STANDARDS**

Cases assigned to the Individual Calendaring Court will be subject to processing under the following time standards:

**COMPLAINTS:** All complaints shall be served within 60 days of filing and proof of service shall be filed within 90 days of filing.

**CROSS-COMPLAINTS:** Without leave of court first being obtained, no cross-complaint may be filed by any party after their answer is filed. Cross-complaints shall be served within 30 days of the filing date and a proof of service filed within 60 days of the filing date.

A Status Conference will be scheduled by the assigned Independent Calendar Judge no later than 270 days after the filing of the complaint. Counsel must be fully prepared to discuss the following issues: alternative dispute resolution, bifurcation, settlement, trial date, and expert witnesses.

### **FINAL STATUS CONFERENCE**

The Court will require the parties at a status conference not more than 10 days before the trial to have timely filed and served all motions in limine, bifurcation motions, statements of major evidentiary issues, dispositive motions, requested jury instructions, and special jury instructions and special jury verdicts. These matters may be heard and resolved at this conference. At least 5 days before this conference, counsel must also have exchanged lists of exhibits and witnesses and have submitted to the court a brief statement of the case to be read to the jury panel as required by Chapter Eight of the Los Angeles Superior Court Rules.

### **SANCTIONS**

The court will impose appropriate sanctions for the failure or refusal to comply with Chapter Three Rules, orders made by the Court, and time standards or deadlines established by the Court or by the Chapter Three Rules. Such sanctions may be on a party or if appropriate on counsel for the party.

**This is not a complete delineation of the Chapter Three Rules, and adherence only to the above provisions is therefore not a guarantee against the imposition of sanctions under Trial Court Delay Reduction. Careful reading and compliance with the actual Chapter Rules is absolutely imperative.**

### VOLUNTARY EFFICIENT LITIGATION STIPULATIONS



Superior Court of California  
County of Los Angeles



Los Angeles County  
Bar Association  
Litigation Section

Los Angeles County  
Bar Association Labor and  
Employment Law Section



Consumer Attorneys  
Association of Los Angeles



Southern California  
Defense Counsel



Association of  
Business Trial Lawyers



California Employment  
Lawyers Association

The Early Organizational Meeting Stipulation, Discovery Resolution Stipulation, and Motions in Limine Stipulation are voluntary stipulations entered into by the parties. The parties may enter into one, two, or all three of the stipulations; however, they may not alter the stipulations as written, because the Court wants to ensure uniformity of application. These stipulations are meant to encourage cooperation between the parties and to assist in resolving issues in a manner that promotes economic case resolution and judicial efficiency.

*The following organizations endorse the goal of promoting efficiency in litigation and ask that counsel consider using these stipulations as a voluntary way to promote communications and procedures among counsel and with the court to fairly resolve issues in their cases.*

◆ Los Angeles County Bar Association Litigation Section ◆

◆ Los Angeles County Bar Association  
Labor and Employment Law Section ◆

◆ Consumer Attorneys Association of Los Angeles ◆

◆ Southern California Defense Counsel ◆

◆ Association of Business Trial Lawyers ◆

◆ California Employment Lawyers Association ◆

NAME AND ADDRESS OF ATTORNEY OR PARTY WITHOUT ATTORNEY:		STATE BAR NUMBER	Reserved for Clerk's File Stamp
TELEPHONE NO.:		FAX NO. (Optional):	
E-MAIL ADDRESS (Optional):			
ATTORNEY FOR (Name):			
<b>SUPERIOR COURT OF CALIFORNIA, COUNTY OF LOS ANGELES</b>			
COURTHOUSE ADDRESS:			
PLAINTIFF:			
DEFENDANT:			
<b>STIPULATION – DISCOVERY RESOLUTION</b>			CASE NUMBER:

**This stipulation is intended to provide a fast and informal resolution of discovery issues through limited paperwork and an informal conference with the Court to aid in the resolution of the issues.**

**The parties agree that:**

1. Prior to the discovery cut-off in this action, no discovery motion shall be filed or heard unless the moving party first makes a written request for an Informal Discovery Conference pursuant to the terms of this stipulation.
2. At the Informal Discovery Conference the Court will consider the dispute presented by parties and determine whether it can be resolved informally. Nothing set forth herein will preclude a party from making a record at the conclusion of an Informal Discovery Conference, either orally or in writing.
3. Following a reasonable and good faith attempt at an informal resolution of each issue to be presented, a party may request an Informal Discovery Conference pursuant to the following procedures:
  - a. The party requesting the Informal Discovery Conference will:
    - i. File a Request for Informal Discovery Conference with the clerk's office on the approved form (copy attached) and deliver a courtesy, conformed copy to the assigned department;
    - ii. Include a brief summary of the dispute and specify the relief requested; and
    - iii. Serve the opposing party pursuant to any authorized or agreed method of service that ensures that the opposing party receives the Request for Informal Discovery Conference no later than the next court day following the filing.
  - b. Any Answer to a Request for Informal Discovery Conference must:
    - i. Also be filed on the approved form (copy attached);
    - ii. Include a brief summary of why the requested relief should be denied;

SHORT TITLE:	CASE NUMBER:
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- iii. Be filed within two (2) court days of receipt of the Request; and
  - iv. Be served on the opposing party pursuant to any authorized or agreed upon method of service that ensures that the opposing party receives the Answer no later than the next court day following the filing;
- c. No other pleadings, including but not limited to exhibits, declarations, or attachments, will be accepted.
- d. If the Court has not granted or denied the Request for Informal Discovery Conference within ten (10) days following the filing of the Request, then it shall be deemed to have been denied. If the Court acts on the Request, the parties will be notified whether the Request for Informal Discovery Conference has been granted or denied and, if granted, the date and time of the Informal Discovery Conference, which must be within twenty (20) days of the filing of the Request for Informal Discovery Conference.
- e. If the conference is not held within twenty (20) days of the filing of the Request for Informal Discovery Conference, unless extended by agreement of the parties and the Court, then the Request for the Informal Discovery Conference shall be deemed to have been denied at that time.
4. If (a) the Court has denied a conference or (b) one of the time deadlines above has expired without the Court having acted or (c) the Informal Discovery Conference is concluded without resolving the dispute, then a party may file a discovery motion to address unresolved issues.
5. The parties hereby further agree that the time for making a motion to compel or other discovery motion is tolled from the date of filing of the Request for Informal Discovery Conference until (a) the request is denied or deemed denied or (b) twenty (20) days after the filing of the Request for Informal Discovery Conference, whichever is earlier, unless extended by Order of the Court.

It is the understanding and intent of the parties that this stipulation shall, for each discovery dispute to which it applies, constitute a writing memorializing a "specific later date to which the propounding [or demanding or requesting] party and the responding party have agreed in writing," within the meaning of Code Civil Procedure sections 2030.300(c), 2031.320(c), and 2033.290(c).

6. Nothing herein will preclude any party from applying *ex parte* for appropriate relief, including an order shortening time for a motion to be heard concerning discovery.
7. Any party may terminate this stipulation by giving twenty-one (21) days notice of intent to terminate the stipulation.
8. References to "days" mean calendar days, unless otherwise noted. If the date for performing any act pursuant to this stipulation falls on a Saturday, Sunday or Court holiday, then the time for performing that act shall be extended to the next Court day.

SHORT TITLE:	CASE NUMBER:
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**The following parties stipulate:**

Date:

(TYPE OR PRINT NAME)



(ATTORNEY FOR PLAINTIFF)

Date:

(TYPE OR PRINT NAME)



(ATTORNEY FOR DEFENDANT)

Date:

(TYPE OR PRINT NAME)



(ATTORNEY FOR DEFENDANT)

Date:

(TYPE OR PRINT NAME)



(ATTORNEY FOR DEFENDANT)

Date:

(TYPE OR PRINT NAME)



(ATTORNEY FOR \_\_\_\_\_)

Date:

(TYPE OR PRINT NAME)



(ATTORNEY FOR \_\_\_\_\_)

Date:

(TYPE OR PRINT NAME)



(ATTORNEY FOR \_\_\_\_\_)

NAME AND ADDRESS OF ATTORNEY OR PARTY WITHOUT ATTORNEY:		STATE BAR NUMBER	Reserved for Clerk's File Stamp
TELEPHONE NO.:		FAX NO. (Optional):	
E-MAIL ADDRESS (Optional):			
ATTORNEY FOR (Name):			
<b>SUPERIOR COURT OF CALIFORNIA, COUNTY OF LOS ANGELES</b>			
COURTHOUSE ADDRESS:			
PLAINTIFF:			
DEFENDANT:			
<b>STIPULATION – EARLY ORGANIZATIONAL MEETING</b>			CASE NUMBER:

**This stipulation is intended to encourage cooperation among the parties at an early stage in the litigation and to assist the parties in efficient case resolution.**

**The parties agree that:**

1. The parties commit to conduct an initial conference (in-person or via teleconference or via videoconference) within 15 days from the date this stipulation is signed, *to discuss and consider whether there can be agreement on the following:*
  - a. Are motions to challenge the pleadings necessary? If the issue can be resolved by amendment as of right, or if the Court would allow leave to amend, could an amended complaint resolve most or all of the issues a demurrer might otherwise raise? If so, the parties agree to work through pleading issues so that a demurrer need only raise issues they cannot resolve. Is the issue that the defendant seeks to raise amenable to resolution on demurrer, or would some other type of motion be preferable? Could a voluntary targeted exchange of documents or information by any party cure an uncertainty in the pleadings?
  - b. Initial mutual exchanges of documents at the "core" of the litigation. (For example, in an employment case, the employment records, personnel file and documents relating to the conduct in question could be considered "core." In a personal injury case, an incident or police report, medical records, and repair or maintenance records could be considered "core.");
  - c. Exchange of names and contact information of witnesses;
  - d. Any insurance agreement that may be available to satisfy part or all of a judgment, or to indemnify or reimburse for payments made to satisfy a judgment;
  - e. Exchange of any other information that might be helpful to facilitate understanding, handling, or resolution of the case in a manner that preserves objections or privileges by agreement;
  - f. Controlling issues of law that, if resolved early, will promote efficiency and economy in other phases of the case. Also, when and how such issues can be presented to the Court;
  - g. Whether or when the case should be scheduled with a settlement officer, what discovery or court ruling on legal issues is reasonably required to make settlement discussions meaningful, and whether the parties wish to use a sitting judge or a private mediator or other options as

SHORT TITLE	CASE NUMBER
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discussed in the "Alternative Dispute Resolution (ADR) Information Package" served with the complaint;

- h. Computation of damages, including documents, not privileged or protected from disclosure, on which such computation is based;
  - i. Whether the case is suitable for the Expedited Jury Trial procedures (see information at [www.lasuperiorcourt.org](http://www.lasuperiorcourt.org) under "Civil" and then under "General Information").
2. The time for a defending party to respond to a complaint or cross-complaint will be extended to \_\_\_\_\_ (INSERT DATE) for the complaint, and \_\_\_\_\_ (INSERT DATE) for the cross-complaint, which is comprised of the 30 days to respond under Government Code § 68616(b), and the 30 days permitted by Code of Civil Procedure section 1054(a), good cause having been found by the Civil Supervising Judge due to the case management benefits provided by this Stipulation. A copy of the General Order can be found at [www.lasuperiorcourt.org](http://www.lasuperiorcourt.org) under "Civil", click on "General Information", then click on "Voluntary Efficient Litigation Stipulations".
  3. The parties will prepare a joint report titled "Joint Status Report Pursuant to Initial Conference and Early Organizational Meeting Stipulation, and if desired, a proposed order summarizing results of their meet and confer and advising the Court of any way it may assist the parties' efficient conduct or resolution of the case. The parties shall attach the Joint Status Report to the Case Management Conference statement, and file the documents when the CMC statement is due.
  4. References to "days" mean calendar days, unless otherwise noted. If the date for performing any act pursuant to this stipulation falls on a Saturday, Sunday or Court holiday, then the time for performing that act shall be extended to the next Court day

The following parties stipulate:

Date: _____ (TYPE OR PRINT NAME)	>	_____ (ATTORNEY FOR PLAINTIFF)
Date: _____ (TYPE OR PRINT NAME)	>	_____ (ATTORNEY FOR DEFENDANT)
Date: _____ (TYPE OR PRINT NAME)	>	_____ (ATTORNEY FOR DEFENDANT)
Date: _____ (TYPE OR PRINT NAME)	>	_____ (ATTORNEY FOR DEFENDANT)
Date: _____ (TYPE OR PRINT NAME)	>	_____ (ATTORNEY FOR _____)
Date: _____ (TYPE OR PRINT NAME)	>	_____ (ATTORNEY FOR _____)
Date: _____ (TYPE OR PRINT NAME)	>	_____ (ATTORNEY FOR _____)



NAME AND ADDRESS OF ATTORNEY OR PARTY WITHOUT ATTORNEY:	STATE BAR NUMBER	Reserved for Clerk's File Stamp
TELEPHONE NO.: E-MAIL ADDRESS (Optional): ATTORNEY FOR (Name):	FAX NO. (Optional):	
<b>SUPERIOR COURT OF CALIFORNIA, COUNTY OF LOS ANGELES</b>		
COURTHOUSE ADDRESS:		
PLAINTIFF:		
DEFENDANT:		
<b>INFORMAL DISCOVERY CONFERENCE</b> (pursuant to the Discovery Resolution Stipulation of the parties)		CASE NUMBER:

1. This document relates to:
  - Request for Informal Discovery Conference
  - Answer to Request for Informal Discovery Conference
2. Deadline for Court to decide on Request: \_\_\_\_\_ (insert date 10 calendar days following filing of the Request).
3. Deadline for Court to hold Informal Discovery Conference: \_\_\_\_\_ (insert date 20 calendar days following filing of the Request).
4. For a Request for Informal Discovery Conference, **briefly** describe the nature of the discovery dispute, including the facts and legal arguments at issue. For an Answer to Request for Informal Discovery Conference, **briefly** describe why the Court should deny the requested discovery, including the facts and legal arguments at issue.

[Empty area for providing details and arguments]

NAME AND ADDRESS OF ATTORNEY OR PARTY WITHOUT ATTORNEY:		STATE BAR NUMBER	Reserved for Clerk's File Stamp
TELEPHONE NO.:		FAX NO. (Optional):	
E-MAIL ADDRESS (Optional):			
ATTORNEY FOR (Name):			
<b>SUPERIOR COURT OF CALIFORNIA, COUNTY OF LOS ANGELES</b>			
COURTHOUSE ADDRESS:			
PLAINTIFF:			
DEFENDANT:			
<b>STIPULATION AND ORDER – MOTIONS IN LIMINE</b>			CASE NUMBER:

**This stipulation is intended to provide fast and informal resolution of evidentiary issues through diligent efforts to define and discuss such issues and limit paperwork.**

**The parties agree that:**

1. At least \_\_\_\_ days before the final status conference, each party will provide all other parties with a list containing a one paragraph explanation of each proposed motion in limine. Each one paragraph explanation must identify the substance of a single proposed motion in limine and the grounds for the proposed motion.
2. The parties thereafter will meet and confer, either in person or via teleconference or videoconference, concerning all proposed motions in limine. In that meet and confer, the parties will determine:
  - a. Whether the parties can stipulate to any of the proposed motions. If the parties so stipulate, they may file a stipulation and proposed order with the Court.
  - b. Whether any of the proposed motions can be briefed and submitted by means of a short joint statement of issues. For each motion which can be addressed by a short joint statement of issues, a short joint statement of issues must be filed with the Court 10 days prior to the final status conference. Each side's portion of the short joint statement of issues may not exceed three pages. The parties will meet and confer to agree on a date and manner for exchanging the parties' respective portions of the short joint statement of issues and the process for filing the short joint statement of issues.
3. All proposed motions in limine that are not either the subject of a stipulation or briefed via a short joint statement of issues will be briefed and filed in accordance with the California Rules of Court and the Los Angeles Superior Court Rules.

SHORT TITLE	CASE NUMBER
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**The following parties stipulate:**

Date:

\_\_\_\_\_  
(TYPE OR PRINT NAME)

Date:

\_\_\_\_\_  
(TYPE OR PRINT NAME)

Date:

\_\_\_\_\_  
(TYPE OR PRINT NAME)

Date:

\_\_\_\_\_  
(TYPE OR PRINT NAME)

Date:

\_\_\_\_\_  
(TYPE OR PRINT NAME)

Date:

\_\_\_\_\_  
(TYPE OR PRINT NAME)

Date:

\_\_\_\_\_  
(TYPE OR PRINT NAME)

▼ \_\_\_\_\_  
(ATTORNEY FOR PLAINTIFF)

▼ \_\_\_\_\_  
(ATTORNEY FOR DEFENDANT)

▼ \_\_\_\_\_  
(ATTORNEY FOR DEFENDANT)

▼ \_\_\_\_\_  
(ATTORNEY FOR DEFENDANT)

▼ \_\_\_\_\_  
(ATTORNEY FOR \_\_\_\_\_)

▼ \_\_\_\_\_  
(ATTORNEY FOR \_\_\_\_\_)

▼ \_\_\_\_\_  
(ATTORNEY FOR \_\_\_\_\_)

**THE COURT SO ORDERS.**

Date:

\_\_\_\_\_

\_\_\_\_\_  
JUDICIAL OFFICER

**Szybala, Julia (CFPB)**

---

**From:** Szybala, Julia (CFPB)  
**Sent:** Friday, September 16, 2016 10:14 AM  
**To:** Rainey, Zol (CFPB)  
**Cc:** Boison, Elizabeth (CFPB); Tindall, Anne (CFPB)  
**Subject:** Timeline Document  
**Attachments:** (CSI) Wells Timeline for Hearing Prep 4.1.docx

Hi Zol,

Attached is the most recent version of the timeline document, which has incorporated minor revisions from Edwin and his team.

Please let me know if you have any questions.

Thanks,

**Julia Szybala**

Counsel  
Consumer Financial Protection Bureau  
Office: [REDACTED]

CONFIDENTIAL SUPERVISORY INFORMATION  
 PRIVILEGED & CONFIDENTIAL (9/15/16 1 pm DRAFT)

Date	Action	External Stakeholder	Comments
10.3.2013	L.A. Times Article: Wells Fargo Accuses Workers of Opening Fake Accounts to Meet Goals, L.A. Times		<a href="http://articles.latimes.com/2013/oct/03/business/la-fi-1004-wells-fargo-firings-20131004">http://articles.latimes.com/2013/oct/03/business/la-fi-1004-wells-fargo-firings-20131004</a>
12.21.2013	L.A. Times Article: Wells Fargo's Pressure-Cooker Sales Culture Comes at a Cost		<a href="http://www.latimes.com/business/la-fi-wells-fargo-salepressure-20131222-story.html">http://www.latimes.com/business/la-fi-wells-fargo-salepressure-20131222-story.html</a>
12.28.2013	L.A. Times Article: Times Investigation of Wells Fargo Culture Provokes Strong Reaction		<a href="http://articles.latimes.com/2013/dec/28/business/la-fi-mo-wells-fargo-sales-pressure-20131228">http://articles.latimes.com/2013/dec/28/business/la-fi-mo-wells-fargo-sales-pressure-20131228</a>
1.3.2014	CFPB exam staff circulates the L.A. Times article within the agency		
4.2014	For CFPB's annual exam prioritization process, W. Region submits the Wells Deposit IPL as having a 5 (highest) risk rating based on field market intelligence (FMI) such as the L.A. Times articles		
6.19.2014	OSP concurs that Wells Fargo's deposit operations were high risk and designated examinations of this IPL during 2015 as a "must do"		
1.2015	CFPB assigns an EIC to Wells deposits exam, scheduled to commence 12.27.2015		
4.3.2015	First OCC Exam report on Branch Sales Practices	OCC	Report had minimal findings; found that risk oversight of branch sales practices was generally effective
5.4.2015	Wells SVP and GC calls W. Regional Director to notify of LA Lawsuit		Not effective self-reporting, per the Bureau's Responsible Conduct Bulletin

CONFIDENTIAL SUPERVISORY INFORMATION  
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5.4.2015	City of Los Angeles files suit/news articles ensue	City of LA	RD notifies Senior SEFL management
5.8.2015	W. Region shares CFPB Letter, as approved by OSE and OSP, with ENF and OSP		
5.8.2015	CFPB letter to Wells		Letter requested a comprehensive description of the company's consumer financial service sales policies and practices in this area, and copies of any and all work Wells Fargo may have performed to date, or have planned, to look into these allegations
6.8.2105	Wells responds to 5.8.2015 Letter		
6.10.2015	Region discusses with OSP		
6.25.2015	CFPB follow-up letter to Wells		Requesting additional information, including internal investigation results
6.26.2015	Second OCC Report issued on Branch Sales Practices	OCC	Withdrew First OCC Report; included MRAs with requirements that the Bank obtain independent reviews of both branch practices and consumer harm
7.10.2015	Wells Response Received by CFPB		Review of materials
8.14.2015	Prudentials contacted	OCC/FRB	Initial discussion and invited Prudentials (OCC/FRB) to first Update Meeting 8.20.2015
8.20.2015	First CFPB Update Meeting with Wells	OCC/FRB	Prudentials (OCC/FRB) also attend; CFPB learns that third-party review underway in response to OCC second exam report; third-party reports requested for CFPB
8.20.2015	CFPB receives second OCC Branch Sales Practices exam report, dated 6.26.2015	OCC	OCC MRAS are very strong. OCC taking own monitoring action – may resolve through MRA, MOU or move to ENF. FRB is monitoring.
8.24.2015	CFPB receives first OCC Branch Sales Practices exam report, dated 4.3.2015	OCC	Upon request, OCC sent the first OCC branch sales report to CFPB in which they found Community Banking sales practice risk oversight was “generally effective.”
9.28.15	CFPB exam scoping process for Wells' deposits IPL begins, with intent to commence exam, including		Branch sales practices ultimately carved out of deposits exam, per 2.26.16 decision of SEFL Associate Director.

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	branch sales practices, on 12.27.2015		
10.26.2015	Wells orally provides CFPB initial consumer harm estimate due to sales practices		Initial cut. Also contains information for 2013 and 2014.
11.18.2015	Internal Wells Customer Harm Response		Follow up to the 10.26.2015 Discussion.
12.4.2015	CFPB update meeting with Wells	OCC/FRB	Prudentials (OCC/FRB) attend
12.18.2015	Region consults OSP and ENF on next steps		Discussion on course of action to include subsequent letter to Wells
1.13.2016	Region, OSP, and ENF continue discussion of potential supervisory information-request letter		This supervisory information-request letter was not sent, given the opening of an ENF investigation
2.11.2016	RD meeting with Wells to discuss consumer harm		
2.26.2016	OSE memo to SEFL Associate Director recommending ENF as tool choice; SEFL Associate Director determines after discussion and review, including information recently received from the West Region, that the matter is appropriately referred to ENF		
3.3.2016	W. Region notifies Wells Fargo that the matter had been transferred from Supervision to Enforcement		
3.7.2016	ENF's Opening Investigation Memo		
7.12.2016	Settle or Sue Authority Granted		
9.2.2016	Recommendation Memo to Enter into Consent Order		
9.6.2016	Consent Order signed and filed		

RC

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**From:** RC  
**Sent:** Tuesday, April 18, 2017 3:03 PM  
**To:** Ehrlich, Jeffrey (CFPB); Howard, Jennifer (CFPB); Galicia, Catherine (CFPB); English, Leandra (CFPB)  
**Cc:** Martinez, Zixta (CFPB); Alexis, Anthony (CFPB); D'Angelo, Chris (CFPB); McLeod, Mary (CFPB); Silberman, David (CFPB)  
**Subject:** Wells Fargo Narrative

Jeff raised today the immediacy of the pending prospect that the House Fin Servs Committee will be putting out a report on Wells Fargo. If this group is not meeting already, would like to be assured that we are: (1) putting our best foot forward in the contents of any minority Committee report; (2) getting ready to go out with our version ASAP upon release of the Committee report and hopefully in the same news cycle; and (3) giving good talking points to everyone about our side of the story.

Pls advise thx  
RC



**Szybala, Julia (CFPB)**

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**From:** Szybala, Julia (CFPB)  
**Sent:** Wednesday, June 7, 2017 10:44 AM  
**To:** Coleman, John (CFPB); Bressler, Steven (CFPB)  
**Cc:** King, David (CFPB)  
**Subject:** Wells Documents  
**Attachments:** 2013 WF Emails.msg; RE: Outline.msg; Wells Supervision Docs.msg

For your reference.

**Szybala, Julia (CFPB)**

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**From:** Szybala, Julia (CFPB)  
**Sent:** Tuesday, April 18, 2017 12:33 PM  
**To:** Tindall, Anne (CFPB); Bressler, Steven (CFPB)  
**Cc:** King, David (CFPB)  
**Subject:** 2013 WF Emails  
**Attachments:** DiscussionMessagesReport -20170418122655.pdf; DiscussionMessagesReport-20170418123330.pdf; DiscussionMessagesReport-20170418123408.pdf; DiscussionMessagesReport -20170418123519.pdf

The 4 email conversations that we discussed are attached.

Document ID: 0.7.5495.38789

From: Bolden, Jeffrey (Contractor)(CFPB)

To: Peltz, Maxwell (Max) (CFPB)

Cc:

Bcc:

Subject: RE: assignment

Date: Tue Jun 04 2013 08:23:24 EDT

Attachments: wells fargo cc.xlsx

Max

I'm not sure why I used that Excel sheet, but it didn't originate with me so I'm not sure about the second sheet.

The first sheet, see attached, has been expanded to a year and a half and includes only complaints where Wells Fargo opened a credit card without the knowledge or consent of the consumer.

I will send you each narrative in a word document, accompanied by the Reference Number, unless you'd like it another way.

jeffrey

From: Peltz, Maxwell (Max) (CFPB)  
Sent: Monday, June 03, 2013 8:15 PM  
To: Bolden, Jeffrey (Contractor)(CFPB)  
Subject: RE: assignment

Jeffrey.

Thanks for putting this together.

I had a couple of questions.

1. It seems as though complaints in the second sheet of 45 include fraud/identity theft by a third party. Are all of these 45 complaints in the second sheet such third-party fraud/ID theft and all the 18 complaints on the first sheet in relation to wells fargo's itself opening a credit card without the consumers consent/knowledge/application? To the extent possible (if you haven't already done so), could you prepare one group with only complaints involving wells fargo's opening a credit card without the consumer's knowledge/consent (and not third-party fraud/ID theft)?

2. I am terrible at excel. Is there a way to format the excel spreadsheet so that I can print out all of the complaint narratives at once, or else can you cut and paste all of the complaint narratives into a separate word document and send that to me?

Thanks.

Max

From: Bolden, Jeffrey (Contractor)(CFPB)  
Sent: Friday, May 31, 2013 8:34 AM  
To: Peltz, Maxwell (Max) (CFPB)  
Subject: RE: assignment

Max

These are the credit card complaints from the last year, at this time that's as far back as they will let me go. I will start with the CD complaints today.

jeffrey

From: Peltz, Maxwell (Max) (CFPB)  
Sent: Thursday, May 30, 2013 11:28 AM  
To: Bolden, Jeffrey (Contractor)(CFPB)  
Subject: Re: assignment

Just save and email all relevant complaints. Thx  
Max Peltz

From: Bolden, Jeffrey (Contractor)(CFPB)  
Sent: Thursday, May 30, 2013 09:43 AM  
To: Peltz, Maxwell (Max) (CFPB)  
Subject: RE: assignment

Max

How would you like me to present the information, or list the complaints?

jeffrey

From: Peltz, Maxwell (Max) (CFPB)  
Sent: Wednesday, May 29, 2013 8:43 PM  
To: Bolden, Jeffrey (Contractor)(CFPB)  
Subject: assignment

Hello Jeffrey:

I have an assignment for you that will require some research on Sentinel.

I would like to gather any consumer complaints against Wells Fargo that involve either of the following:

1. Opening a credit card in a consumer's name without the consumer's consent/knowledge/application
2. Closing a CD at maturity and then re-opening a new CD in the consumer's name without giving notice to the consumer

You can go back 18 months to start.

Please let me know if you have any questions.

Thanks very much.

Max Peltz

Enforcement Attorney

Consumer Financial Protection Bureau

Tel: [REDACTED]  
Mob: [REDACTED]

consumerfinance.gov

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Document ID: 0.7.5495.39181

From: Peltz, Maxwell (Max) (CFPB)  
[REDACTED]  
To: Bolden, Jeffrey (Contractor)(CFPB)  
[REDACTED]  
Cc:  
Bcc:  
Subject: Re: Wells Fargo CC Complaints  
Date: Wed Jun 05 2013 11:30:24 EDT  
Attachments:

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That sounds good thx.  
Max Peltz

From: Bolden, Jeffrey (Contractor)(CFPB)  
Sent: Wednesday, June 05, 2013 09:43 AM  
To: Peltz, Maxwell (Max) (CFPB)  
Subject: RE: Wells Fargo CC Complaints

Max

I started with "Wells Fargo", narrowed it under "Sentinel Product Services/Credit Cards" then did searches under "open", "opened", "new", "without". When I found out how to expand the dates to a year and a half again I started with "Wells Fargo, United States and under 'Complaint Metadata/Credit Card' – New, Existing and Unspecified.

In all I'd say I looked at over 500 complaints, most prevalent was identity theft. Let me know if there are some other words or ways you'd like me to search.

jeffrey

From: Peltz, Maxwell (Max) (CFPB)  
Sent: Tuesday, June 04, 2013 5:57 PM  
To: Bolden, Jeffrey (Contractor)(CFPB)  
Subject: RE: Wells Fargo CC Complaints

Thanks, Jeffrey.

This was very helpful.

Just so I know, could you please tell me the search terms you used and describe any further criteria you used to narrow the results?

I'm trying to get an idea of how widespread this phenomenon is.

Thanks.

Max

From: Bolden, Jeffrey (Contractor)(CFPB)  
Sent: Tuesday, June 04, 2013 10:20 AM  
To: Peltz, Maxwell (Max) (CFPB)  
Subject: Wells Fargo CC Complaints

Max

This is the list, and the corresponding reference number and narrative. There are two asterisked complaints that I speak to opening accounts that I thought may be related.

There are a few complaints who's reference number I have that I can't now find on Sentinel, but I'll continue to search for them.

Not having much success with the, "Closing the CD's at maturity and reopening" but will continue.

jeffrey



Document ID: 0.7.5495.9381

From: Franklin, Ben (CFPB)  
[REDACTED]  
To: Hall, Robert (CFPB)  
[REDACTED]  
[REDACTED] Miranda, Carol  
(CFPB)  
[REDACTED] Palmer,  
Donna (CFPB)  
[REDACTED] Sinclair,  
Rosanne (CFPB)  
[REDACTED]  
Cc:  
Bcc:  
Subject: FW: Wells Fargo Whistleblower Tip  
Date: Mon Jun 24 2013 20:46:33 EDT  
Attachments: wells credit card account complaints from sentinel (1).msg  
COMPLAINTS.docx  
CREDIT CARDS OPENED WITHOUT CONSUMER.docx  
tipster materials.pdf  
wells fargo cc.xlsx  
WF 4.xlsx

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FYI

From: Orenstein, Joshua (CFPB)  
Sent: Monday, June 24, 2013 2:30 PM  
To: Franklin, Ben (CFPB)  
Subject: Wells Fargo Whistleblower Tip

Hi Ben,

Our San Fran office asked me to refer a whistleblower tip to your exam team. Accordingly, I'm forwarding their analysis (below) and supporting materials from the tipster and Sentinel (attached). Please let me know if you have any questions.

Thanks,  
Josh

I've looked into the below lead regarding alleged conduct at a Wells Fargo branch in San Francisco.

The tipster alleges a number of things, but the only conduct affecting consumers is the following:

1. the opening of credit cards in consumers' names for which they did not apply – i.e., without their knowledge/consent
2. the “closing and opening of new CDs at maturity rather than changing terms”

The tipster suggested that the conduct at the SF branch was a result of a rogue bank manager – and his minions – trying to inflate their numbers.

A paralegal and I did some Sentinel searching to determine if these were widespread issues across Wells Fargo branches.

As for #1, there were not a very large number of complaints: about 17 nationwide in the past 18 months. They did not appear to be concentrated in any particular branch. Oddly, none of the complaints concerned the San Francisco branch that was the subject of the tip.

As for #2, the tipster's language is quoted above. It is not entirely clear what the allegedly improper conduct is. A bank may rollover a CD automatically at the end of the CD term (unless instructed not to) after giving notice to the CD holder. There were only about 4 complaints nationwide in the past 18 months regarding the rolling over of CDs, but they all seemed to be the result of idiosyncratic errors/confusion, as opposed to a willful pattern of conduct.

In short, the conduct described in #1 appears to be occurring, but on a sporadic basis. Some of it appears to be clerical error; other incidents may be employee misconduct. But as a whole, there does not appear to be a significant pattern of unlawful conduct warranting Enforcement action.

Document ID: 0.7.5495.19062

From: Sachs, Gerald (CFPB)  
[REDACTED]  
To: Anderson, Brandis (CFPB)  
[REDACTED]  
Cc: Orenstein, Joshua (CFPB)  
[REDACTED] Wells,  
John (CFPB)  
[REDACTED]  
Bcc:  
Subject: RE: Lead assigned to Issue Team: Credit Cards & Deposit Accounts  
Date: Tue May 21 2013 09:09:38 EDT  
Attachments:

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Thanks Brandis.

From: Anderson, Brandis (CFPB)  
Sent: Monday, May 20, 2013 7:10 PM  
To: Sachs, Gerald (CFPB)  
Cc: Orenstein, Joshua (CFPB); Wells, John (CFPB)  
Subject: RE: Lead assigned to Issue Team: Credit Cards & Deposit Accounts

Gerry –

This issue identified in the leads database is not within the scope of any current WF exam. Therefore, feel free to write up a RAM on the lead.

Thanks!

Brandis

Brandis C. Anderson

Enforcement Attorney

Consumer Financial Protection Bureau

Tel: [REDACTED]  
Mob: [REDACTED]

Email: [REDACTED]

consumerfinance.gov

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From: Sachs, Gerald (CFPB)  
Sent: Friday, May 17, 2013 4:34 PM  
To: Anderson, Brandis (CFPB); Healey, Jean (CFPB); Salemi, Michael (CFPB)  
Cc: Peterson, Christopher (CFPB); Harris, Rina Tucker (CFPB)  
Subject: RE: Lead assigned to Issue Team: Credit Cards & Deposit Accounts

Perfect. Thank you – let me know, so I can close it out in the Leads database. Have a nice weekend.

From: Anderson, Brandis (CFPB)  
Sent: Friday, May 17, 2013 4:32 PM  
To: Sachs, Gerald (CFPB); Healey, Jean (CFPB); Salemi, Michael (CFPB)  
Cc: Peterson, Christopher (CFPB); Harris, Rina Tucker (CFPB)  
Subject: RE: Lead assigned to Issue Team: Credit Cards & Deposit Accounts

Thank you Gerry. I will forward along to the other Wells Exam Support attorneys (Josh and John) and we will get back to you.

Thanks!

Brandis

Brandis C. Anderson

Enforcement Attorney

Consumer Financial Protection Bureau

Tel: [REDACTED]  
Mob: [REDACTED]

Email: [REDACTED]

consumerfinance.gov

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From: Sachs, Gerald (CFPB)  
Sent: Friday, May 17, 2013 4:22 PM  
To: Healey, Jean (CFPB); Salemi, Michael (CFPB); Anderson, Brandis (CFPB)  
Cc: Peterson, Christopher (CFPB); Harris, Rina Tucker (CFPB)  
Subject: FW: Lead assigned to Issue Team: Credit Cards & Deposit Accounts

Hi all,

This lead relates to Wells Fargo and practices of one particular branch in S.F. Generally, the lead states that the branch is opening up credit cards in consumers' names without telling them and re-opening CDs without giving the consumer notice that the CD has matured. If the allegations are correct re: credit cards, there could be potential criminal implications relating to, among other things, ID Theft and Aggravated ID Theft.

Please let me know if you all will take this lead or whether I should draft a RAM and send it up to the senior team. I think this is more appropriate for you all or the exam support team (if that is not you).

Thanks,

Gerry

From: Harris, Rina Tucker (CFPB)  
Sent: Friday, May 10, 2013 4:44 PM  
To: Sachs, Gerald (CFPB); Peterson, Christopher (CFPB)  
Subject: Lead assigned to Issue Team: Credit Cards & Deposit Accounts

Gerry & Chris

Lead #1457 has been assigned to your teams, Credit Cards & Deposits Accounts. Please access the Leads Database for additional details.

Document ID: 0.7.5495.17428

From: Anderson, Brandis (CFPB)  
[REDACTED]  
To: Orenstein, Joshua (CFPB)  
[REDACTED] Wells,  
John (CFPB) [REDACTED]  
Cc:  
Bcc:  
Subject: Re: Lead assigned to Issue Team: Credit Cards & Deposit Accounts  
Date: Sun May 19 2013 16:35:42 EDT  
Attachments:

---

Nope. Just wasn't sure. Thanks!

Brandis C. Anderson  
Enforcement Attorney  
Consumer Financial Protection Bureau  
[REDACTED]

From: Orenstein, Joshua (CFPB)  
Sent: Sunday, May 19, 2013 04:13 PM  
To: Anderson, Brandis (CFPB); Wells, John (CFPB)  
Subject: Re: Lead assigned to Issue Team: Credit Cards & Deposit Accounts

Pretty sure it's Gerry...do think he's saying otherwise?

From: Anderson, Brandis (CFPB)  
Sent: Sunday, May 19, 2013 02:40 PM  
To: Orenstein, Joshua (CFPB); Wells, John (CFPB)  
Subject: RE: Lead assigned to Issue Team: Credit Cards & Deposit Accounts

Makes sense to me. But does Gerry do the RAM, or does the exam support team do the RAM?

Brandis C. Anderson  
Enforcement Attorney  
Consumer Financial Protection Bureau

Tel: [REDACTED]  
Mob: [REDACTED]

Email: [REDACTED]

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From: Orenstein, Joshua (CFPB)  
Sent: Friday, May 17, 2013 4:37 PM  
To: Anderson, Brandis (CFPB); Wells, John (CFPB)  
Subject: RE: Lead assigned to Issue Team: Credit Cards & Deposit Accounts

My thought is that it if doesn't fall under an existing or pending exam review, then a RAM seems appropriate (although it may end up back with us).

Your thoughts?

From: Anderson, Brandis (CFPB)  
Sent: Friday, May 17, 2013 4:33 PM  
To: Orenstein, Joshua (CFPB); Wells, John (CFPB)  
Subject: FW: Lead assigned to Issue Team: Credit Cards & Deposit Accounts

Thoughts?

Brandis C. Anderson

Enforcement Attorney

Consumer Financial Protection Bureau

Tel: [REDACTED]  
Mob: [REDACTED]

Email: [REDACTED]

consumerfinance.gov

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From: Sachs, Gerald (CFPB)  
Sent: Friday, May 17, 2013 4:22 PM  
To: Healey, Jean (CFPB); Salemi, Michael (CFPB); Anderson, Brandis (CFPB)  
Cc: Peterson, Christopher (CFPB); Harris, Rina Tucker (CFPB)  
Subject: FW: Lead assigned to Issue Team: Credit Cards & Deposit Accounts

Hi all,

This lead relates to Wells Fargo and practices of one particular branch in S.F. Generally, the lead states that the branch is opening up credit cards in consumers' names without telling them and re-opening CDs without giving the consumer notice that the CD has matured. If the allegations are correct re: credit cards, there could be potential criminal implications relating to, among other things, ID Theft and Aggravated ID Theft.

Please let me know if you all will take this lead or whether I should draft a RAM and send it up to the senior team. I think this is more appropriate for you all or the exam support team (if that is not you).

Thanks,

Gerry

From: Harris, Rina Tucker (CFPB)  
Sent: Friday, May 10, 2013 4:44 PM  
To: Sachs, Gerald (CFPB); Peterson, Christopher (CFPB)  
Subject: Lead assigned to Issue Team: Credit Cards & Deposit Accounts

Gerry & Chris

Lead #1457 has been assigned to your teams, Credit Cards & Deposits Accounts. Please access the Leads Database for additional details.



Document ID: 0.7.5495.19200

From: Alexis, Anthony (CFPB)  
[REDACTED]  
To: Sachs, Gerald (CFPB)  
[REDACTED]  
Cc:  
Bcc:  
Subject: RE: Lead assigned to Issue Team: Credit Cards & Deposit Accounts  
Date: Tue May 21 2013 09:59:33 EDT  
Attachments:

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Yes, Max.

From: Sachs, Gerald (CFPB)  
Sent: Tuesday, May 21, 2013 9:09 AM  
To: Alexis, Anthony (CFPB)  
Subject: FW: Lead assigned to Issue Team: Credit Cards & Deposit Accounts

Tony,

Do you have any one looking to pick up a potential Wells Fargo Whistleblower case? The Wells Fargo exam support team has confirmed that the examination is not covering the issues mentioned in this lead. Let me know and I'll forward on – otherwise, I'll have to send it to someone else.

Thanks,

Gerry

From: Sachs, Gerald (CFPB)  
Sent: Friday, May 17, 2013 4:22 PM  
To: Healey, Jean (CFPB); Salemi, Michael (CFPB); Anderson, Brandis (CFPB)  
Cc: Peterson, Christopher (CFPB); Harris, Rina Tucker (CFPB)  
Subject: FW: Lead assigned to Issue Team: Credit Cards & Deposit Accounts

Hi all,

This lead relates to Wells Fargo and practices of one particular branch in S.F. Generally, the lead

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states that the branch is opening up credit cards in consumers' names without telling them and re-opening CDs without giving the consumer notice that the CD has matured. If the allegations are correct re: credit cards, there could be potential criminal implications relating to, among other things, ID Theft and Aggravated ID Theft.

Please let me know if you all will take this lead or whether I should draft a RAM and send it up to the senior team. I think this is more appropriate for you all or the exam support team (if that is not you).

Thanks,

Gerry

From: Harris, Rina Tucker (CFPB)  
Sent: Friday, May 10, 2013 4:44 PM  
To: Sachs, Gerald (CFPB); Peterson, Christopher (CFPB)  
Subject: Lead assigned to Issue Team: Credit Cards & Deposit Accounts

Gerry & Chris

Lead #1457 has been assigned to your teams, Credit Cards & Deposits Accounts. Please access the Leads Database for additional details.

Document ID: 0.7.5495.34992

From: Peltz, Maxwell (Max) (CFPB)  
[REDACTED]  
To: Ehrlich, Jeffrey (CFPB)  
[REDACTED]  
Cc:  
Bcc:  
Subject: RE: Lead assigned to Issue Team: Credit Cards & Deposit Accounts  
Date: Tue May 28 2013 18:29:31 EDT  
Attachments:

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We haven't discussed. I got it by email last week when I was in Nita.

Somehow Tony told Gerry to send it my way.

From: Ehrlich, Jeffrey (CFPB)  
Sent: Tuesday, May 28, 2013 3:27 PM  
To: Peltz, Maxwell (Max) (CFPB)  
Subject: Re: Lead assigned to Issue Team: Credit Cards & Deposit Accounts

Have we discussed this before? It sounds familiar to me.

Jeff Ehrlich  
Assistant Litigation Deputy  
Office of Enforcement  
Mob: [REDACTED]  
Tel: [REDACTED]

From: Peltz, Maxwell (Max) (CFPB)  
Sent: Tuesday, May 28, 2013 06:24 PM  
To: Ehrlich, Jeffrey (CFPB)  
Subject: FW: Lead assigned to Issue Team: Credit Cards & Deposit Accounts

Hey Jeff:

I got this "lead" regarding alleged conduct at a Wells Fargo branch in San Francisco.

I'm not sure how I proceed.

The lead appears to be from a Wells Fargo employee. It suggests that the conduct is the product of a rogue bank manager and his minions.

The tipster alleges a number of things, but the only conduct affecting consumers is:

1. opening up credit cards in consumers' names for which they did not apply
2. closing CDs at maturity and then re-opening new CDs on the same terms without giving the consumers notice

The documents attached to the lead do not concern above conduct, but something else that does not appear to affect consumers.

I am assuming that the next step would be to write up a RAM.

I'm thinking that we would not be interested in a one-off relating to conduct attributable to a rogue branch manager, but we might want to find out if (1) there are complaints about this happening at other Wells branches and

(2) whether there is a failure of oversight/compliance management systems (though the latter sounds pretty supervisory to me).

Thanks for your thoughts.

Max

From: Sachs, Gerald (CFPB)  
Sent: Tuesday, May 21, 2013 7:07 AM  
To: Peltz, Maxwell (Max) (CFPB)  
Cc: Alexis, Anthony (CFPB)  
Subject: FW: Lead assigned to Issue Team: Credit Cards & Deposit Accounts

Hey Max,

Tony mentioned that you might be interested in this lead about Wells Fargo. The lead number from the Leads Database is 1457. I'm going to put it in the database as referred to you. If you decide not to take it – please let me know. It does sound like an interesting lead. I have not spoken to the whistleblower, so please feel free to contact him. You are likely going to have some push back from Supervision; however, according to the exam support team there is neither an examination nor scoping for an examination regarding this issue.

Thanks,

Gerry

From: Sachs, Gerald (CFPB)  
Sent: Friday, May 17, 2013 4:22 PM  
To: Healey, Jean (CFPB); Salemi, Michael (CFPB); Anderson, Brandis (CFPB)  
Cc: Peterson, Christopher (CFPB); Harris, Rina Tucker (CFPB)  
Subject: FW: Lead assigned to Issue Team: Credit Cards & Deposit Accounts

Hi all,

This lead relates to Wells Fargo and practices of one particular branch in S.F. Generally, the lead states that the branch is opening up credit cards in consumers' names without telling them and re-opening CDs without giving the consumer notice that the CD has matured. If the allegations are correct re: credit cards, there could be potential criminal implications relating to, among other things, ID Theft and Aggravated ID Theft.

Please let me know if you all will take this lead or whether I should draft a RAM and send it up to the senior team. I think this is more appropriate for you all or the exam support team (if that is not you).

Thanks,

Gerry

From: Harris, Rina Tucker (CFPB)  
Sent: Friday, May 10, 2013 4:44 PM  
To: Sachs, Gerald (CFPB); Peterson, Christopher (CFPB)  
Subject: Lead assigned to Issue Team: Credit Cards & Deposit Accounts

Gerry & Chris

Lead #1457 has been assigned to your teams, Credit Cards & Deposits Accounts. Please access the

Leads Database for additional details.

Document ID: 0.7.5495.35015

From: Peltz, Maxwell (Max) (CFPB)  
 [REDACTED]  
 To: Ehrlich, Jeffrey (CFPB)  
 [REDACTED]  
 Cc:  
 Bcc:  
 Subject: Re: Lead assigned to Issue Team: Credit Cards & Deposit Accounts  
 Date: Tue May 28 2013 22:00:29 EDT  
 Attachments:

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Ok. Will do.  
 Max Peltz

From: Ehrlich, Jeffrey (CFPB)  
 Sent: Tuesday, May 28, 2013 08:30 PM  
 To: Peltz, Maxwell (Max) (CFPB)  
 Subject: Re: Lead assigned to Issue Team: Credit Cards & Deposit Accounts

I can't believe I'm saying this, but this seems to me like something we ought to present to Supervision. Maybe check Sentinel first to determine whether there are complaints that indicate this might be widespread. If you agree, send a separate email to Tony proposing this action and see whether he approves. Thx.

Jeff Ehrlich  
 Assistant Litigation Deputy  
 Office of Enforcement  
 Mob: [REDACTED]  
 Tel: [REDACTED]

From: Peltz, Maxwell (Max) (CFPB)  
 Sent: Tuesday, May 28, 2013 06:24 PM  
 To: Ehrlich, Jeffrey (CFPB)  
 Subject: FW: Lead assigned to Issue Team: Credit Cards & Deposit Accounts

Hey Jeff:

I got this "lead" regarding alleged conduct at a Wells Fargo branch in San Francisco.

I'm not sure how I proceed.

The lead appears to be from a Wells Fargo employee. It suggests that the conduct is the product of a rogue bank manager and his minions.

The tipster alleges a number of things, but the only conduct affecting consumers is:

1. opening up credit cards in consumers' names for which they did not apply
2. closing CDs at maturity and then re-opening new CDs on the same terms without giving the consumers notice

The documents attached to the lead do not concern above conduct, but something else that does not appear to affect consumers.

I am assuming that the next step would be to write up a RAM.

I'm thinking that we would not be interested in a one-off relating to conduct attributable to a rogue branch manager, but we might want to find out if (1) there are complaints about this happening at other Wells branches and

(2) whether there is a failure of oversight/compliance management systems (though the latter sounds pretty supervisory to me).

Thanks for your thoughts.

Max

From: Sachs, Gerald (CFPB)  
Sent: Tuesday, May 21, 2013 7:07 AM  
To: Peltz, Maxwell (Max) (CFPB)  
Cc: Alexis, Anthony (CFPB)  
Subject: FW: Lead assigned to Issue Team: Credit Cards & Deposit Accounts

Hey Max,



Tony mentioned that you might be interested in this lead about Wells Fargo. The lead number from the Leads Database is 1457. I'm going to put it in the database as referred to you. If you decide not to take it – please let me know. It does sound like an interesting lead. I have not spoken to the whistleblower, so please feel free to contact him. You are likely going to have some push back from Supervision; however, according to the exam support team there is neither an examination nor scoping for an examination regarding this issue.

Thanks,

Gerry

From: Sachs, Gerald (CFPB)  
Sent: Friday, May 17, 2013 4:22 PM  
To: Healey, Jean (CFPB); Salemi, Michael (CFPB); Anderson, Brandis (CFPB)  
Cc: Peterson, Christopher (CFPB); Harris, Rina Tucker (CFPB)  
Subject: FW: Lead assigned to Issue Team: Credit Cards & Deposit Accounts

Hi all,

This lead relates to Wells Fargo and practices of one particular branch in S.F. Generally, the lead states that the branch is opening up credit cards in consumers' names without telling them and re-opening CDs without giving the consumer notice that the CD has matured. If the allegations are correct re: credit cards, there could be potential criminal implications relating to, among other things, ID Theft and Aggravated ID Theft.

Please let me know if you all will take this lead or whether I should draft a RAM and send it up to the senior team. I think this is more appropriate for you all or the exam support team (if that is not you).

Thanks,

Gerry

From: Harris, Rina Tucker (CFPB)  
Sent: Friday, May 10, 2013 4:44 PM  
To: Sachs, Gerald (CFPB); Peterson, Christopher (CFPB)  
Subject: Lead assigned to Issue Team: Credit Cards & Depost Accounts

Gerry & Chris

Lead #1457 has been assigned to your teams, Credit Cards & Deposits Accounts. Please access the Leads Database for additional details.

Document ID: 0.7.5495.40262

From: Alexis, Anthony (CFPB)  
[REDACTED]  
To: Peltz, Maxwell (Max) (CFPB)  
[REDACTED]  
Cc: Ehrlich, Jeffrey (CFPB)  
[REDACTED]  
Bcc:  
Subject: RE: Lead assigned to Issue Team: Credit Cards & Deposit Accounts  
Date: Fri Jun 07 2013 07:26:23 EDT  
Attachments:

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Thanks. That sounds correct. Please communicate it to Gerry. Also make sure the database tracks that you kicked it back to Gerry (i.e. that it's not sitting unattended some place).

T

From: Peltz, Maxwell (Max) (CFPB)  
Sent: Thursday, June 06, 2013 4:32 PM  
To: Alexis, Anthony (CFPB)  
Cc: Ehrlich, Jeffrey (CFPB)  
Subject: FW: Lead assigned to Issue Team: Credit Cards & Deposit Accounts

Tony:

I've looked into the below lead regarding alleged conduct at a Wells Fargo branch in San Francisco. The lead appears to have come from a current or former Wells employee.

The tipster alleges a number of things, but the only conduct affecting consumers is the following:

1. the opening of credit cards in consumers' names for which they did not apply – i.e., without their knowledge/consent
2. the "closing and opening of new CDs at maturity rather than changing terms"

The tipster suggested that the conduct at the SF branch was a result of a rogue bank manager – and his minions – trying to inflate their numbers.

A paralegal and I did some Sentinel searching to determine if these were widespread issues across Wells Fargo branches.

As for #1, there were not a very large number of complaints: about 17 nationwide in the past 18 months. They did not appear to be concentrated in any particular branch. Oddly, none of the complaints concerned the San Francisco branch that was the subject of the tip.

As for #2, the tipster's language is quoted above. It is not entirely clear what the allegedly improper conduct is. A bank may rollover a CD automatically at the end of the CD term (unless instructed not to) after giving notice to the CD holder. There were only about 4 complaints nationwide in the past 18 months regarding the rolling over of CDs, but they all seemed to be the result of idiosyncratic errors/confusion, as opposed to a willful pattern of conduct.

In short, the conduct described in #1 appears to be occurring, but on a sporadic basis. Some of it appears to be clerical error; other incidents may be employee misconduct. But as a whole, there does not appear to be a significant pattern of unlawful conduct warranting Enforcement action.

Therefore I would suggest that #1 be addressed by Supervision, but I would not recommend any further investigation by Enforcement.

Max

From: Sachs, Gerald (CFPB)  
Sent: Tuesday, May 21, 2013 7:07 AM  
To: Peltz, Maxwell (Max) (CFPB)  
Cc: Alexis, Anthony (CFPB)  
Subject: FW: Lead assigned to Issue Team: Credit Cards & Deposit Accounts

Hey Max,

Tony mentioned that you might be interested in this lead about Wells Fargo. The lead number from the Leads Database is 1457. I'm going to put it in the database as referred to you. If you decide not to take it – please let me know. It does sound like an interesting lead. I have not spoken to the whistleblower, so please feel free to contact him. You are likely going to have some push back from Supervision; however, according to the exam support team there is neither an examination nor scoping for an examination regarding this issue.

Thanks,

Gerry

From: Sachs, Gerald (CFPB)  
Sent: Friday, May 17, 2013 4:22 PM  
To: Healey, Jean (CFPB); Salemi, Michael (CFPB); Anderson, Brandis (CFPB)  
Cc: Peterson, Christopher (CFPB); Harris, Rina Tucker (CFPB)  
Subject: FW: Lead assigned to Issue Team: Credit Cards & Deposit Accounts

Hi all,

This lead relates to Wells Fargo and practices of one particular branch in S.F. Generally, the lead states that the branch is opening up credit cards in consumers' names without telling them and re-opening CDs without giving the consumer notice that the CD has matured. If the allegations are correct re: credit cards, there could be potential criminal implications relating to, among other things, ID Theft and Aggravated ID Theft.

Please let me know if you all will take this lead or whether I should draft a RAM and send it up to the senior team. I think this is more appropriate for you all or the exam support team (if that is not you).

Thanks,

Gerry

From: Harris, Rina Tucker (CFPB)  
Sent: Friday, May 10, 2013 4:44 PM  
To: Sachs, Gerald (CFPB); Peterson, Christopher (CFPB)  
Subject: Lead assigned to Issue Team: Credit Cards & Deposit Accounts

Gerry & Chris

Lead #1457 has been assigned to your teams, Credit Cards & Deposits Accounts. Please access the Leads Database for additional details.

**Ehrlich, Jeffrey (CFPB)**

---

**From:** Ehrlich, Jeffrey (CFPB)  
**Sent:** Friday, September 23, 2016 10:32 AM  
**To:** France, Elizabeth (CFPB)  
**Cc:** Tindall, Anne (CFPB); Galicia, Catherine (CFPB); Pippin, Matthew (CFPB); Szybala, Julia (CFPB); Naylor, Jonathan (CFPB); Boison, Elizabeth (CFPB)  
**Subject:** RE: Outline  
**Attachments:** HFSC WF Briefing Outline---jpe.docx

Thanks, Beth. I've made a few edits to streamline it a bit at the beginning and to put it in my own words. Would you mind taking a luck. Copying Anne, Catherine, Pipp, Julia, Liz, and Jonathan Naylor. Please forward to anyone I inadvertently excluded. Thanks!

Jonathan – Please note that I modified this bullet as follows:

- CFPB assigns an EIC to Wells Fargo deposits exam in January 2015. This kicks off a process by which the exam is “scoped” to determine what issues will be covered. The intent is to begin exam later in the year.

Is that okay?

Jeff Ehrlich  
 Deputy Enforcement Director  
 Office: [REDACTED] Mobile: [REDACTED]  
 Consumer Financial Protection Bureau  
[consumerfinance.gov](http://consumerfinance.gov)

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**From:** France, Elizabeth (CFPB)  
**Sent:** Thursday, September 22, 2016 5:01 PM  
**To:** Ehrlich, Jeffrey (CFPB)  
**Subject:** Outline

This is the latest one. Please use it for revisions rather than the version I sent you earlier this afternoon.

**Beth France**  
 Counsel  
 Litigation & Oversight | Legal Division  
 Office: [REDACTED]  
 Consumer Financial Protection Bureau  
[consumerfinance.gov](http://consumerfinance.gov)

Confidentiality Notice: If you received this email by mistake, you should notify the sender of the mistake and delete the e-mail and any attachments. An inadvertent disclosure is not intended to waive any

privileges.

**Overview:**

- Introduction.
- I'm here to help you understand the Bureau's role in the Wells Fargo matter, including a tick-tock of critical points along the timeline.
- I'll be glad to answer questions along the way if you don't understand something I'm saying, but I ask your indulgence to allow me to get through my presentation, as I suspect I'll get to many of the questions you likely have.
- There will be plenty of time for all of your questions at the end. We are here for your benefit and intend to be as helpful as we can.
- Before I get to the timeline, let me summarize in just a few sentences what we found and the relief we imposed.
  - Summary of four claims.
  - Summary of relief: redress, conduct provisions, penalty.

**2013:**

- We learned from whistleblower complaints about possible problems with Wells Fargo's sales culture.
- The Bureau evaluated these complaints and the information contained in the *LA Times* articles in October and December 2013 and determined that we should use supervisory tools to look into these issues.
- Pause here to make two points:
  - Our supervision program was nascent.
  - Let me provide some context for what we knew at the time. Discuss changing focus.

**2014:**

- In early 2014, the Bureau identifies Wells Fargo deposit operations for a 2015 exam.

**2015:**

- CFPB assigns an EIC to Wells Fargo deposits exam in January 2015. This kicks off a process by which the exam is "scoped" to determine what issues will be covered. The intent is to begin exam later in the year.
- On May 4, 2015, Wells Fargo Senior VP calls West Regional Director to notify Bureau about LA law suit, which is filed that day.
  - We have heard that you've been told this is the first time the Bureau learned of these issues at Wells Fargo. As you can tell from the timeline I've discussed so far, that is not true.



- I've heard that the bank has characterized this as it "self-reporting" to the Bureau. This was not "self-reporting."
- Soon after, Bureau staff contacted the Los Angeles City Attorney to gather information about their allegations.
- On May 8, 2015, Bureau initiated direct contact with Wells Fargo regarding sales practices. This letter requested a comprehensive description of the company's sales policies and practices and copies of any work planned or completed to look into allegations involved in LA suit.
  - Wells responded on June 8 denying that these issues reflect systemic wrongdoing or reflect the Wells Fargo business model.
  - Their response discussed Wells Fargo strategy, culture, policies/procedures, training, risk management processes, and an investigation Wells was conducting through in-house counsel.
  - Wells Fargo produced a sales-and-service quality manual and some training materials.
- On June 25, Bureau sent follow-up letter to Wells Fargo, seeking work product from Wells Fargo inquiries into the allegations and noting these documents had been requested on May 8 but not provided on June 8. The Bureau also requested copies of any follow up audits or reports used to determine if activity continued beyond November 2013.
  - Wells Fargo replied on July 10 and provided an investigation summary document, 2013 reporting/monitoring material, information related to ongoing simulated funding monitoring, and presentations/memos to senior management or the Board.
- Later that summer, Bureau staff coordinated with other regulators to further develop understanding of problems.
- On October 26, 2015, Wells Fargo provides oral description of harm from sales practices to CFPB staff.
- On November 18, 2015, Wells Fargo provides written summary of issues discussed on October 26 call. Specifically:
  - Status of PWC review and target completion date (January 2016)
  - Described remediation process that began on October 23, 2015, in which Wells Fargo called customers and issued refund checks.
  - Stated that 70 employees were terminated in 2013-2014 for involvement in simulated funding.
  - Stated that Wells Fargo analysis identified ~3500 potentially affected accounts, which it narrowed to 610 (by excluding accounts with certain consumer-initiated activity).
  - Stated that Wells Fargo sent 243 remediation checks totaling \$11,398. That sum alone gives you a sense of the gross understatement of events that Wells was peddling to the Bureau.

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**DRAFT**

**2016:**

- The Bureau's response evolved as the scope and seriousness of the conduct became clear.
  - It became clear that the issues went beyond employees being fired for failing to meet aggressive sales targets and using improper tactics to persuade consumer to open accounts.
  - It became clear that our Supervisory tools were not adequate, due mainly to the bank's lack of candor.
  - It became clear that the scope of the problem warranted the attention of ENF staff.
- On March 3, Bureau notifies Wells Fargo that Bureau will pursue an ENF investigation.
- Describe Bureau investigation.

**Szybala, Julia (CFPB)**

---

**From:** Szybala, Julia (CFPB)  
**Sent:** Thursday, May 4, 2017 12:32 PM  
**To:** Coleman, John (CFPB); Chow, Edwin (CFPB)  
**Cc:** King, David (CFPB); France, Elizabeth (CFPB)  
**Subject:** Wells Supervision Docs  
**Attachments:** (CSI) Wells Timeline for Hearing Prep 4.0.doc.docx; Wells ExamHistory.pdf; Wells Fargo Supervision Background Document as of 3-29-17 (3).docx (Key ....docx; Service Providers Exam TPs for 04-05-17 RC Hearing - From Materials Clea....docx

Just as an FYI, attached are the documents Supervision has shared with us related to their work on Wells. I don't think these will be relevant to our upcoming staff briefing, but just thought you all might find it helpful as background.

CONFIDENTIAL SUPERVISORY INFORMATION  
 PRIVILEGED & CONFIDENTIAL (9/15/16 1 pm DRAFT)

Date	Action	External Stakeholder	Comments
10.3.2013	L.A. Times Article: Wells Fargo Accuses Workers of Opening Fake Accounts to Meet Goals, L.A. Times		<a href="http://articles.latimes.com/2013/oct/03/business/la-fi-1004-wells-fargo-firings-20131004">http://articles.latimes.com/2013/oct/03/business/la-fi-1004-wells-fargo-firings-20131004</a>
12.21.2013	L.A. Times Article: Wells Fargo's Pressure-Cooker Sales Culture Comes at a Cost		<a href="http://www.latimes.com/business/la-fi-wells-fargo-salepressure-20131222-story.html">http://www.latimes.com/business/la-fi-wells-fargo-salepressure-20131222-story.html</a>
12.28.2013	L.A. Times Article: Times Investigation of Wells Fargo Culture Provokes Strong Reaction		<a href="http://articles.latimes.com/2013/dec/28/business/la-fi-mo-wells-fargo-sales-pressure-20131228">http://articles.latimes.com/2013/dec/28/business/la-fi-mo-wells-fargo-sales-pressure-20131228</a>
1.3.2014	CFPB exam staff circulates the L.A. Times article within the agency		
4.2014	For CFPB's annual exam prioritization process, W. Region submits the Wells Deposit IPL as having a 5 (highest) risk rating based on field market intelligence (FMI) such as the L.A. Times articles		
6.19.2014	OSP concurs that Wells Fargo's deposit operations were high risk and designated examinations of this IPL during 2015 as a "must do"		
1.2015	CFPB assigns an EIC to Wells deposits exam, scheduled to commence 12.27.2015		
4.3.2015	First OCC Exam report on Branch Sales Practices	OCC	Report had minimal findings; found that risk oversight of branch sales practices was generally effective
5.4.2015	Wells SVP and GC calls W. Regional Director to notify of LA Lawsuit		Not effective self-reporting, per the Bureau's Responsible Conduct Bulletin

CONFIDENTIAL SUPERVISORY INFORMATION  
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5.4.2015	City of Los Angeles files suit/news articles ensue	City of LA	RD notifies Senior SEFL management
5.8.2015	W. Region shares CFPB Letter, as approved by OSE and OSP, with ENF and OSP		
5.8.2015	CFPB letter to Wells		Letter requested a comprehensive description of the company's consumer financial service sales policies and practices in this area, and copies of any and all work Wells Fargo may have performed to date, or have planned, to look into these allegations
6.8.2105	Wells responds to 5.8.2015 Letter		
6.10.2015	Region discusses with OSP		
6.25.2015	CFPB follow-up letter to Wells		Requesting additional information, including internal investigation results
6.26.2015	Second OCC Report issued on Branch Sales Practices	OCC	Withdrew First OCC Report; included MRAs with requirements that the Bank obtain independent reviews of both branch practices and consumer harm
7.10.2015	Wells Response Received by CFPB		Review of materials
8.14.2015	Prudentials contacted	OCC/FRB	Initial discussion and invited Prudentials (OCC/FRB) to first Update Meeting 8.20.2015
8.20.2015	First CFPB Update Meeting with Wells	OCC/FRB	Prudentials (OCC/FRB) also attend; CFPB learns that third-party review underway in response to OCC second exam report; third-party reports requested for CFPB
8.20.2015	CFPB receives second OCC Branch Sales Practices exam report, dated 6.26.2015	OCC	OCC MRAS are very strong. OCC taking own monitoring action – may resolve through MRA, MOU or move to ENF. FRB is monitoring.
8.24.2015	CFPB receives first OCC Branch Sales Practices exam report, dated 4.3.2015	OCC	Upon request, OCC sent the first OCC branch sales report to CFPB in which they found Community Banking sales practice risk oversight was “generally effective.”
9.28.15	CFPB exam scoping process for Wells' deposits IPL begins, with intent to commence exam, including		Branch sales practices ultimately carved out of deposits exam, per 2.26.16 decision of SEFL Associate Director.

CONFIDENTIAL SUPERVISORY INFORMATION  
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	branch sales practices, on 12.27.2015		
10.26.2015	Wells orally provides CFPB initial consumer harm estimate due to sales practices		Initial cut. Also contains information for 2013 and 2014.
11.18.2015	Internal Wells Customer Harm Response		Follow up to the 10.26.2015 Discussion.
12.4.2015	CFPB update meeting with Wells	OCC/FRB	Prudentials (OCC/FRB) attend
12.18.2015	Region consults OSP and ENF on next steps		Discussion on course of action to include subsequent letter to Wells
1.13.2016	Region, OSP, and ENF continue discussion of potential supervisory information-request letter		This supervisory information-request letter was not sent, given the opening of an ENF investigation
2.11.2016	RD meeting with Wells to discuss consumer harm		
2.26.2016	OSE memo to SEFL Associate Director recommending ENF as tool choice; SEFL Associate Director determines after discussion and review, including information recently received from the West Region, that the matter is appropriately referred to ENF		
3.3.2016	W. Region notifies Wells Fargo that the matter had been transferred from Supervision to Enforcement		
3.7.2016	ENF's Opening Investigation Memo		
7.12.2016	Settle or Sue Authority Granted		
9.2.2016	Recommendation Memo to Enter into Consent Order		
9.6.2016	Consent Order signed and filed		

## Service Provider Examinations<sup>1</sup>

- We are in the beginning stages of building out our direct service provider examination program.
- This includes looking at compliance management systems that are sold by service providers to banks and nonbanks.
- We are building in-house expertise to support our ability to examine compliance systems.
- We believe this will provide the CFPB the opportunity to monitor and potentially reduce risks to consumers broadly across a number of institutions and to learn significant new information about compliance in particular markets.
- As with other areas that were new to us – for example when we first started supervising consumer reporting agencies, debt collectors, or other new areas – one of our first goals is to make sure that we understand the service provider, its business, and how it approaches compliance management. Thus, we generally first conduct a baseline review.
- Then, we typically look at more specific areas, such as a particular product line or activity.
- The CFPB is currently planning to first focus our attention on two markets: mortgage servicing and mortgage origination. There are several factors which lead to risk in these particular markets, including:
  - These are markets that can pose significant risks to consumers;
  - The substantial reliance on service providers present in these markets; and
  - Problems identified in previous CFPB examinations in the mortgage servicing markets related to servicing platforms, payment processors, and escrow service providers.
- We plan to initiate more comprehensive and systematic examination work regarding a targeted group of major service providers during 2017, then build on this initial work as we explore the most effective uses of our service provider examination authority.

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<sup>1</sup> Language is adapted from P. Twohig Q&A for PLI Consumer Financial Services Institute Panel, Cleared 3/24/17

Data as of: Current

\*\*\*\*\* SENSITIVE \*\*\*\*\*

### Consumer Financial Protection Bureau Examination History

Sort: DefaultSortDate descending,  
Exam Type ascending

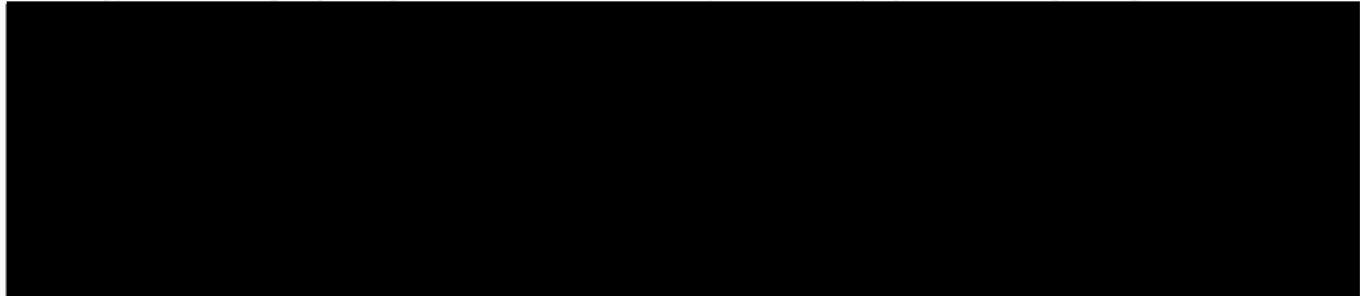
WELLS FARGO BANK, NATIONAL ASSOCIATION  
Sioux Falls, SD  
West

Compliance exam due:

[\[Create New Exam\]](#)

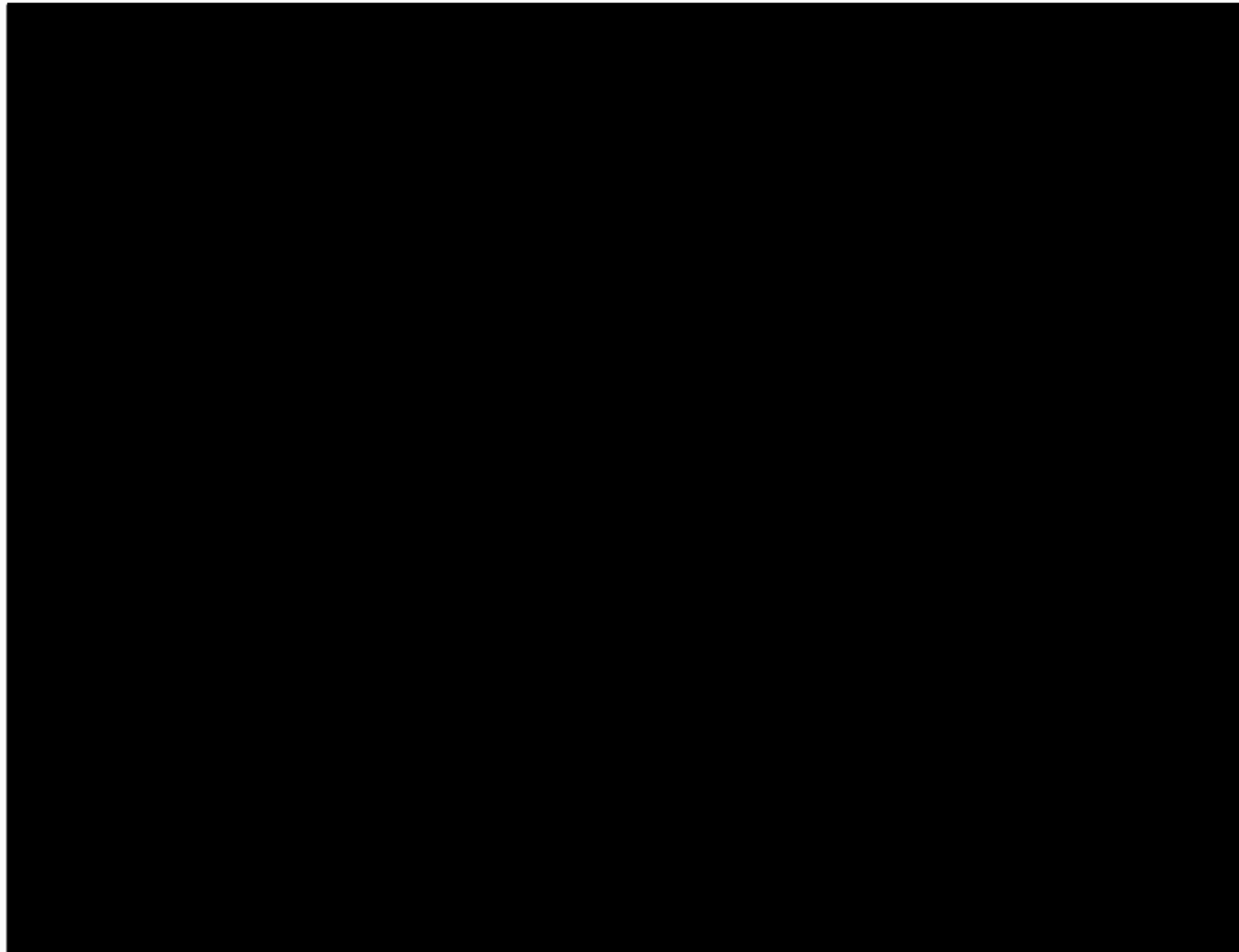
Days = Hours / 9

<a href="#">Review</a>	<a href="#">Lead</a>	<a href="#">Compliance</a>					<a href="#">Start</a>	<a href="#">CFPB</a>	<a href="#">Other</a>	<a href="#">Total</a>	<a href="#">EIC</a>
<a href="#">Type</a>	<a href="#">ExamID</a>	<a href="#">Agency</a>	<a href="#">Rating</a>	<a href="#">Sched</a>	<a href="#">Start</a>	<a href="#">Complete</a>	<a href="#">Mail</a>	<a href="#">Assets</a>	<a href="#">Days</a>	<a href="#">Agency</a>	<a href="#">Total</a>
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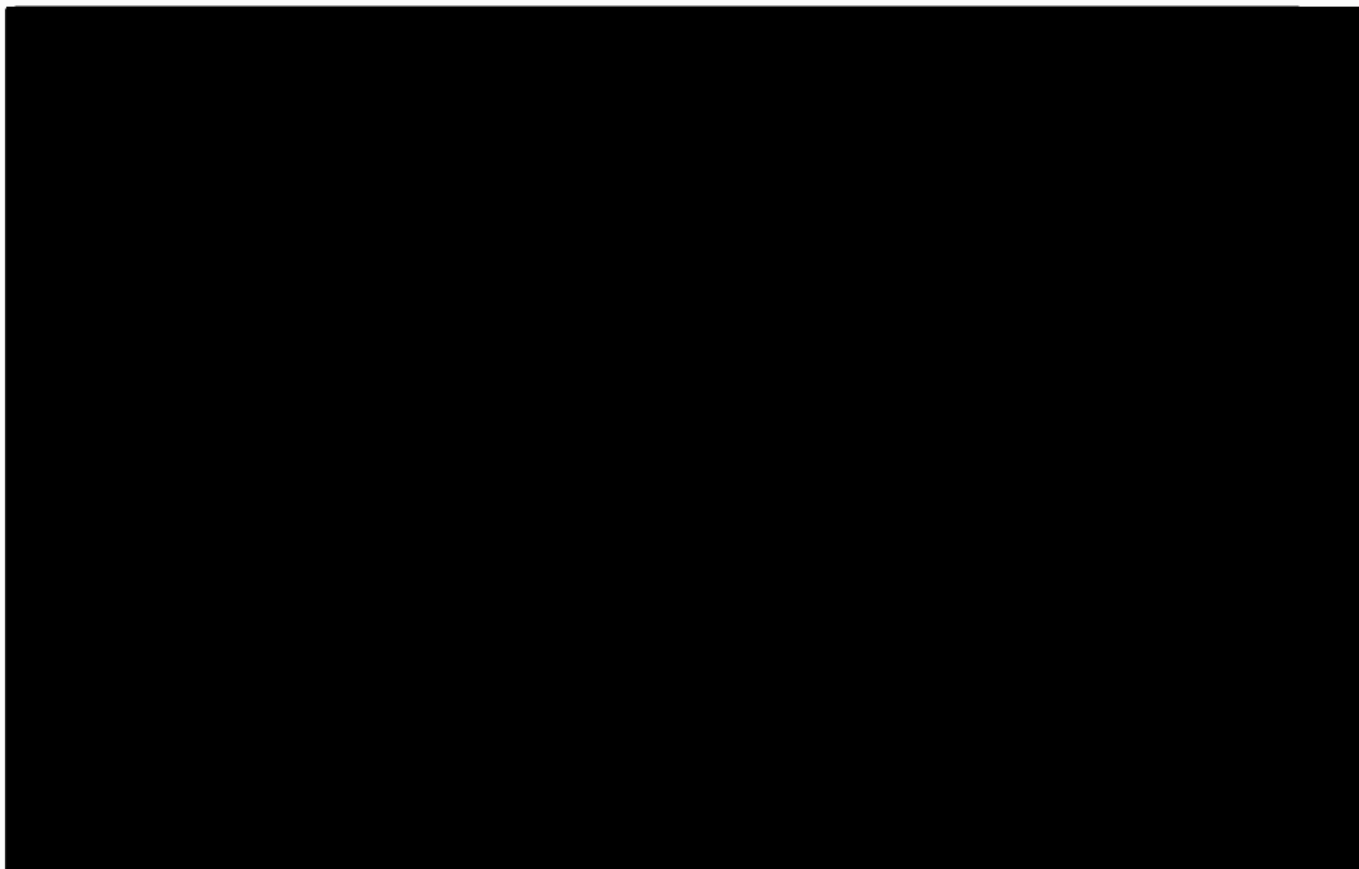


12 2328 CFPB - 08/27/2016 1,553,871 0.0 0.0 0.0 PHANHO

Areas of Review: Deposits









301 Howard Street, 12<sup>th</sup> Floor, San Francisco CA 94105

## **Wells Fargo Examination Team Work since 2011**

Background: Since the CFPB start up at Wells Fargo, the examination team has conducted a number of exams resulting in significant regulatory actions such as Consent Orders, a Memorandum of Understanding (MOU), or numerous Supervisory activities in the form of Matters Requiring Attention (MRAs). It should be noted that in the first two years, the onsite exam team faced a number of additional hurdles that made supervisory examination or monitoring more burdensome. These include overly broad bank management claims limiting CFPB access based on purview and privilege, not allowing examiners read-only access to bank IT systems, an inadequate bank Compliance Management System (CMS) system, and lack of an enterprise-wide compliance governance structure.

### **Systemic CMS Weaknesses**

The Bank's CMS remains weak and significant improvement is required including increased focus by the board and management to achieve a satisfactory compliance CMS function. CFPB targeted reviews in various business lines consistently disclosed serious CMS weaknesses that contributed to issues and violations of Federal consumer financial laws that caused consumer harm. The target reviews listed below primarily included an assessment of CMS as it pertained to the business line under review; however, on a more limited basis, we also assessed some aspects of the enterprise level CMS through our ongoing monitoring efforts. With respect to CMS weaknesses we noted shortcomings in management and board of director (board) oversight; policies, procedures, and training in the respective business lines; overall compliance testing and monitoring; lack of system-wide complaint management; and internal audit policy, processes, and procedures.

Most recent, the board and management's failure to curtail longstanding unfair and abusive retail branch sales practices or deposit activities is another sign of an unsatisfactory CMS. The findings detailed in our examinations consistently demonstrate that internal procedures and controls have not proven effective and are seriously deficient. Consequently, while we noted management's reported positive actions to improve the Bank's CMS and overall compliance risk, many of these items are new or still in process. We have not had the opportunity to review the effectiveness or sustainability of reported corrective actions.

301 Howard Street, 12<sup>th</sup> Floor, San Francisco CA 94105Examination Overview<sup>1</sup>:

Exam Type	EID	Number of MRAs	Action	Start Date	End Date
[Sales Practices]	--		Consent Order	9/8/2016	
<b>Total MRAs</b>			<b>129</b>		
<b>Total Consent Orders</b>			<b>3</b>		
<b>Total Memoranda of Understanding</b>			<b>1</b>		
<b>Total Pending Enforcement</b>			<b>2</b>		

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<sup>1</sup> See Appendix A for greater detail.

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

September 16, 2016

The Honorable Richard Cordray  
 Director  
 Bureau of Consumer Financial Protection  
 1700 G Street, NW  
 Washington, D.C. 20552

Dear Director Cordray:

Last week, the Consumer Financial Protection Bureau (Bureau) levied a \$100 million civil penalty against Wells Fargo Bank, N.A. (Wells Fargo) “for the widespread illegal practice of secretly opening unauthorized deposit and credit card accounts.”<sup>1</sup> According to the Bureau’s Consent Order, Wells Fargo employees opened 1,534,280 potentially unauthorized accounts that resulted in the imposition of fees in excess of \$2 million on unsuspecting consumers.<sup>2</sup> It has since been reported that these actions have been attributed to aggressive “cross-selling,” mostly in Wells Fargo’s Community Banking division, where over 5,000 employees have been fired,<sup>3</sup> and that allegations of this misconduct first surfaced as early as 2011, and were “widely revealed in 2013.”<sup>4</sup>

The Committee is very concerned by these serious allegations and is investigating Wells Fargo’s sales practices and corresponding agreements with the Bureau and the Office of the Comptroller of the Currency to evaluate the application, administration, execution, and effectiveness of Federal laws. Accordingly, to allow the Committee to carry out its oversight responsibilities under the House Rules,<sup>5</sup> please produce the following records by not later than Friday, September 23, 2016:

- (1) All records<sup>6</sup> relating to aforementioned allegations of fraudulent or improper activity by Wells Fargo and/or its officers, employees, or directors;

<sup>1</sup> Wells Fargo is also paying an additional \$35 million penalty to the Office of the Comptroller of the Currency and another \$50 million to the City and County of Los Angeles; See *Consumer Financial Protection Bureau Fines Wells Fargo \$100 Million for Widespread Illegal Practices of Secretly Opening Unauthorized Accounts*, (Sep. 8, 2016), available at <http://www.consumerfinance.gov/about-us/newsroom/consumer-financial-protection-bureau-fines-wells-fargo-100-million-widespread-illegal-practice-secretly-opening-unauthorized-accounts/>.

<sup>2</sup> Consumer Financial Protection Bureau, *Consent Order In the Matter of: Wells Fargo Bank, N.A., 2016-CFPB-0015*, (Sep. 8, 2016), available at [http://files.consumerfinance.gov/f/documents/092016\\_cfpb\\_WFBconsentorder.pdf](http://files.consumerfinance.gov/f/documents/092016_cfpb_WFBconsentorder.pdf).

<sup>3</sup> See, e.g., Adam Davidson, “How Regulation Failed with Wells Fargo,” *THE NEW YORKER*, (Sept. 12, 2016), available at <http://www.newyorker.com/business/currency/the-record-fine-against-wells-fargo-points-to-the-failure-of-regulation>.

<sup>4</sup> *Id.*

<sup>5</sup> Rule X, Rules of the House of Representatives, 114th Cong.

<sup>6</sup> The term “records” means any written, recorded, or graphic matter of any nature whatsoever, regardless of how recorded or preserved, and whether original or copy.

The Hon. Richard Cordray

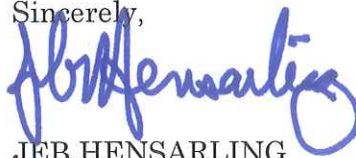
September 16, 2016

Page 2

- (2) Any documents or communications including, but not limited to, e-mails, between CFPB and Wells Fargo employees, officers, and/or directors, in the course of the CFPB's review of Wells Fargo's sales practices; and
- (3) Any documents detailing supervisory policies and procedures of the CFPB that were in force while Wells Fargo was initially alleged to have engaged in the fraudulent or improper activity in 2011, which were designed to detect such fraudulent or improper activity from occurring.

Any questions regarding this request should be directed to Katelyn Christ or Elie Greenbaum of the Committee staff at (202) 225-7502.

Sincerely,



JEB HENSARLING  
Chairman

cc: The Honorable Maxine Waters, Ranking Member



1275 First Street NE, Washington, DC 20002

September 23, 2016

The Honorable Jeb Hensarling  
Chairman  
Committee on Financial Services  
U.S. House of Representatives  
2129 Rayburn House Office Building  
Washington, DC 20515

Dear Chairman Hensarling,

Thank you for your letter of September 16, 2016 regarding the Consumer Financial Protection Bureau's enforcement action against Wells Fargo Bank. The Bureau's investigation of Wells Fargo found widespread unlawful sales practices by Wells Fargo employees. The breadth and severity of these violations resulted in the largest penalty imposed by the Bureau to date. This action should serve notice on the entire industry that the effects of financial-incentive programs and sales goals must be carefully monitored, and that failure to conduct such monitoring can carry serious legal and financial consequences.

Bureau staff first became aware of some related issues around Wells Fargo's sales practices through whistleblower tips in mid-2013, and began conducting initial evaluation of the situation at that time. Bureau staff continued to assess those issues internally through 2014, and then began directly engaging Wells Fargo in the spring of 2015. Direct engagement with Wells Fargo and the Bureau's investigation of the sales-practices issues continued throughout the spring, summer, and fall of 2015, leading eventually to the joint resolution of this matter with the Los Angeles City Attorney's Office and the OCC. The Bureau's investigation found that Wells Fargo's incentive-compensation program resulted in nationwide illegal activity by thousands of Wells Fargo employees. These illegal sales practices included opening deposit accounts and transferring funds without consumers' authorization, applying for credit-card accounts without authorization, issuing and activating debit cards without authorization, and creating phony email addresses to enroll customers in online-banking services. These unfair and abusive practices are a clear violation of federal law.

Under the terms of the Consent Order, Wells Fargo will pay full redress to victims, as well as a \$100 million civil monetary penalty, reflecting the severity of these violations and the breadth of the unfair and abusive practices. Additionally, Wells Fargo must retain an independent consultant acceptable to the Bureau to conduct a thorough review of the bank's branch sales practices and to assess whether Wells Fargo's current policies and procedures can be expected to ensure that those practices comply with the law. Based on that review, Wells Fargo's Board must then work with

the independent consultant to create a compliance plan, which, if acceptable to the Bureau, the bank must implement in order to ensure that these practices do not occur again. The Bureau will be reviewing the results of the independent consultant's review once the compliance plan has been carried out.

Enclosed are a number of documents requested in your letter, including the Bureau's Supervision Enforcement and Fair Lending (SEFL) Integration Memorandum; the SEFL Policy on Continuously Supervised Institutions; the relevant Memoranda of Understanding, Common Interest Agreements, and Access Agreements between the Bureau and the Office of the Comptroller of the Currency and the Los Angeles City Attorney's Office; and supervisory correspondence between the Bureau and Wells Fargo. The Bureau is working to compile additional responsive materials, and Bureau staff will work with Committee staff to determine how we can most efficiently satisfy the Committee's oversight interests in this matter.

Should you have any additional questions about the Bureau's Wells Fargo enforcement matter, please do not hesitate to contact me or have your staff contact Anne Tindall of the Bureau's Legal Division or Catherine Galicia of the Bureau's Office of Legislative Affairs. Ms. Tindall can be reached at [REDACTED] and Mrs. Galicia can be reached at [REDACTED]

Sincerely,



Richard Cordray  
Director

cc: The Honorable Maxine Waters, Ranking Member, Committee on Financial Services

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

November 3, 2016

The Honorable Richard Cordray  
Director  
Bureau of Consumer Financial Protection  
1700 G Street, NW  
Washington, D.C. 20552

Dear Director Cordray:

On September 16, 2016, the Committee requested records in the possession of the Bureau of Consumer Financial Protection (Bureau) regarding its \$100 million fine of Wells Fargo Bank, N.A. (Wells Fargo) "for the widespread illegal practice of secretly opening unauthorized deposit and credit card accounts."<sup>1</sup> Despite your subsequent assurance that "[t]he Bureau is working to compile additional responsive materials," no additional records have been made available to the Committee to date. Please provide all previously requested information without delay and, in any event, not later than November 17, 2016.<sup>2</sup>

Additionally, by November 10, 2016, please provide all records responsive to Freedom of Information Act (FOIA) request #CFPB-2016-438-F to the Committee.<sup>3</sup> All such records should be produced in unredacted format. Please contact Katelyn Christ or Elie Greenbaum of the Committee staff at (202) 225-7502 if you have any questions regarding this matter.

Sincerely,



SEAN DUFFY

Chairman

Subcommittee on Oversight and Investigations

cc: The Hon. Al Green, Ranking Member

<sup>1</sup> *Consumer Financial Protection Bureau Fines Wells Fargo \$100 Million for Widespread Illegal Practices of Secretly Opening Unauthorized Accounts*, (Sept. 8, 2016), available at <http://www.consumerfinance.gov/about-us/newsroom/consumer-financial-protection-bureau-fines-wells-fargo-100-million-widespread-illegal-practice-secretly-opening-unauthorized-accounts/>.

<sup>2</sup> If there are no responsive records in the Bureau's custody or control, please provide a written representation to this effect not later than November 15<sup>th</sup>.

<sup>3</sup> See letter from Raynell Lazier, FOIA Manager, Operations Division, Bureau, to Ms. Sarah Lynch, Thomas Reuters, re FOIA Request, #CFPB-2016-438-F (Oct. 6, 2016).





1700 G Street, N.W., Washington, DC 20552

November 10, 2016

The Honorable Sean Duffy  
Chairman  
Subcommittee on Oversight and Investigations  
Committee on Financial Services  
2129 Rayburn House Office Building  
Washington, DC 20515

Dear Chairman Duffy:

The enclosed materials represent supplemental documents in response to the House Financial Services Committee's September 16 and November 3, 2016 requests for records related to the Consumer Financial Protection Bureau's enforcement action against Wells Fargo Bank.

Should you have any questions about this response, please do not hesitate to contact me or have your staff contact Anne Tindall of the Bureau's Legal Division or Patrick O'Brien of the Bureau's Office of Legislative Affairs. Ms. Tindall can be reached at [REDACTED] and Mr. O'Brien can be reached at [REDACTED].

Sincerely,

Catherine Galicia  
Assistant Director for Legislative Affairs

cc: The Honorable Al Green, Ranking Member, Subcommittee on Oversight and Investigations

Enclosures

[consumerfinance.gov](http://consumerfinance.gov)

# SUBPOENA

## BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES OF THE CONGRESS OF THE UNITED STATES OF AMERICA

Hon. Richard Cordray, Director  
To Bureau of Consumer Financial Protection

You are hereby commanded to be and appear before the Committee on Financial Services

of the House of Representatives of the United States at the place, date and time specified below.

- to testify touching matters of inquiry committed to said committee or subcommittee; and you are not to depart without leave of said committee or subcommittee.

Place of testimony: \_\_\_\_\_

Date: \_\_\_\_\_

Time: \_\_\_\_\_

- to produce the things identified on the attached schedule touching matters of inquiry committed to said committee or subcommittee; and you are not to depart without leave of said committee or subcommittee.

Place of production: 2129 Rayburn House Office Building, Washington, D.C.

Date: May 2, 2017

Time: 5:00 p.m.

To any authorized House Financial Services Committee staff member, the House Sergeant at Arms  
or his designee, or the U.S. Marshals Service. \_\_\_\_\_ to serve and make return.

Witness my hand and the seal of the House of Representatives of the United States,  
at the city of Washington, this 4th day of April, 2017.

Attest:

Karen P. Haas  
Clerk

[Signature]  
Chairman or Authorized Member

**PROOF OF SERVICE**

---

Subpoena for Hon. Richard Cordray, Director  
Bureau of Consumer Financial Protection

Address 1700 G Street, NW

Washington, D.C. 20552

before the Committee on Financial Services

*U.S. House of Representatives*  
*115th Congress*

---

Served by (print name) \_\_\_\_\_

Title \_\_\_\_\_

Manner of service \_\_\_\_\_

Date \_\_\_\_\_

Signature of Server \_\_\_\_\_

Address \_\_\_\_\_

Hon. Richard Cordray  
Director  
Bureau of Consumer Financial Protection  
1700 G. Street, N.W.  
Washington, D.C. 200552

## SCHEDULE A

In accordance with the attached schedule instructions, you, Richard Cordray, are required to produce in unredacted form all records described below:

1. All records in the possession, custody, or control of the CFPB's Office of General Counsel that were generated between January 1, 2014, and October 30, 2014, containing the terms "litigation hold," "questionnaire," OR "Williams," and which also contain one or more of the following additional terms: "identity," "whistleblower," "Congress," OR "Republican."
2. All records relating to any instance whatsoever, from January 4, 2012–present, in which any CFPB employee directed another federal government employee not to transmit to any Member, Committee, or Subcommittee of Congress records requested or subpoenaed by any Member, Committee, or Subcommittee of Congress.
3. All records indicating the exact dates, amounts, and uses of any funds withdrawn from the Settlement Fund pursuant to the Consent Order in *In re: Ally Financial Inc., No. 2013-CFPB-0010* (Dec. 20, 2013).
4. All records indicating the exact number of natural persons harmed by Ally's alleged discriminatory actions in connection with the CFPB's and the U.S. Department of Justice's December 2013 settlement with Ally.
5. All records indicating the total amount of compensation determined to be paid to qualified victims pursuant to the Consent Order for *In re: Ally Financial Inc., No. 2013-CFPB-0010* (Dec. 20, 2013).
6. All records indicating the final remuneration plan reached in connection with the CFPB's and the U.S. Department of Justice's December 2013 settlement with Ally.
7. All records indicating any of the final processes used, or to be used, in connection with the CFPB's and the U.S. Department of Justice's December 2013 settlement with Ally in order to identify, determine, contact, or notify affected consumers who are entitled to receive monetary relief from the settlement fund.
8. All records indicating any of the final processes used, or to be used, in connection with the CFPB's and the U.S. Department of Justice's December 2013 settlement

Hon. Richard Cordray  
Director  
Bureau of Consumer Financial Protection  
1700 G. Street, N.W.  
Washington, D.C. 200552

with Ally in order to calculate and determine the amount of monetary relief consumers are entitled to receive from the settlement fund.

9. All records indicating any of the final processes used, or to be used, in connection with the CFPB's and the U.S. Department of Justice's December 2013 settlement with Ally in order to remunerate affected consumers or cause affected consumers to be remunerated.
10. All CFPB records released in connection with the November 24, 2015, U.S. House Financial Services Committee Majority Staff Report entitled *Unsafe at Any Bureaucracy: CFPB Junk Science and Indirect Auto Lending*.
11. All e-mails contained in the e-mail accounts associated with Patrice Ficklin that were sent, received, or drafted between August 15, 2015, and October 6, 2015, pertaining to any of the following news reports written by *American Banker* reporter Rachel Witkowski and published in *American Banker* in September 2015: *CFPB Overestimates Potential Discrimination, Documents Show*; *The Inside Story of the CFPB's Battle Over Auto Lending*; or *CFPB's Outside Expert on Disparate Impact Also Advises Banks*.
12. All e-mails contained in the e-mail accounts associated with Patrice Ficklin that were sent, received, or drafted, between August 15, 2015, and October 6, 2015, and which contain any of the following key words: "banker," "reporter," "Witkowski," "markup," "disparities," "PARR," "Siskin," "BLDS," "proxy," "Ally," "Honda," OR "Fifth Third."
13. All records generated by any vendor retained by the CFPB to perform any management consulting services between the beginning of Fiscal Year 2013 and December 18, 2015.
14. All contracts between the CFPB and BLDS, LLC, and all records pertaining to any such contracts.
15. All communications from BLDS, LLC to the CFPB.

Hon. Richard Cordray  
Director  
Bureau of Consumer Financial Protection  
1700 G. Street, N.W.  
Washington, D.C. 200552

16. All records indicating any instance, of any sort whatsoever, when BLDS, LLC acted as an employee of the CFPB, including the purpose and scope of any such action.
17. All records indicating in what matters in which the CFPB was a party, BLDS, LLC, or any of its employees was employed by a party other than the CFPB.
18. All records contained within the e-mail account associated with Richard Cordray, Mary McLeod, Meredith Fuchs, Anne Tindall, and Catherine Galicia that were sent, received, or drafted between March 2, 2015, and the present, and which contain any of the following key words: "interview!," "depos!," "subpoen!," "contempt," "obstruct!," OR "unsafe at any bureaucracy."
19. All communications relating to pre-dispute arbitration agreements between the CFPB and any of the following entities: (i) American Association for Justice; (ii) National Consumer Law Center; (iii) National Association of Consumer Advocates; (iv) Alliance for Justice; or (v) Public Justice.
20. All communications from one CFPB employee to another CFPB employee relating to pre-dispute arbitration agreements.
21. All records indicating the classes of putative victims with compensable uncompensated harm relating to Global Client Solutions that are eligible to receive compensation from the CFPB's Civil Penalty Fund.
22. All records indicating the basis or rationale for the allocation made from the CFPB's Civil Penalty Fund for putative victims of Global Client Solutions.
23. All communications between the CFPB and any third-party administrator that have distributed payments to putative victims of Global Client Solutions from funds allocated from the CFPB's Civil Penalty Fund.
24. All records indicating: (a) the names of all debt relief service providers for whom the CFPB alleged Global Client Solutions processed putative unlawful advance fees; (b) the number of consumers the CFPB alleged were charged unlawful advance fees by each debt relief service provider for whom Global Client Solutions processed putative unlawful advance fees; (c) the amount of uncompensated harm for each putative victim; and (d) the amount the CFPB allocated to each putative victim.
25. All records contained in the email accounts associated with Members of the Civil Penalty Fund Governance Board, Fund Administrator, and Chief Financial Officer

Hon. Richard Cordray  
Director  
Bureau of Consumer Financial Protection  
1700 G. Street, N.W.  
Washington, D.C. 200552

that were sent, received, or drafted between August 27, 2014, and the present, and which contain of the following key words: "Global Client Solution!," "Global Holdings," "GCS," "uncompensate!," AND "victim! /2 class!".

26. All records relating to the sales practices of Wells Fargo Bank, N.A. that are described in the CFPB's consent order against Wells Fargo Bank, N.A. filed on September 8, 2016.

27. All records relating to the CFPB's "investigation of Wells Fargo" that is described in your letter to the Committee dated September 23, 2016.

Hon. Richard Cordray  
Director  
Bureau of Consumer Financial Protection  
1700 G. Street, N.W.  
Washington, D.C. 200552

**INSTRUCTIONS: For the purpose of this Subpoena:**

1. In complying with this Subpoena, you are required to produce all responsive records that are in your possession, custody, or control. You shall also produce records that you have a legal right to obtain, that you have a right to copy or to which you have access, as well as records that you have placed in the temporary possession, custody, or control of any third party. Subpoenaed records shall not be destroyed, modified, removed, transferred, or otherwise made inaccessible to the Committee.
2. In the event that any entity, organization, or individual denoted in this Subpoena has been, or is also known by any other name than that herein denoted, the Subpoena shall be read also to include that alternative identification.
3. The Committee considers all members of a document "family" to be responsive to the Subpoena if any single "member" of that "family" is responsive, regardless of whether the "family member" in question is "parent" or "child."
4. It shall not be a basis for refusal to produce records that any other person or entity also possesses non-identical or identical copies of the same records.
5. If a date or other descriptive detail set forth in this Subpoena referring to a record is inaccurate, but the actual date or other descriptive detail is known to you or is otherwise apparent from the context of the Subpoena, you are required to produce all records which would be responsive as if the date or other descriptive detail were correct.
6. Records produced in response to this Subpoena shall be produced as they were kept in the normal course of business together with copies of file labels, dividers, or identifying markers with which they were associated when the Subpoena was served.
7. In complying with this Subpoena, be apprised that (unless otherwise determined by the Committee) the Committee does not recognize: any purported non-disclosure privileges associated with the common law including, but not limited to, the deliberative-process privilege, the attorney-client privilege, and attorney work product protections; any purported privileges or protections from disclosure under the Freedom of Information Act; or any purported contractual privileges, such as non-disclosure agreements. Any assertion by a subpoena recipient of any such non-constitutional legal bases for withholding records or other materials shall be of no legal force and effect and shall not provide a justification for such withholding or refusal, unless and only to the extent that the Chairman of the Committee has consented to recognize the assertion as valid. If you withhold records in whole or in part on the basis of a claim of a privilege or protection, you



Hon. Richard Cordray  
Director  
Bureau of Consumer Financial Protection  
1700 G. Street, N.W.  
Washington, D.C. 200552

are required to follow the following procedure. You may only withhold that portion of a record over which you assert a claim of privilege or protection. Accordingly, you may only withhold a record in its entirety if you maintain that the entire record is privileged or protected. Otherwise you must produce the record in redacted form. In the event that a record is withheld in whole or in part on the basis of privilege or protection you must provide a privilege log containing the following information concerning each discrete claim of privilege or protection: (a) the privilege or protection asserted; (b) the type of record; (c) the date, author, and addressee (d) the relationship of the author and addressee to each other; and (e) a general description of the nature of the record that, without revealing information itself privileged or protected, will enable the Committee to assess your claim of privilege or protection. In the event a record or a portion thereof is withheld under multiple discrete claims of privilege or protection, each claim of privilege or protection must be separately logged. In an event portions of a record are withheld on discrete claims of privilege or protection, each separate claim of privilege or protection within that record must be separately logged. A privilege log must be produced contemporaneously with the withholding of any record in whole or in part on the basis of a privilege or protection. Privilege logs must be produced as a native Microsoft Excel file. All privilege logs must be accompanied by the certification of your counsel in a form compliant with 28 U.S.C. § 1746 that all assertions of privilege or protection contained therein are consistent with these Instructions and are warranted by existing law or by a non-frivolous argument for extending, modifying, or reversing existing law, or for establishing new law. Failure to strictly comply with these provisions constitutes waiver of any asserted privilege or protection. In the Chairman's discretion, this waiver may extend to the subject matter of the underlying records.

8. If any record responsive to this Subpoena was, but no longer is, in your possession, custody, or control, you must file a certificate in a form compliant with 28 U.S.C. § 1746 signed by your counsel and the natural person that you designate as most knowledgeable regarding the circumstances under which the record ceased to be in your possession, custody, or control which: (a) identifies the record (stating its date, author, subject, and recipients); and (b) explains the circumstances under which the record ceased to be in your possession, custody, or control or was placed in the possession, custody, or control of a third party; (c) identifies the person who currently has possession, custody, or control over the record; and (d) identifies each person who authorized the disposition of the record or who had or has knowledge of that disposition.
9. If any record responsive to this Subpoena cannot be located, you must immediately file a certificate in a form compliant with 28 U.S.C. § 1746 signed by your counsel and the natural person that you designate as most knowledgeable regarding the

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circumstances describing with particularity the efforts made to locate the record and the specific reason for its disappearance, destruction or unavailability.

10. This Subpoena is continuing in nature and applies to any newly-discovered information. Any record not produced because it has not been located or discovered by the return date shall be produced immediately upon subsequent location or discovery. If you discover any portion of your response is incorrect in a material respect you must immediately and contemporaneously file with the Committee a certificate in a form compliant with 28 U.S.C. § 1746, signed by your counsel, and the natural person that you designate as most knowledgeable regarding your document production, setting forth: (1) how you became aware of the defect in the response; (2) how the defect came about (or how you believe it to have come about); and (3) a detailed description of the steps you took to remedy the defect.
11. A cover letter shall be included with each production and include the following:
  - a. A list of each piece of media included in the production with its unique production volume number;
  - b. A list of custodians, identifying the Bates range for each custodian;
  - c. A list of Specifications, identifying the Bates range of documents responsive to each Specification;
  - d. The time zone in which the emails were standardized during conversion;  
and
  - e. All Bates Prefix and Suffix formats for records contained in the production.
12. You must identify any documents which you believe to contain confidential or proprietary information.
13. In the event a complete response requires the transmission of classified information, provide as much information in unclassified form as possible in your response and send all classified information under separate cover via the Office of House Security.
14. Records must be produced to the Committee in accordance with the attached *Electronic Production Instructions* in order to be considered to be in compliance with the Subpoena. Failure to produce records in accordance with the attached *Electronic Production Instructions*, may, in an exercise of the Committee's discretion, be deemed an act of contumacy.
15. If properties or permissions are modified for any records produced electronically, receipt of such records will not be considered full compliance with the subpoena.

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16. Upon completion of the record production, you must submit a certificate, in a form compliant with 28 U.S.C. § 1746, signed by you and your counsel regarding your record production, stating that: (a) a diligent search has been completed of all records in your possession, custody, or control which reasonably could contain responsive records; (b) the search complies with good forensic practices; (c) records responsive to this subpoena have not been destroyed, modified, removed, transferred, or otherwise made inaccessible to the Committee since the date of receiving the Committee's subpoena or in anticipation of receiving the Committee's subpoena; and (d) all records located during the search that are responsive have been produced to the Committee or withheld in whole or in part on the basis of an assertion of a claim of privilege or protection in compliance with these Instructions.
  
17. When representing a witness or entity before the Committee in response to a subpoena, record request, or request for transcribed interview, counsel for the witness or entity must promptly submit to the Committee a notice of appearance specifying the following: (a) counsel's name, firm or organization, and contact information; and (b) each client represented by the counsel in connection with the proceeding. Submission of a notice of appearance constitutes acknowledgement that counsel is authorized to accept service of process by the Committee on behalf of such client(s), and that counsel is bound by and agrees to comply with all applicable House and Committee rules and regulations

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**Definitions:**

The following definitions apply both to terms within the Subpoena, Schedule A, these Instructions, and these Definitions.

1. The term “record” means any written, recorded, or graphic matter of any nature whatsoever, regardless of how recorded, and whether original or copy, including, but not limited to, the following: memoranda, reports, expense reports, books, manuals, instructions, financial reports, working papers, records, notes, letters, notices, confirmations, telegrams, receipts, appraisals, pamphlets, magazines, newspapers, prospectuses, inter-office and intra-office communications, electronic mail (emails), text messages, instant messages, MMS or SMS messages, contracts, cables, telexes, notations of any type of conversation, telephone call, voicemail, meeting or other communication, bulletins, printed matter, computer printouts, teletypes, invoices, transcripts, diaries, analyses, returns, summaries, minutes, bills, accounts, estimates, projections, comparisons, messages, correspondence, press releases, circulars, financial statements, reviews, opinions, offers, studies and investigations, questionnaires and surveys, and work sheets (and all drafts, preliminary versions, alterations, modifications, revisions, changes, and amendments of any of the foregoing, as well as any attachments or appendices thereto), and graphic or oral records or representations of any kind (including without limitation, photographs, charts, graphs, microfiche, microfilm, videotape, recordings and motion pictures), and electronic, mechanical, and electronic records or representations of any kind (including, without limitation, tapes, cassettes, disks, and recordings) and other written, printed, typed, or other graphic or recorded matter of any kind or nature, however produced or reproduced, and whether preserved in writing, film, tape, disk, videotape or otherwise. A record bearing any notation not a part of the original text is to be considered a separate record. A draft or non-identical copy is a separate record within the meaning of this term. By definition a “communication” (as that term is defined herein) is also a “record” if the means of communication is any written, recorded, or graphic matter of any sort whatsoever, regardless of how recorded, and whether original or copy.
2. The term “records in your possession, custody or control” means (a) records that are in your possession, custody, or control, whether held by you or your employees; (b) records that you have a legal right to obtain, that you have a right to copy, or to which you have access; and (c) records that have been placed in the possession, custody, or control of any third party.
3. The term “communication” means each manner or means of disclosure or exchange of information (in the form of facts, ideas, inquiries, or otherwise), regardless of means utilized, whether oral, electronic, by document or otherwise, and whether in

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- an in-person meeting, by telephone, facsimile, e-mail (desktop or mobile device), text message, MMS or SMS message, regular mail, telexes, releases, or otherwise.
4. "Communication with," "communications from," and "communications between" means any communication involving the related parties, regardless of whether other persons were involved in the communication, and includes, but is not limited to, communications where one party is cc'd or bcc'd, both parties are cc'd or bcc'd, or some combination thereof.
  5. The term "person" is defined as any natural person or any legal entity, including, without limitation, any business or governmental entity or association, and all subsidiaries, divisions, partnerships, properties, affiliates, branches, groups, special purpose entities, joint ventures, predecessors, successors, or any other entity in which they have or had a controlling interest, and any employee, and any other units thereof.
  6. The term "employee" means a current or former: officer, director, shareholder, partner, member, consultant, senior manager, manager, senior associate, permanent employee, staff employee, attorney, agent (whether de jure, de facto, or apparent, without limitation), advisor, representative, attorney (in law or in fact), lobbyist (registered or unregistered), borrowed employee, casual employee, consultant, contractor, de facto employee, independent contractor, joint adventurer, loaned employee, part-time employee, provisional employee, or subcontractor.
  7. The terms "and" and "or" shall be construed broadly and either conjunctively or disjunctively to bring within the scope of this Subpoena any information which might otherwise be construed to be outside its scope. The terms "all," "any," and "each" shall each be construed as encompassing any and all. The singular includes the plural number, and vice versa. The masculine includes the feminine and neuter genders.
  8. The terms "pertaining to," "referring," "relating," or "concerning" with respect to any given subject means anything that constitutes, contains, embodies, reflects, identifies, states, refers to, deals with, or is in any manner whatsoever pertinent to that subject.
  9. The term "indicating" with respect to any given subject means anything showing, evidencing, pointing out or pointing to, directing attention to, making known, stating, or expressing that subject of any sort, form, or level of formality or informality, whatsoever, without limitation.
  10. When referring to a person, "to identify" means to give, to the extent known: (1) the person's full name; (2) present or last known address; and (3) when referring to a natural person, additionally: (a) the present or last known place of employment;

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(b) the natural person's complete title at their employment; and (c) the individual's business address. When referring to documents, "to identify" means to give, to the extent known the: (1) type of document; (2) general subject matter; (3) date of the document; and (4) author, addressee, and recipient.

11. The term "CFPB" refers to the Bureau of Consumer Financial Protection, an agency of the United States government, and any employees.
12. The term "Global Client Solutions" refers to Global Client Solutions, LLC, and Global Holdings LLC and any employees thereof.
13. The term "Ally" refers to Ally Financial, Inc., Ally Bank, and any employees thereof.
14. The term "BLDS, LLC" refers to the expert analysis, testimony, and consulting firm BLDS, LLC, and any employees thereof.
15. The term "Wells Fargo Bank, N.A." refers to Wells Fargo Bank, N.A., a subsidiary of Wells Fargo & Company, and its successors and assigns.
16. The term "Wells Fargo & Company" refers to the American international banking and financial services company Wells Fargo & Company and its subsidiaries and affiliates.
17. The term "Civil Penalty Fund" bears the meaning set forth in 12 U.S.C. § 5497(d).
18. The term "vendor" refers to any person that undertakes a contract to provide materials or labor to perform a service or work for the CFPB.
19. The term "management consulting services" refers to management or support services provided by vendors under the Product Service Code R408 defined by the General Services Administration.
20. The terms "identify," "determine," "calculate," "contact," "notify," and "remunerate" bear the same meaning as that used in the Consent Order in *In re: Ally Financial Inc., No. 2013-CFPB-0010* (Dec. 20, 2013).
21. The term "final remuneration plan" refers to the set of records that allow the CFPB to determine which retail installment contracts with consumers are eligible to receive monetary relief per the terms of the Consent Order in *In re: Ally Financial Inc., No. 2013-CFPB-0010* (Dec. 20, 2013).
22. The term "Settlement Fund" bears the meaning set forth in the Consent Order in *In re: Ally Financial Inc., No. 2013-CFPB-0010* (Dec. 20, 2013).

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23. The term “processes” means any processes, procedures, methodologies, materials, practices, techniques, systems, or other like activity, of any sort, form, or level of formality or informality, whatsoever, without limitation.
24. The term “directed” means ordered, commanded, told, charged, guided, counseled, instructed, opined, recommended, or otherwise advised, in any sort, form, or level of formality or informality, whatsoever, without limitation.
25. The term “pre-dispute arbitration agreements” bears the meaning set forth in a proposed rule published in 81 Fed. Reg. 32,830 and refers to agreements that provide for the arbitration of any future disputes between consumers and providers of certain consumer financial products and services.
26. The term “compensable uncompensated harm” bears the meaning set forth in a final rule published in 78 Fed. Reg. 26,545 and refers to the amount of harm that the victim suffered from the violation for which the Bureau obtained a civil penalty and for which the victim has not received and is not reasonably likely to receive other compensation.
27. The term “debt relief service provider” bears the meaning set forth in the Stipulated Final Judgement and Consent Order in *CFPB v. Global Client Solutions*, No. 2:14-cv-06643 (C.D. Cal. Aug. 27, 2014) (ECF No. 10) and refers to any person that offers or provides any program or service represented, directly or by implication, to renegotiate, settle, or in any way alter the terms of payment or other terms of the debt between a consumer and one or more creditors or debt collectors, including but not limited to, a reduction in the balance, interest rate, or fees owed by a person to a creditor or debt collector.
28. The term “advance fee” bears the meaning set forth in the Stipulated Final Judgement and Consent Order in *CFPB v. Global Client Solutions*, No. 2:14-cv-06643 (C.D. Cal. Aug. 27, 2014) (ECF No. 10) and refers to any fee or consideration requested or received by a debt relief service provider from a consumer for any debt relief service, whether directly or indirectly, that occurs before: (a) the debt relief service provider has renegotiated, settled, reduced, or otherwise altered the terms of a debt pursuant to a settlement agreement, debt management plan, or other valid contractual agreement executed by the consumer; and (b) the consumer has made at least one payment pursuant to that settlement agreement, debt management plan, or other valid contractual agreement between the consumer and the creditor or debt collector.
29. The term “matters” refers to any investigation, negotiation, advocacy, lobbying dispute, inquiry, submission, or action, including, but not limited to, litigation, administrative adjudication, correspondence, representation of any kind including

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for a Potential Action and Request for Response, or representation of any kind for a Notice and Opportunity to Respond and Advise.

30. The term “party” refers to any person involved or contemplating involvement in any act, affair, contract, transaction, judicial proceeding, administrative proceeding, or Congressional proceeding.

31. The character “!” indicates a BOOLEAN root expander.

32. The character /2 indicates the BOOLEAN code for the proceeding word within two words of the subsequent word.



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## ELECTRONIC PRODUCTION INSTRUCTIONS

Record productions shall be prepared according to, and strictly adhere to, the following standards:

1. Records produced shall be organized, identified, and indexed electronically.
2. Only alphanumeric characters and the underscore (“\_”) character are permitted in file and folder names. Special characters are not permitted.
3. Two sets of records shall be delivered, one set to the Majority Staff and one set to the Minority Staff. To the extent the Minority Staff does not have an electronic record review platform, records shall be produced to the Minority Staff in searchable PDF format and shall be produced consistent with the instructions specified in this schedule to the maximum extent practicable.
4. Production media and produced records shall not be encrypted, contain any password protections, or have any limitations that restrict access and use.
5. Records shall be produced to the Committee on one or more CDs, memory sticks, thumb drives, or USB hard drives. Production media shall be labeled with the following information: Case Number, Production Date, Producing Party, Bates Range.
6. Records produced to the Committee shall include an index describing the contents of the production. To the extent that more than one CD, hard drive, memory stick, thumb drive, box, or folder is produced, each CD, hard drive, memory stick, thumb drive, box, or folder shall contain an index describing its contents.
7. All records shall be Bates-stamped sequentially and produced sequentially.
8. When you produce records, you shall identify the paragraph or number in the Committee’s subpoena to which the records respond and add a metadata tag listing that paragraph or number in accordance with **Appendix A**.
9.
  - a. All submissions must be organized by custodian unless otherwise instructed.
  - b. Productions shall include:
    1. A Concordance Data (.DAT) Load File in accordance with metadata fields as defined in **Appendix A**.
    2. A Standard Format Opticon Image Cross-Reference File (.OPT) to link produced images to the records contained in the .DAT file.

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3. A file (can be Microsoft Word, Microsoft Excel, or Adobe PDF) defining the fields and character lengths of the load file.
- c. The production format shall include images, text, and native electronic files. Electronic files must be produced in their native format, i.e., the format in which they are ordinarily used and maintained during the normal course of business. For example, a Microsoft Excel file must be produced as a Microsoft Excel file rather than an image of a spreadsheet. **NOTE:** An Adobe PDF file representing a printed copy of another file format (such as Word Document or Webpage) is NOT considered a native file unless the record was initially created as a PDF.

1. Image Guidelines:

1. Single or multi page TIFF files.
2. All TIFF images must have a unique file name, i.e., Bates Number
3. Images must be endorsed with sequential Bates numbers in the lower right corner of each image.

2. Text Guidelines:

1. All text shall be produced as separate text files, not inline within the .DAT file.
2. Relative paths shall be used to link the associated text file (FIELD: TEXTPATH) to the record contained in the load file.
3. Associated text files shall be named as the BEGBATES field of each record.

3. Native File Guidelines:

1. Copies of original email and native file records/attachments must be included for all electronic productions.
2. Native file records must be named per the BEGBATES field.
3. Relative paths shall be used to link the associated native file (FIELD: NATIVEFILELINK) to the record contained in the load file.
4. Associated native files shall be named as the BEGBATES field of each record.



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CUSTODIAN	Smith, John	Email: mailbox where the email resided Attachment: Individual from whom the record originated
FROM	John Smith	Email: Sender Native: Author(s) of record **semi-colon should be used to separate multiple entries
TO	Coffman, Janice; LeeW [mailto:LeeW@MSN.com]	Recipient(s) **semi-colon should be used to separate multiple entries
CC	Frank Thompson [mailto:frank_Thompson@cdt.com]	Carbon copy recipient(s) **semi-colon should be used to separate multiple entries
BCC	John Cain	Blind carbon copy recipient(s) **semi-colon should be used to separate multiple entries
SUBJECT	Board Meeting Minutes	Email: Subject line of the email Native: Title of record (if available)
DATE_SENT	10/12/2010	Email: Date the email was sent Native: (empty)
TIME_SENT/TIME_ZONE	07:05 PM GMT	Email: Time the email was sent/ Time zone in which the emails were standardized during conversion. Native: (empty) **This data must be a separate field and cannot be combined with the DATE_SENT field
TIME_ZONE	GMT	The time zone in which the emails were standardized during conversion. Email: Time zone Native: (empty)
NATIVEFILELINK	D:\001\ EDC0000001.msg	Hyperlink to the email or native file record **The linked file must be named per the FIRSTBATES number
MIME_TYPE	MSG	The content type of an Email or native file record as identified/extracted from the header

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FILE_EXTEN	MSG	The file type extension representing the Email or native file record; will vary depending on the email format
AUTHOR	John Smith	Email: (empty) Native: Author of the record
DATE_CREATED	10/10/2010	Email: (empty) Native: Date the record was created
TIME_CREATED	10:25 AM	Email: (empty) Native: Time the record was created **This data must be a separate field and cannot be combined with the DATE_CREATED field
DATE_MOD	10/12/2010	Email: (empty) Native: Date the record was last modified
TIME_MOD	07:00 PM	Email: (empty) Native: Time the record was last modified **This data must be a separate field and cannot be combined with the DATE_MOD field
DATE_ACCESSD	10/12/2010	Email: (empty) Native: Date the record was last accessed
TIME_ACCESSD	07:00 PM	Email: (empty) Native: Time the record was last accessed **This data must be a separate field and cannot be combined with the DATE_ACCESSD field
PRINTED_DATE	10/12/2010	Email: (empty) Native: Date the record was last printed
NATIVEFILESIZE	5,952	Size of native file record/email in KB **Use only whole numbers
PGCOUNT	1	Number of pages in native file record/email
PATH	J:\Shared\Smith J\October Agenda.doc	Email: (empty) Native: Path where native file record was stored including original file name
INTFILEPATH	Personal Folders\Deleted Items\Board Meeting Minutes.msg	Email: original location of email including original file name Native: (empty)
INTMSGID	<000805c2c71b\$7 5977050\$cb 8306d1@MSN>	Email: Unique Message ID Native: (empty)
MD5HASH	d131dd02c5e6eec 4693d9a069 8aff95c	MD5 Hash value of the record

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	2fcab58712467ea b4004583eb 8fb7f89	
TEXTPATH	\TEXT\AAA0001 .txt	Path to the record's text file that contains extracted text to be used for processing. Every record has a relative path to its text file in this field. <b>Note:</b> These paths may also be fully qualified; and thus do not have to be relative.
NATIVEFILEPATH	\NATIVES\MES SAGE1.msg; \NATIVES\ATT ACHMENT1. doc	Path to the record's native file. Every record has a relative path to its native file in this field. <b>Note:</b> These paths may also be fully qualified; and thus do not have to be relative.
HANDWRITTEN	YES	Field should be marked "YES" if the record has any handwritten notes or other text that is not contained in the text file
REDACTED	YES	Field should be marked "YES" if the record contains any redactions, "NO" otherwise

Metadata Fields Required Upon Specific Request

TAGS	FirstPass\Respon sive; FirstPass\ForQC	If requested—a list of tags assigned to the record. Multiple tags are separated by the multi-value separator, for example: "A; B; C", and nested tags are denoted using the nested value separator, for example: "X\Y\Z". Tags for attachments will appear under the custom field "ATTACHMENT_TAGS".
FOLDERS	JohnDoeDocs\First Pass	If requested—a list of folders of which the record is a part. Multiple folders are separated by the multi-value separator, for example: "A; B; C", and nested folders are denoted using the nested value separator, for example: "X\Y\Z". Folders for attachments will appear under the custom field "ATTACHMENT_FOLDERS".



May 2, 2017

The Honorable Jeb Hensarling  
Chairman  
Committee on Financial Services  
U.S. House of Representatives  
2129 Rayburn House Office Building  
Washington, DC 20515

Dear Chairman Hensarling:

I write in response to the House Financial Services Committee's subpoena for Consumer Financial Protection Bureau records, dated April 4, 2017. As emphasized in previous correspondence, the Bureau remains committed to facilitating the Committee's oversight interests with respect to the Bureau's work.

During the Committee's April 5, 2017 hearing on the Bureau's 2016 Semi-Annual Reports, at which I testified, you stated that issuance of this subpoena was necessary because document requests "pending from subpoenas in the last Congress [] were never complied with." This statement mischaracterizes the facts. As described in detail below, the Bureau has worked diligently to comply with all of the Committee's oversight requests, including its only prior document subpoena to the Bureau, issued on December 18, 2015. In response to the Committee's December 18 subpoena, the Bureau produced more than 18,000 pages of responsive material as well as substantial narrative responses. These responses explained why the production of additional documents is impracticable, and sometimes even impossible, without further guidance from Committee staff—including several cases where additional responsive documents simply do not exist.

Moreover, Bureau staff and Committee staff were engaged in productive negotiations through the end of the last Congress regarding certain subpoena items which the Committee believed to be outstanding. In the course of those conversations,<sup>1</sup> Committee staff agreed with Bureau staff's

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<sup>1</sup> These conversations included telephone conferences on August 31, 2016 and September 16, 2016, during which Bureau staff walked through each item of the December 18, 2015 subpoena and identified which had been satisfied and which required further collaboration between Bureau staff and Committee staff. At Committee staff's request, Bureau staff summarized in writing this status information. Email from Anne Tindall, Assistant Gen. Couns., CFPB to Elie Greenbaum, Couns., Comm. on Fin. Servs., U.S. H.R. (Sept. 23, 2016 5:32 PM ET). The Bureau—again at Committee staff's request—also reiterated in writing the steps taken for all items the Bureau believed it had satisfied. Email from Anne Tindall, Assistant Gen. Couns., CFPB to Elie Greenbaum, Couns., Comm. on Fin. Servs., U.S. H.R. (Oct. 5, 2016 3:31 PM ET). Bureau staff and Committee staff continued discussion throughout 2016, negotiating search parameters and exchanging search reports for certain subpoena items, holding additional telephone conferences on October 7, October 13, October 27, November 22, December 9, and December 15, and exchanging numerous emails in that same period.

assessment that the Bureau had provided documents and information sufficient to satisfy 21 of the items in the December 18 subpoena, and further, that certain items needed clarification or narrowing in scope in order for further production to be practicable.<sup>2</sup> Where Committee staff worked with Bureau staff to clarify its interests and craft appropriate search parameters, the Bureau conducted additional review and made supplemental productions.<sup>3</sup> In the last of the conversations between Bureau staff and Committee staff on December 15, 2016, both parties agreed to a path forward regarding the specific subpoena items that the Committee views as outstanding and to continue to work together in the 115<sup>th</sup> Congress to meet the Committee's oversight needs. The Bureau has made every effort to meet those needs and, in fact, has already complied fully with several of the items contained in the Committee's April 4, 2017 subpoena.

In the letter accompanying the April 4 subpoena, and again in statements during the Committee's April 5 hearing, you described the Bureau's attempts to comply with the Committee's many oversight requests as obstruction. The Bureau's long and substantial record of facilitating the Committee's oversight belies this characterization.<sup>4</sup> When Committee requests have been clear and reasonably calculated to identify documents relevant to stated Committee interests, the Bureau has efficiently identified and produced requested materials. In other cases, when requests have been overly broad or unclear, Bureau staff has consistently contacted Committee staff in attempts to initiate and maintain collaborative discussions so that the Bureau may promptly identify and produce the documents of interest to the Committee.<sup>5</sup>

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<sup>2</sup> For some of the items that are now in the Committee's April 4, 2017 subpoena, Committee staff had actually agreed to provide further guidance before the Bureau would be expected to make additional productions. Committee staff has yet to provide the promised guidance.

<sup>3</sup> These productions continued through December 2016, on a time table set by Committee staff.

<sup>4</sup> The Bureau's record of compliance is indisputable. As noted above, Committee staff recognized the Bureau's production of records and/or narrative explanations sufficient to satisfy the Committee's information needs with respect to 21 of the 36 items on the Committee's December 18, 2015 subpoena. The Bureau believes it has satisfied those needs with respect to several additional items, and has long awaited pledged guidance on the scope of the remaining items. Furthermore, in the last Congress, the Bureau received scores of oversight requests from this Committee alone, in addition to the December 18 subpoena, and the Bureau made substantial efforts to comply with all of them.

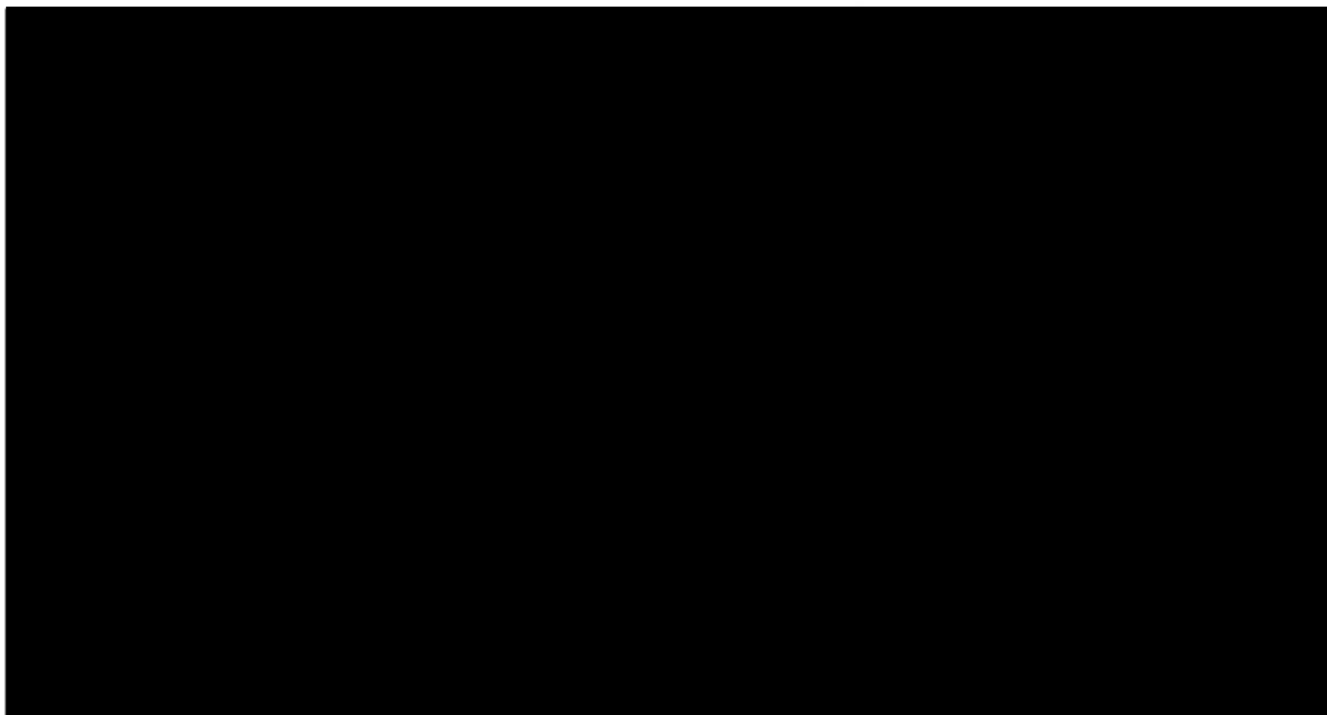
<sup>5</sup> For certain requests, the Bureau has explained to the Committee that its productions must accommodate substantial privacy and confidentiality interests. In those instances, the Bureau has nonetheless sought to accommodate the Committee's requests by other means, such as through offering in camera review, briefings, or production of equivalent material that does not impinge on these interests. Though the Committee has insisted that it does not recognize any non-disclosure privileges, including the deliberative process privilege, judicial precedent and longstanding principles of inter-branch comity do not support this blanket rejection of all agency privileges. *See, e.g., Order, Comm. on Oversight and Gov't Reform v. Lynch*, 1: 12-cv-01332-ABJ (D.D.C. Jan. 19, 2016) (affirming that predecisional and deliberative agency records are protected by deliberative process privilege). Indeed, inter-branch comity and good faith negotiations have a long history as fruitful and important tools by which the needs of coequal branches can be met in the course of responding to congressional requests. *See* Mem. for the Heads of Exec. Departments and Agencies regarding Procedures Governing Resps. to Cong. Reqs. for Info. (Nov. 4, 1982) ("Historically, good faith negotiations between Congress and the Executive Branch have minimized the need for invoking executive privilege, and this tradition of accommodation should continue as the primary means of resolving conflicts between the Branches."); Op. of the Att'y Gen. for the President, *Assertion of Exec. Privilege in Resp. to a Cong. Subpoena*, 5 Op. O.L.C. 27, 31 (1981) ("The accommodation required [between the Branches] is not simply an



The Committee's insistence that the Bureau does not respond to congressional oversight—despite the Bureau's extensive compliance and its efforts to be transparent about obstacles to production, to be proactive in resolving them, and to seek further guidance and collaboration when necessary—puts at risk the good faith and collaborative process essential for the Bureau to understand and address the Committee's oversight interests. The Bureau has at all times been candid with the Committee and its staff about impediments to production and how they can be resolved. Bureau staff will continue working with Committee staff to furnish the materials you need to satisfy the Committee's oversight interests. I am confident we can resolve these matters to your satisfaction when both parties engage one another with the comity and respect that undergirds the constitutionally-based accommodations process.

Description of the documents produced today, along with additional narrative information, discussion of the Bureau's efforts to comply with the Committee's previous, similar or identical requests, and identification of areas of needed staff-level clarification and scoping, follow.

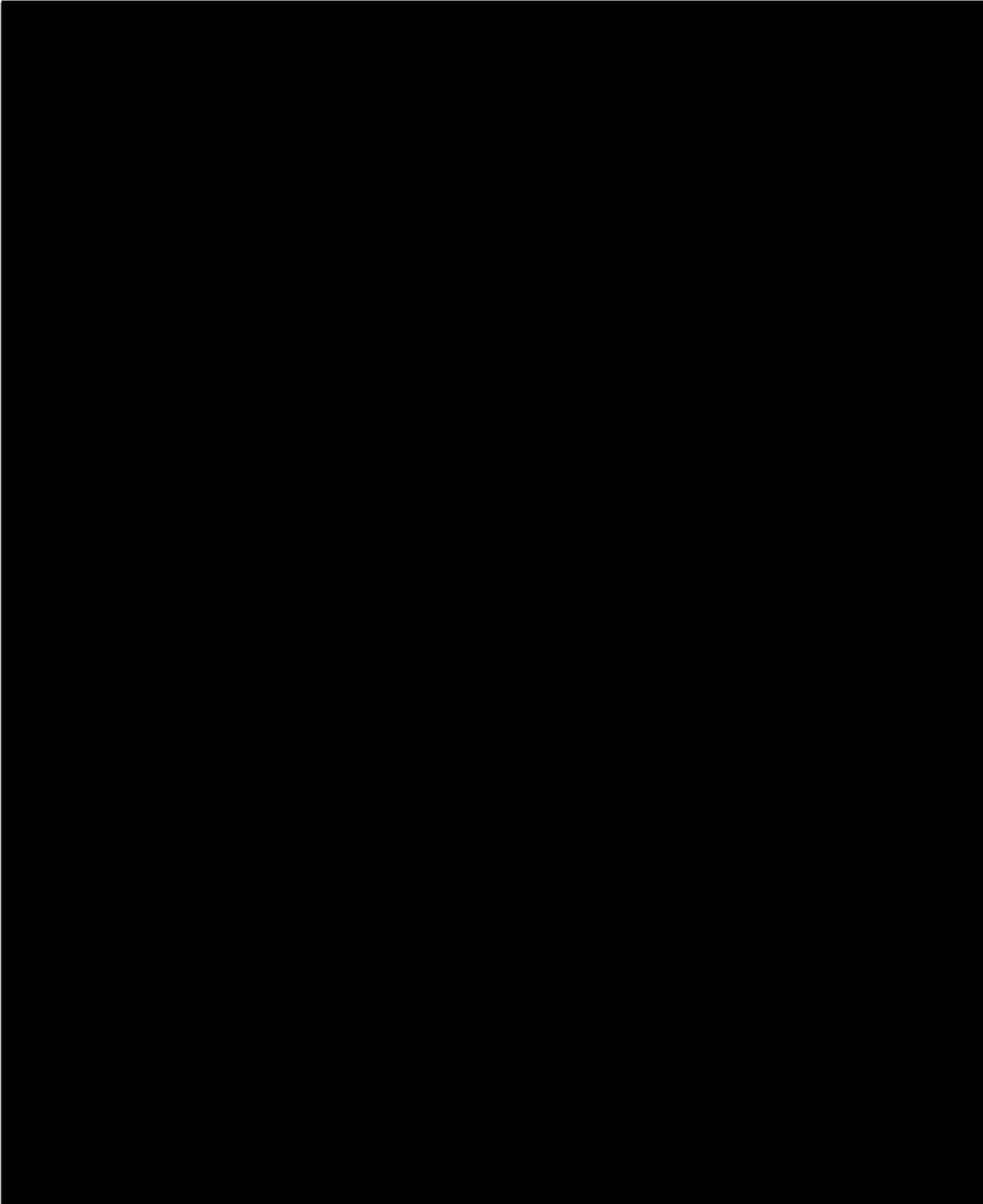
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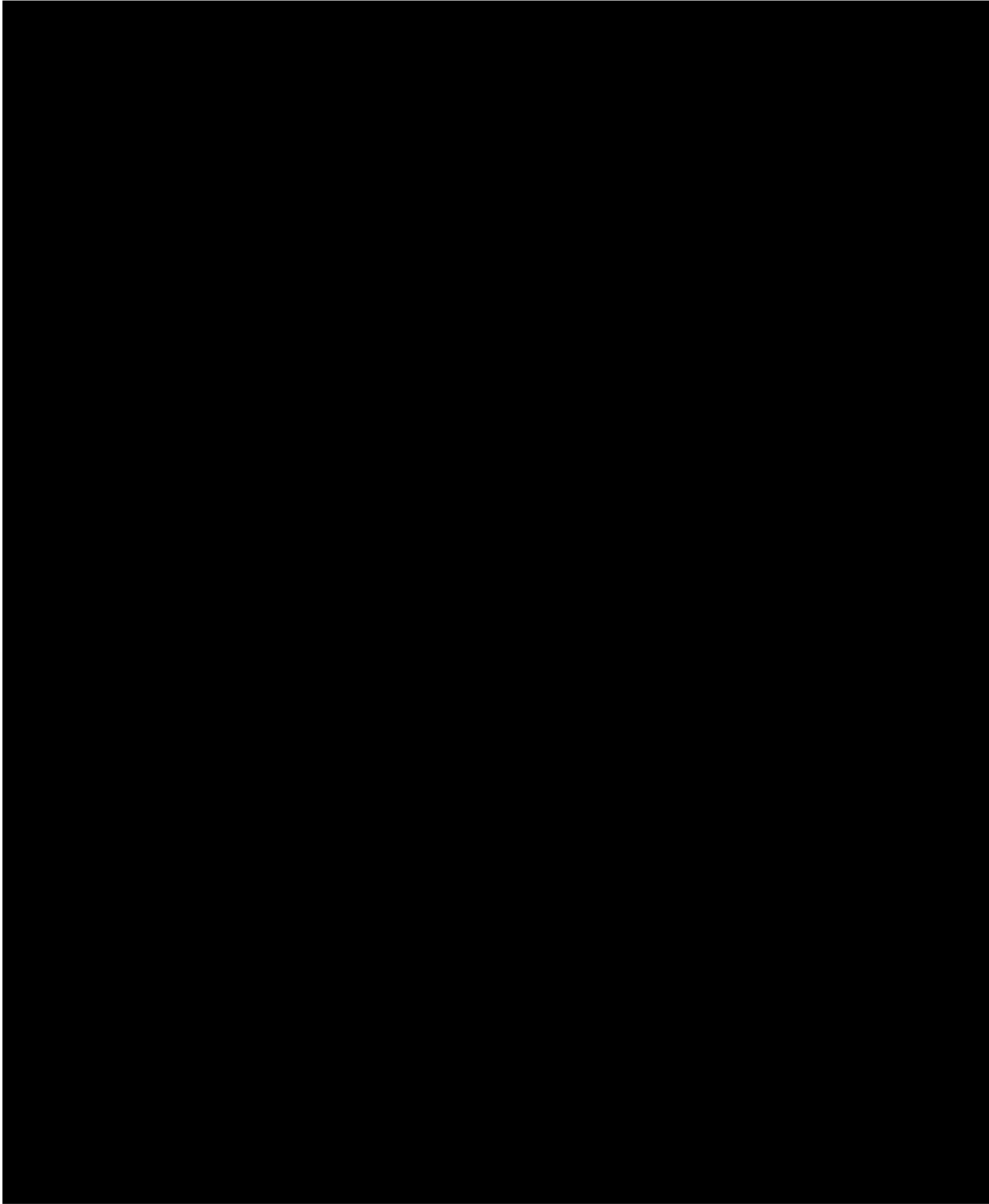


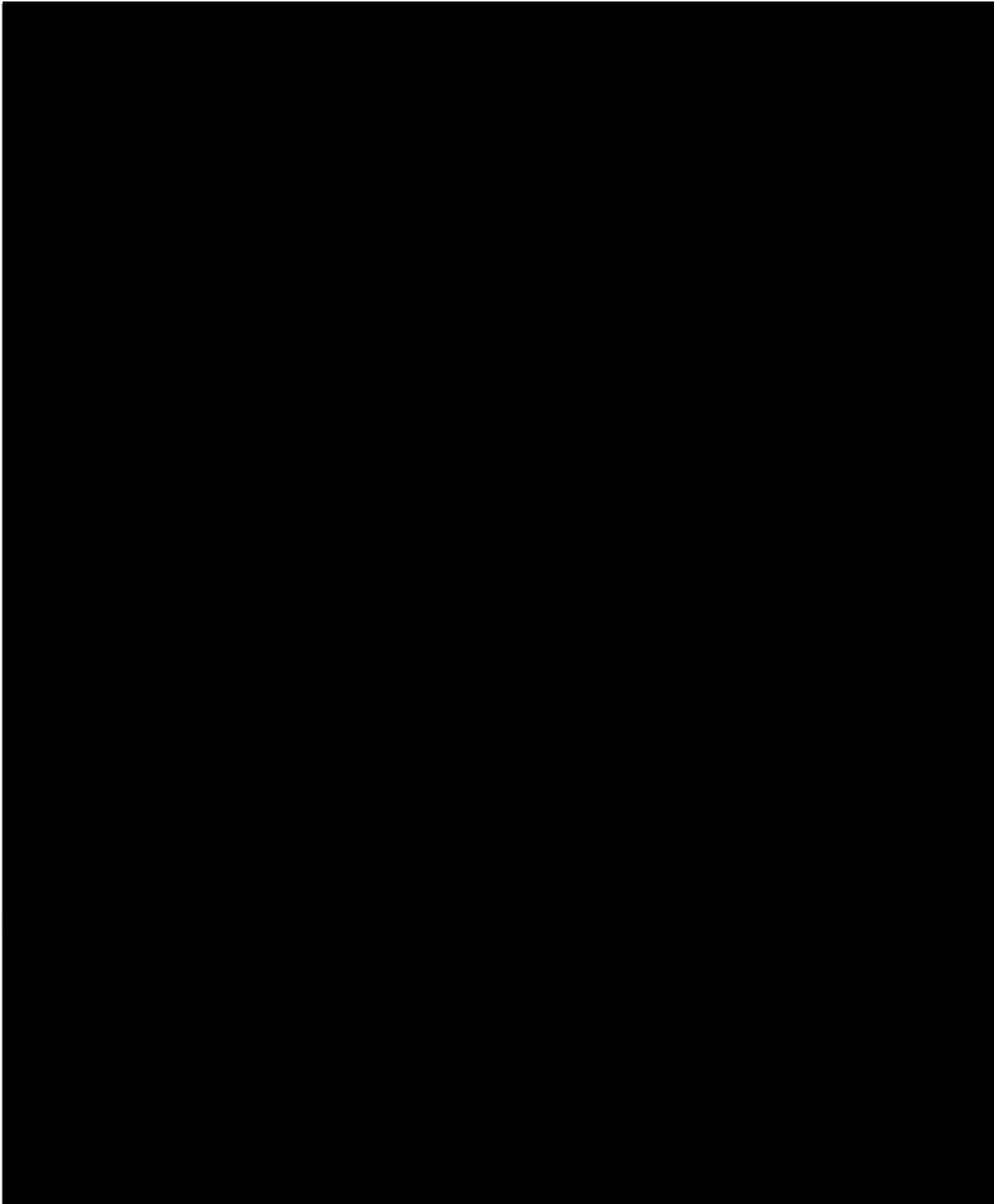
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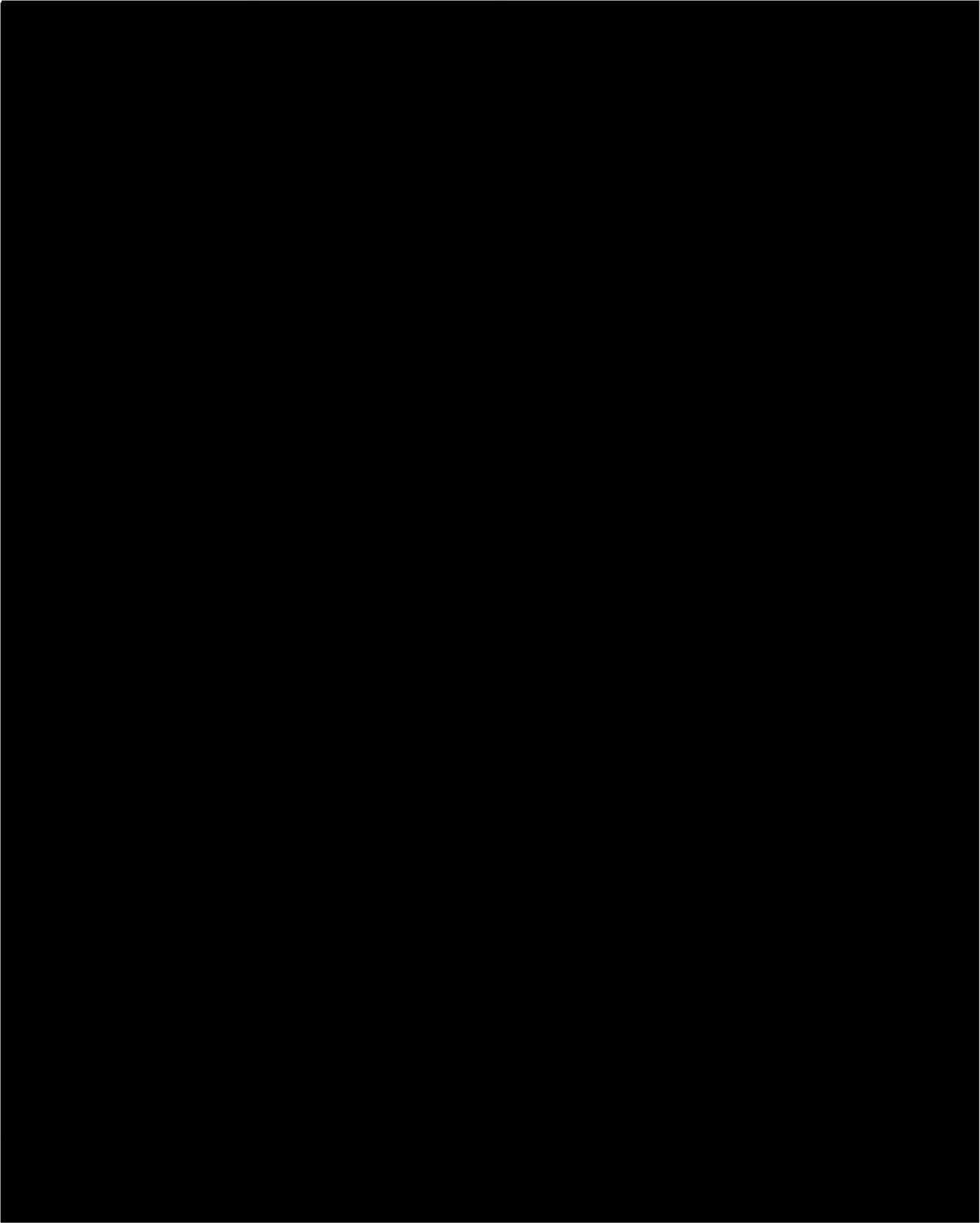
exchange of concessions or a test of political strength. It is an obligation of each Branch to make a principled effort to acknowledge, and if possible to meet, the legitimate needs of the other Branch.”).

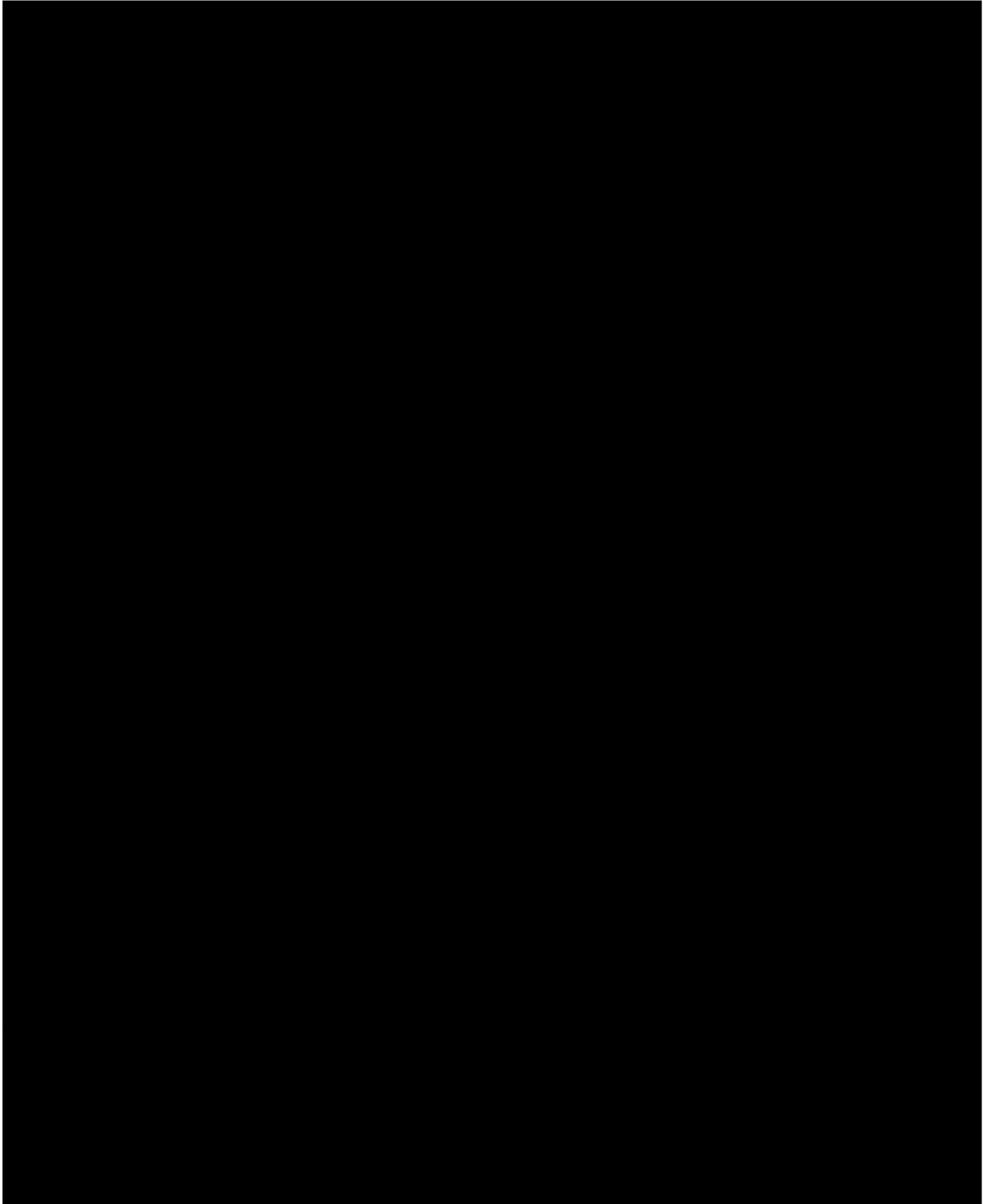


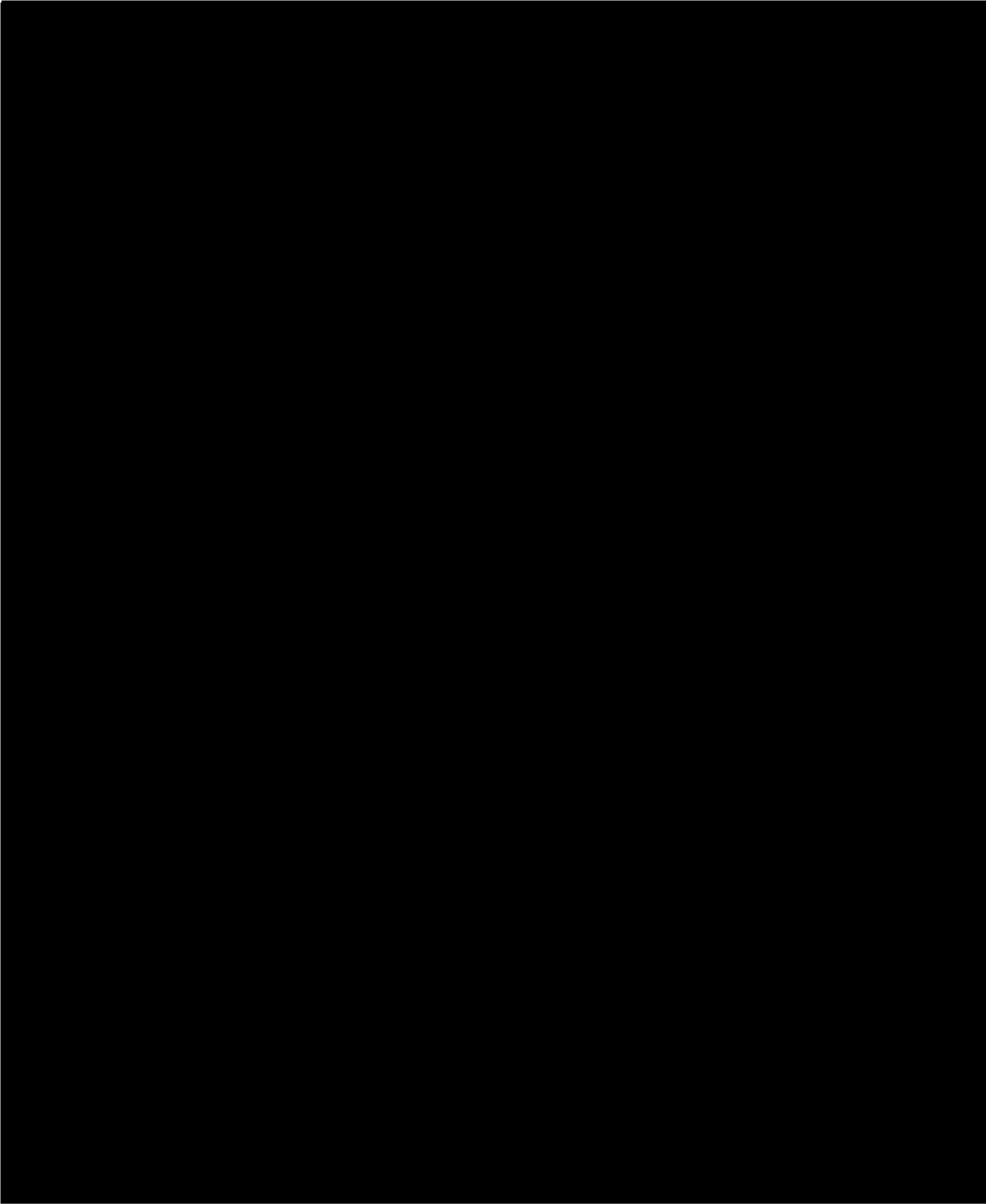


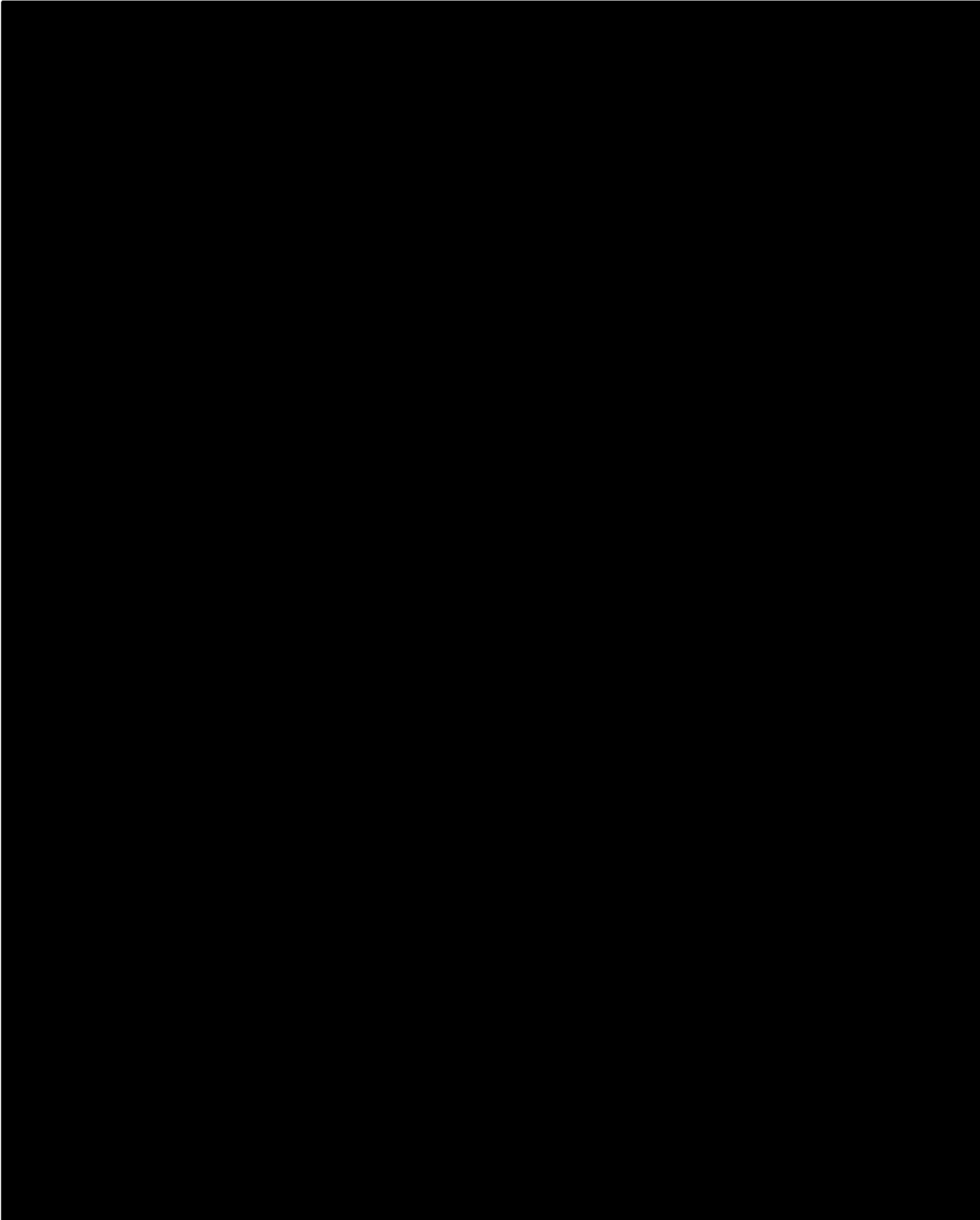




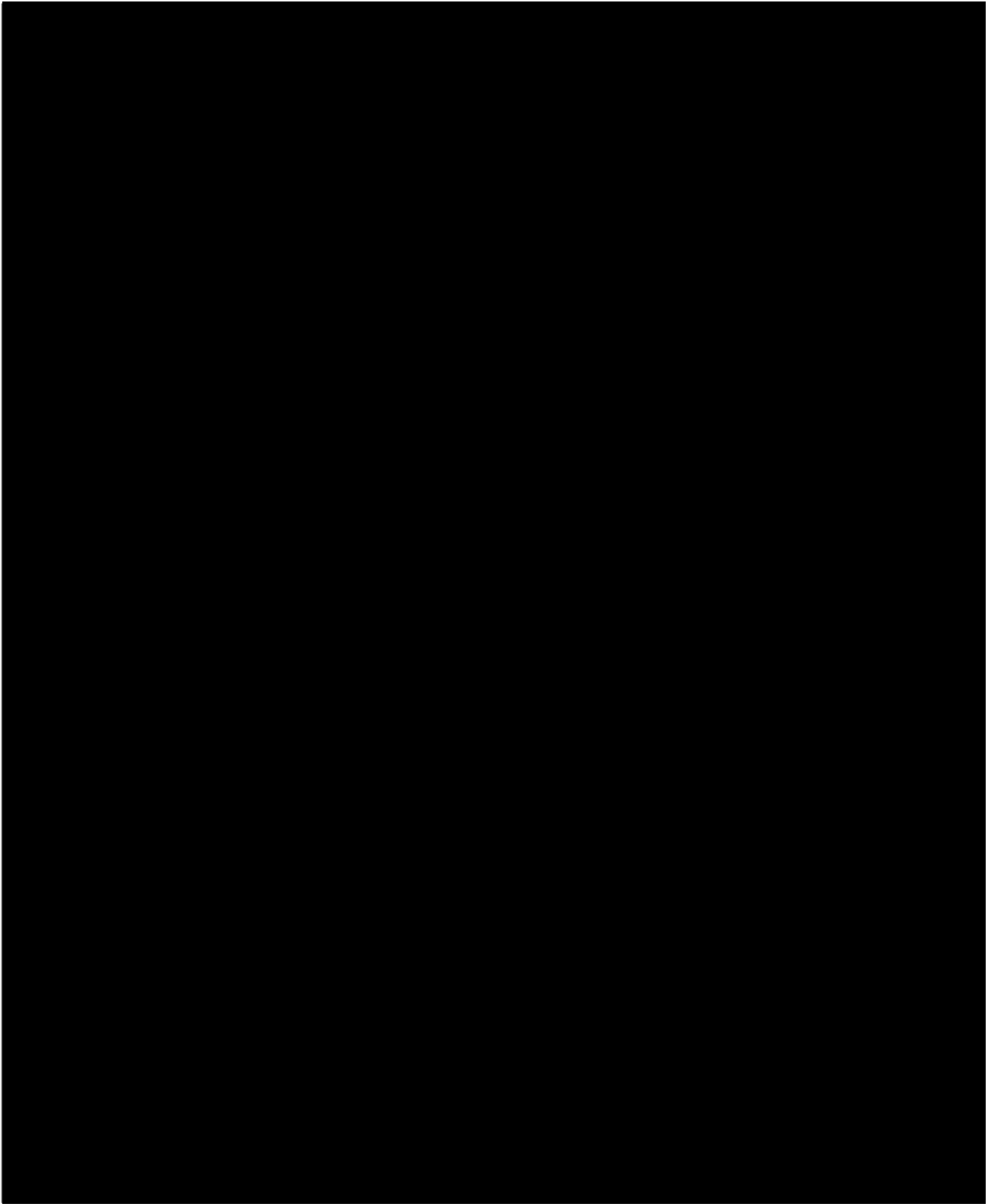


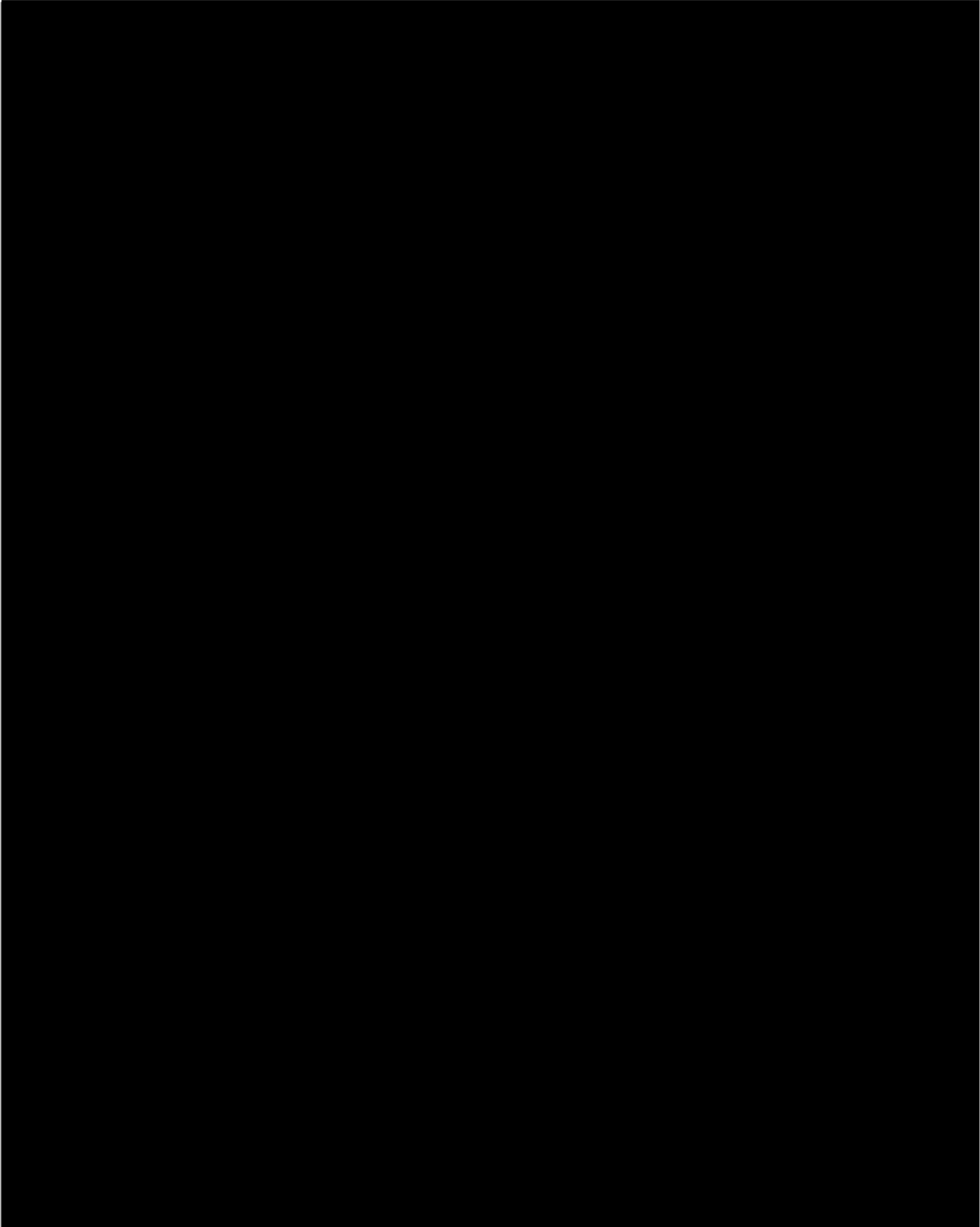




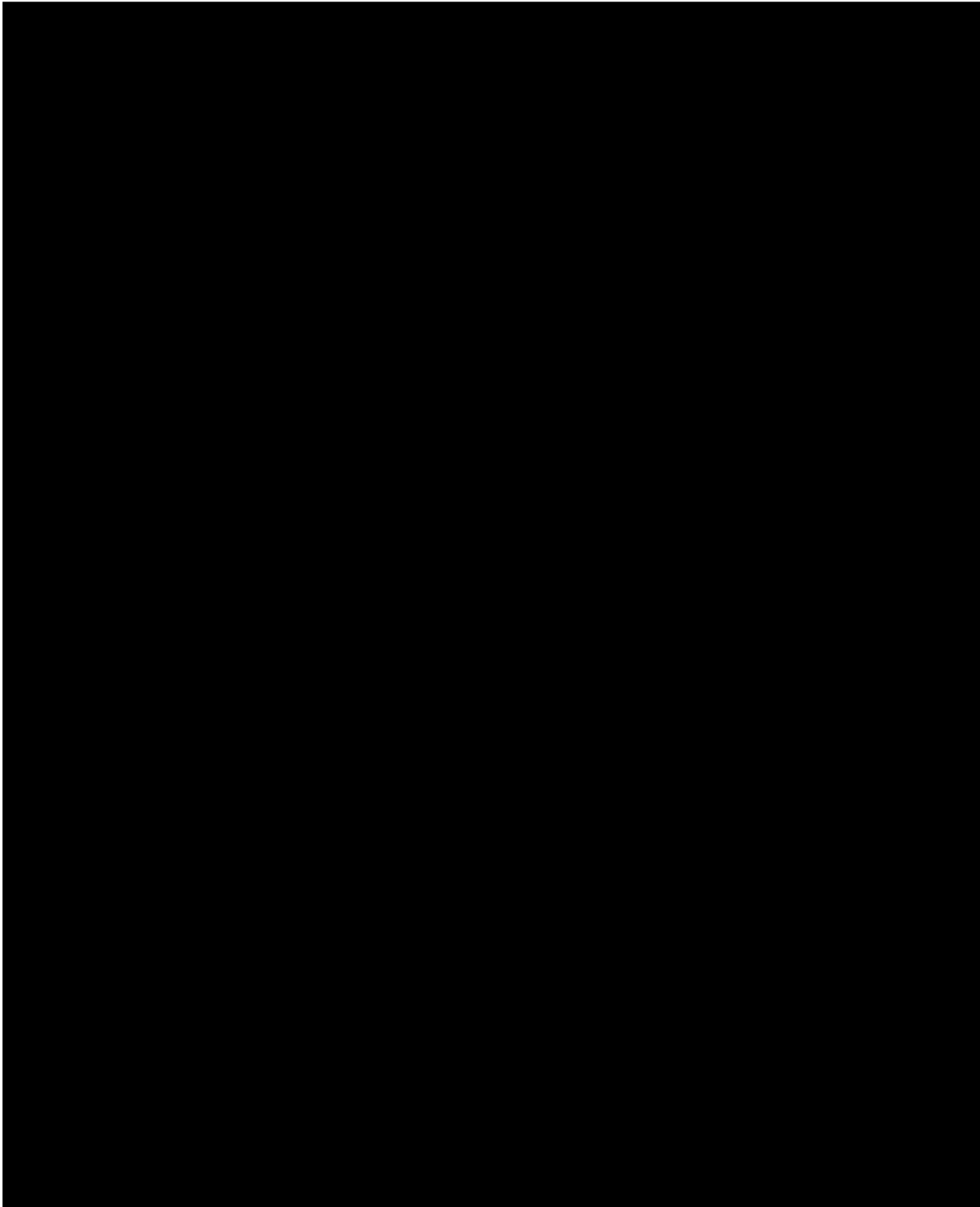


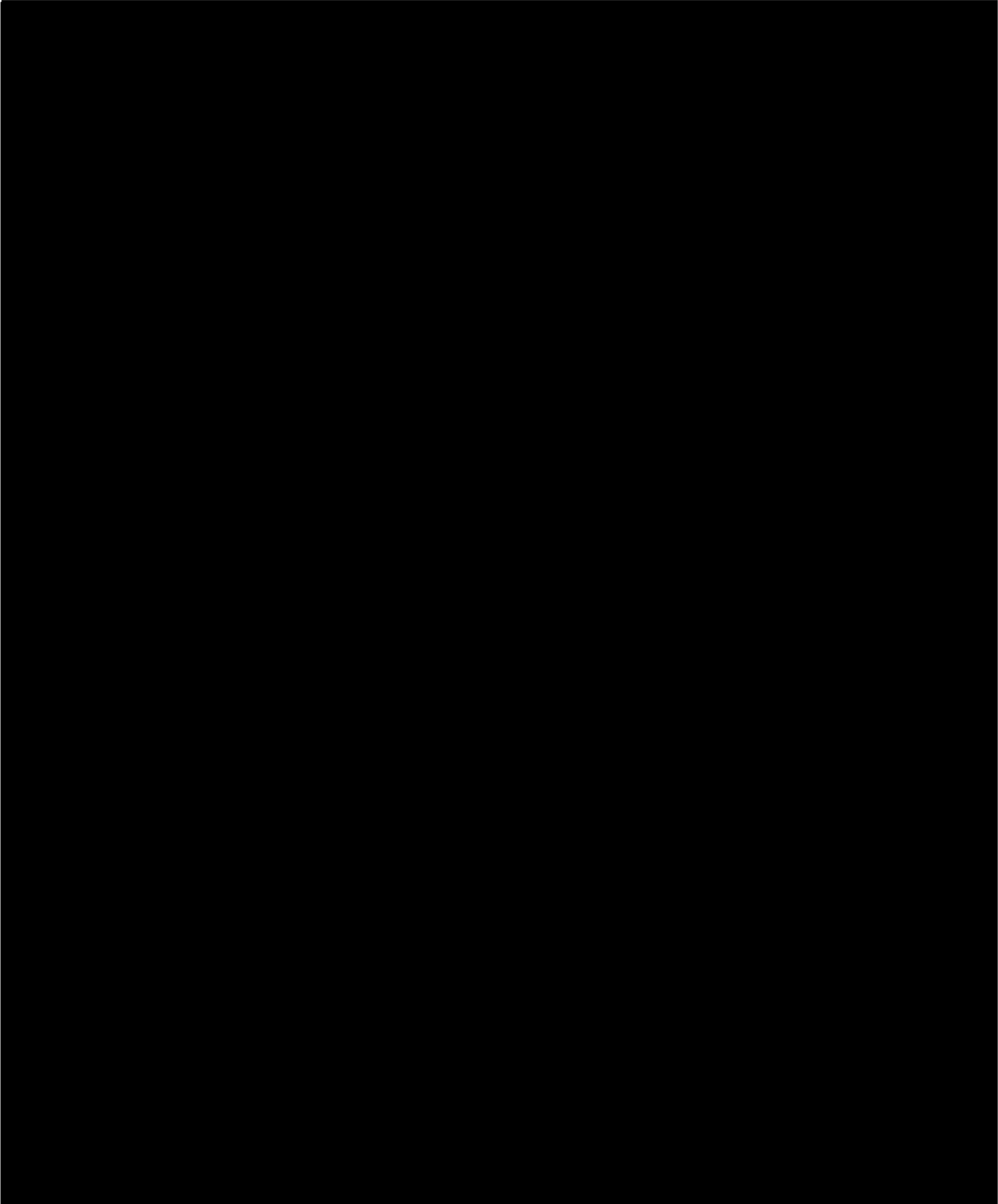


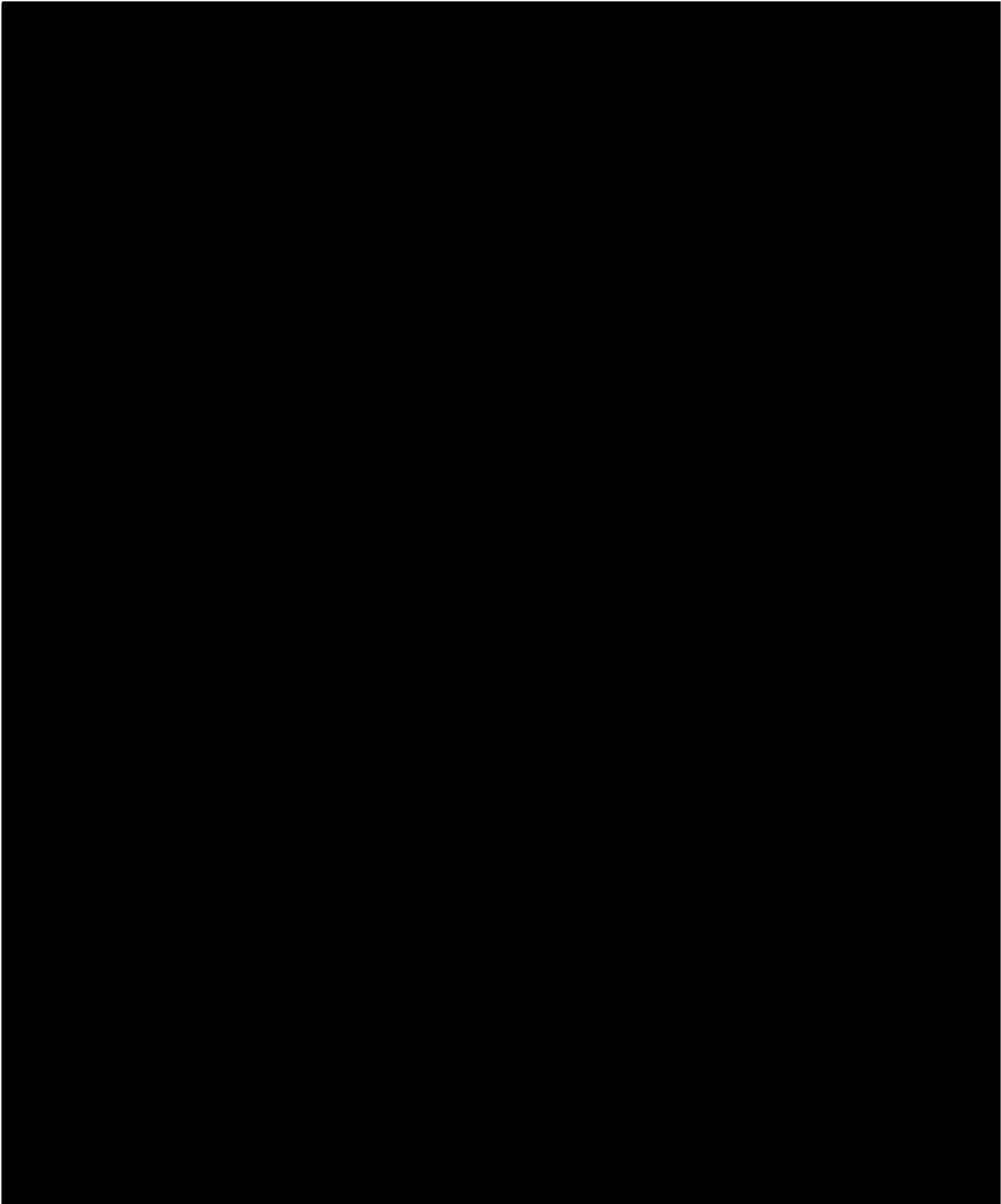















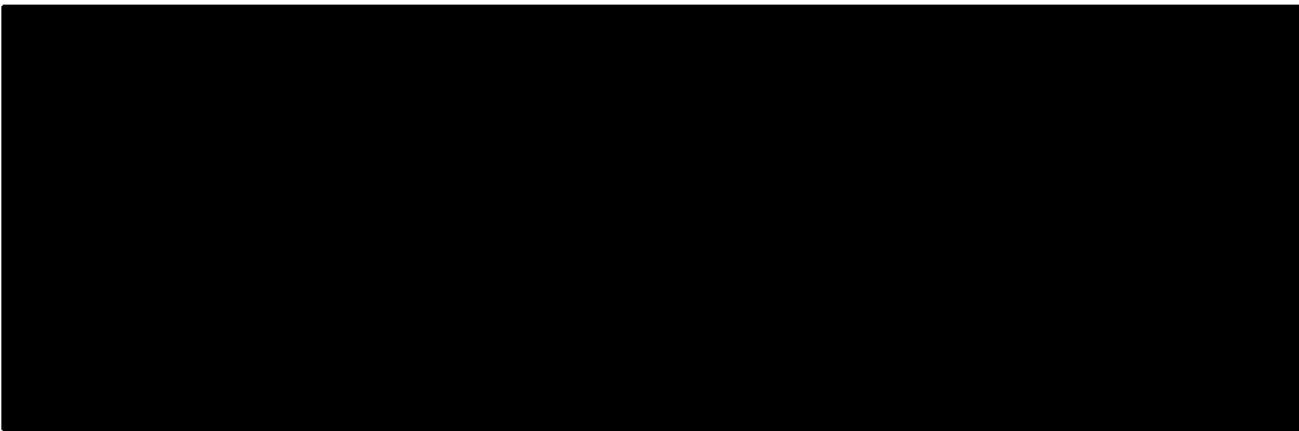
**26. All records relating to the sales practices of Wells Fargo Bank, N.A. that are described in the CFPB's consent order against Wells Fargo Bank, N.A. filed on September 8, 2016.**

Enclosed with this production is the material provided to the Bureau by Wells Fargo in response to the Bureau's Civil Investigative Demands (CIDs) requiring production of documents related to Wells Fargo sales practices. These materials formed the basis of the findings described in the Bureau's Consent Order with Wells Fargo. If the Committee seeks any additional information about Wells Fargo sales practices, the Bureau welcomes a discussion with Committee staff to identify the Committee's outstanding interests and determine how we can satisfy them.

**27. All records relating to the CFPB's "investigation of Wells Fargo" that is described in your letter to the Committee dated September 23, 2016.**

The Bureau's September 23, 2016 letter to which this item refers<sup>44</sup> was a response to the Committee's September 16, 2016 request for several categories of documents relating to the Bureau's Wells Fargo enforcement action. As part of that response, the Bureau produced to the Committee: the Bureau's Supervision, Enforcement and Fair Lending (SEFL) Integration Memorandum; the SEFL Policy on Continuously Supervised Institutions; the Memoranda of Understanding, Common Interest Agreements and Access Agreements between the Bureau and the Office of the Comptroller of the Currency and the Los Angeles City Attorney's Office; and

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<sup>44</sup> Though we assume the referenced letter is the Bureau's September 23, 2016 response to the Committee's September 16, 2016 letter regarding Wells Fargo, the Bureau actually sent two letters to the Committee on September 23, 2016 regarding the Wells Fargo matter. The second letter was the final reply in a series of correspondence about a staff briefing on the Wells Fargo matter. In that second September 23 letter, the Bureau offered to address the Committee's interest in Wells Fargo both through a staff briefing by Bureau subject matter experts, and through testimony from Director Cordray at the Committee's hearing on Wells Fargo. The Committee declined both of those offers.

supervisory correspondence between the Bureau and Wells Fargo. In a supplemental production on November 7, 2016, the Bureau produced the CIDs sent to Wells Fargo by the Bureau during the course of our investigation, as well as transcripts of the testimony of Wells Fargo officials taken by the Bureau pursuant to those CIDs. Those documents are reproduced today for your reference.

As noted above, enclosed with today's production are additional materials representing the documents produced to the Bureau by Wells Fargo in response to the Bureau's CIDs. This material, in conjunction with the material previously produced, comprises the key documentation of the Bureau's investigation of Wells Fargo. As always, we are happy to work with the Committee to determine how we can facilitate any outstanding oversight interests the Committee may have in this matter.

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The enclosed production and narrative discussion above represent a good faith and substantial response to the Committee's 27 itemized production demands. The Bureau looks forward to working with the Committee to appropriately scope and refine any outstanding requests in order to facilitate production of additional materials. We are confident that productive dialogue between the Bureau and Committee will clarify our mutual understanding of the status of these inquiries and enable the expedient satisfaction of the Committee's oversight interests.

The enclosed documents contain confidential information of the Consumer Financial Protection Bureau. 12 C.F.R. 1070.40 et seq. prohibits recipients of the Bureau's confidential information from further disclosing the information either orally or in writing, except in specified circumstances, without first obtaining the prior permission of the Bureau. The documents may also be subject to disclosure restrictions set forth in other Federal laws, including but not limited to the Freedom of Information Act, 5 U.S.C. § 552, the Trade Secrets Act, 18 U.S.C. § 1905, the Procurement Integrity Act, 41 U.S.C. § 2102, and the Privacy Act of 1974, 5 U.S.C. § 552a. The Bureau therefore requests that the Committee protect this information from any disclosure that would cause an unwarranted invasion of privacy or harm to any of the interests served by the law and policy prohibiting the public release of these documents or exempting them from disclosure.

The Bureau is providing these materials to you without waiving applicable protections and will assert those protections to keep sensitive information from being disclosed without appropriate authorization. The Bureau also trusts that the Committee will reach out to receive that input prior to any further dissemination of confidential records to the press or public, via the Committee website, or through other means.



Should you have any questions about this response, please contact me or have your staff contact Steven Bressler in the Bureau's Legal Division or Patrick O'Brien of the Office of Legislative Affairs. Mr. Bressler can be reached at [REDACTED], and Mr. O'Brien can be reached at [REDACTED]. As always, I would be happy to meet with you in person to discuss these matters.

Sincerely,



Richard Cordray  
Director

cc: The Honorable Maxine Waters, Ranking Member, Committee on Financial Services

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**From:** Bressler, Steven (CFPB) <[REDACTED]>  
**Sent:** Thursday, June 01, 2017 6:43 PM  
**To:** Dewey, Samuel  
**Cc:** Galicia, Catherine (CFPB); O'Brien, Patrick (CFPB); Clark, Joseph; Greenbaum, Elie; Gammello, Joe; Sisto, Brett; Peto, Lisa; Burris, Kevin; Read, Jennifer; Morgan, Hallee; Johnson, Brian  
**Subject:** April 4, 2017 subpoena  
**Attachments:** April 4 Production Summary Chart.pdf

Sam,

With respect to the Committee's April 4 subpoena, we are happy to discuss the specifics of the Bureau's responses and any information the Committee believes to be outstanding. We do not understand your prior characterization of our response as "complete default," given the Bureau's production of a 19-page narrative response and 64,000 pages of material on this subpoena's return date and its previous production of over 18,000 pages in response to the subpoena issued in the last Congress (which overlaps substantially with the April 4, 2017 subpoena). The Bureau is eager to cure any inadvertent deficiencies in its productions or simply to provide additional information that would assist the Committee, but it cannot do so unless the Committee clearly and specifically identifies the records or information it believes are missing from these productions. To facilitate further discussion, I have attached a table summarizing the status of each item of the April 4 subpoena.

As the Bureau explained at length in its May 2, 2017 response to the April 4 subpoena, the Bureau has made a robust response to the subpoena—on May 2 as well as in previous productions—and has been clear with Committee staff when further production is impracticable or impossible without clarification of the scope and the nature of the Committee's legislative interests and collaboration on feasible searches reasonably likely to identify records responsive to those interests.

You have stated that the burden of proposing workable parameters rests with the Bureau and that the Bureau has not carried its burden with respect to the April 4 subpoena. However, many of the requests in the April 4 subpoena relate to previous requests that Bureau staff and Committee staff discussed on multiple occasions last year. In those discussions, Bureau staff proposed search and review approaches for a number of requests, where the Bureau had sufficient understanding of the Committee's interests to frame approaches reasonably likely to identify responsive material. Where Committee staff worked with Bureau staff to agree on such search proposals, the Bureau completed review and made supplemental productions last year. Details of these discussions are included in the Bureau's May 2 letter and the correspondence referenced within it. Based on these discussions and review of its productions to date, the Bureau believes that it has produced material sufficient to satisfy a substantial number of items on the April 4 subpoena, as detailed in the attached table. To the extent the Committee articulates concrete interests that have not been satisfied or records it believes have not been produced, Bureau staff will be happy to propose an approach to supplement its productions.

For several other requests, the Bureau explained that it could not produce the requested records, either because they did not exist or because they were not in the Bureau's custody or control. In those cases, the Bureau provided related information or records to the extent they existed and were within the Bureau's custody or control (including through offers of staff briefings), and with respect to many requests, Committee staff agreed that no further production was required. Items in this category are detailed in the attached table.

In the remaining cases, the Bureau identified specific barriers to search and production for discrete requests and explained how issues with these requests, including breadth and lack of a clearly articulated legislative interest, left Bureau staff unable to develop or propose searches reasonably likely to identify material useful to the Committee. The

Bureau requested guidance from the Committee, precisely so that Bureau staff would be able to propose reasonable search parameters, reach agreement with the Committee on an approach, and proceed with review and production. Your email notes that the Bureau often possesses information necessary to frame reasonable requests, such as an understanding of Bureau staff and functions. We agree that the Committee and the Bureau can only agree on reasonable search and review approaches when Committee staff has the predicate facts necessary to scope its requests and when Bureau staff has a clear understanding of the information the Committee seeks. For that reason, Bureau staff spent substantial time on staff-to-staff calls last year answering questions necessary for Committee staff to frame the guidance the Bureau requested and offered staff briefings to aid the Committee in interpreting records and refining its requests. Committee staff agreed to provide guidance based on those discussions, but the Bureau has not yet received it. Subpoena items where the Bureau has made partial productions and awaits guidance to allow supplemental productions are described in detail in the attached table.

The Bureau relied on the guidance provided by Committee staff last year—including staff recognition that requested material had been produced or did not exist. The Bureau further assumed that additional guidance Committee staff had agreed to provide for other requests had been pledged in good faith and would be forthcoming and that reiterating that information to the Committee was not necessary. The Bureau described these discussions generally in its May 2, 2017 letter but, rather than spend more of its limited time reconstructing these discussions, the Bureau focused between receipt of the subpoena and its return date on collecting and producing information and records to the greatest extent possible.

If the Committee will articulate which items in the subpoena it views to be incomplete and identify what material related to those requests the Committee believes is absent from the Bureau’s extensive productions, we will be happy to explain the specific circumstances, including confirming where responsive documents do not exist and describing the methodology the Bureau used to identify the material it produced. We will also work with you to design supplemental searches where doing so is likely to identify additional material relevant to the Committee’s stated interests.

Thank you,  
Steve

**Steven Y. Bressler**

Assistant General Counsel for Litigation & Oversight  
Consumer Financial Protection Bureau

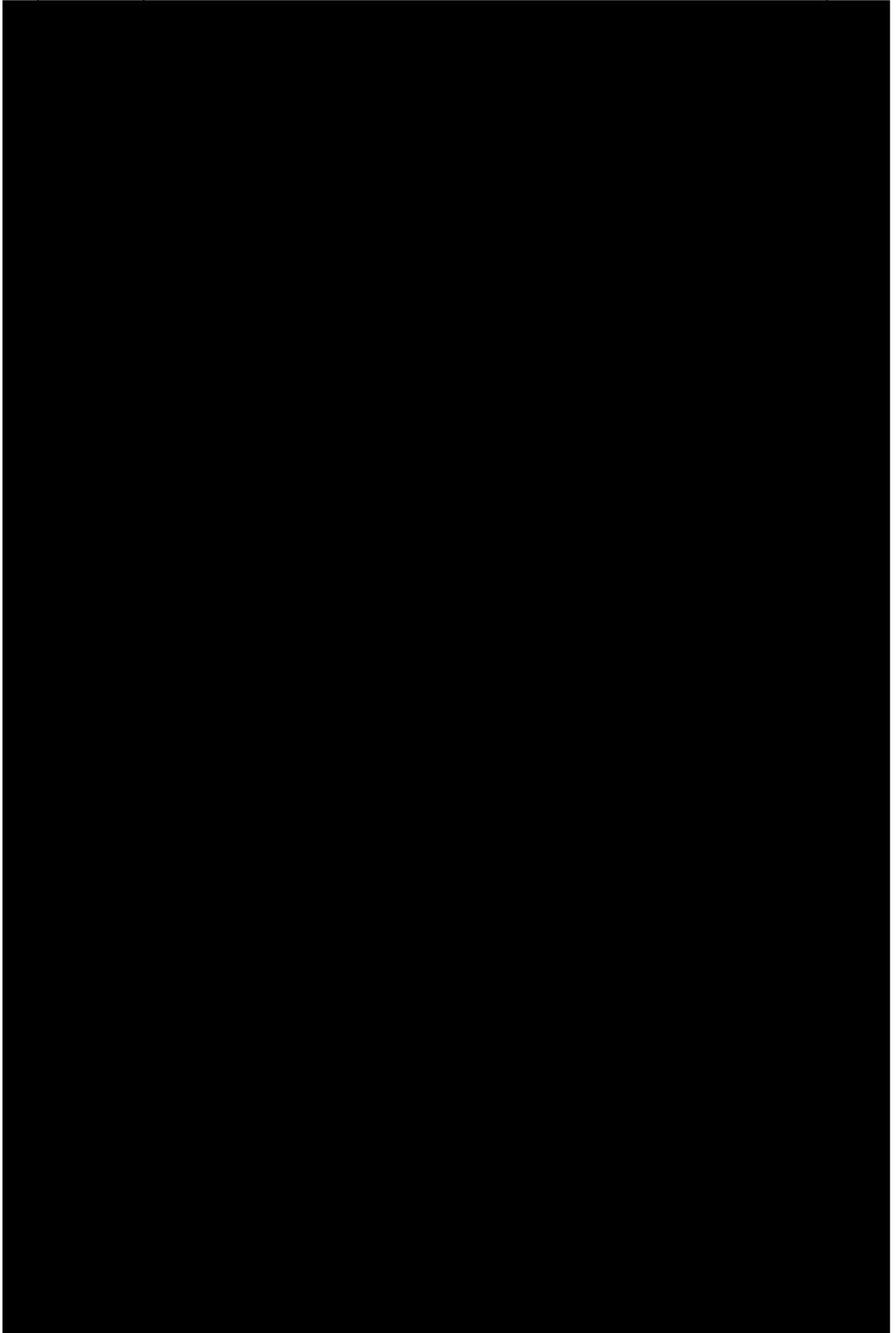
Tel: [REDACTED]

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**Summary of Bureau Response to April 4 Subpoena  
& Related Staff-Level Discussions**

Item	Status
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Item	Status
	

Item	Status
	

Item	Status
26	On May 2, 2017, the Bureau produced the material provided to the Bureau by Wells Fargo in response to the Bureau's CIDs. If the Committee identifies specific additional records it believes are responsive to this request, the Bureau would be happy to determine whether those documents exist and are in its custody or control.
27	The Bureau had previously produced internal policy memoranda, memoranda of understanding, access agreements, correspondence between the Bureau and Wells Fargo, civil investigative demands sent to Wells Fargo, and transcripts of the testimony of Wells Fargo officials taken by the Bureau pursuant to those CIDs. The Bureau re-produced these materials in response to the April 4 subpoena, in addition to documents Wells Fargo provided in response to the Bureau's CIDs (see Item 26 above). If the Committee identifies specific additional records it believes are responsive to this request or would like to offer guidance regarding the scope of the request, the Bureau would be happy to determine whether additional responsive materials can be provided.

**From:** Coleman, John (CFPB)  
**To:** [Dewey, Samuel](#); [Sisto, Brett](#)  
**Cc:** [O'Brien, Patrick \(CFPB\)](#); [Bressler, Steven \(CFPB\)](#); [Greenbaum, Elie](#); [Cowie, Craig \(CFPB\)](#); [Burris, Kevin](#); [Read, Jennifer](#); [Ross, Amena](#); [Powell, Jason](#); [Gammello, Joe](#); [Galicja, Catherine \(CFPB\)](#); [Lackey, Jennifer](#); [Dillon, Sean](#); [Johnson, Brian](#); [Tatelman, Todd](#)  
**Subject:** RE: FINANCIAL SERVICES COMMITTEE SUBPOENA DUCES TECUM TO RICHARD CORDRAY  
**Date:** Thursday, August 24, 2017 2:50:48 PM

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Sam,

Thank you for your response to my email dated August 23, 2017. To be clear, we inquired to ensure that if Committee Staff believed there was evidence that any specific persons engaged in misconduct, those persons would not be assigned to responding to related Committee oversight requests. Based on your email, we understand that Committee Staff does not have any evidence that particular persons have engaged in misconduct and therefore should not be involved in responding to the Committee's oversight requests. If that changes, please let us know immediately.

We are responding to a number of Committee oversight requests, and we reiterate our request for guidance as to the Committee's priorities so that we can provide the Committee with the documents of the most interest to it as quickly as is practicable. Since July alone, we have produced to the Committee almost 44,000 pages of documents (not including all of the native files produced), and we have produced more than 115,000 pages since April. As is discussed in more detail below, based on discussions with Committee Staff, we are currently reviewing more than 85,000 documents responsive to Specifications 18, 26, and 27 of the April 4, 2017 subpoena. In addition, we are loading emails related to Chairman Wagner's recent request, and in response to committee staff's request, we have developed a larger list of custodians for Specification 20. Depending on further discussions with Committee Staff, responding to these two requests likely will add thousands, if not tens of thousands, of documents to the review queue.

As we have reiterated, the Bureau has devoted considerable resources to responding to the Committee's requests, and we are hiring contract attorneys to facilitate the reviews. We have repeatedly requested clarification that would allow us to focus the search for relevant documents so that we could provide the Committee with the documents most of interest to it as expeditiously as is practicable. Simply reasserting broad and vague requests for "all records" related to a given topic, which is itself often quite broad, does not assist in this goal. Instead, it typically, and unnecessarily, results in reviews that take a longer time, cost more money, require more personnel, and often do not produce a high rate of relevant documents. Despite Committee Staff's mention of entities that hired at least sixty attorneys at a law firm, federal agencies do not have infinite resources, and such a course is not feasible for them. The Committee Staff has received more than 100,000 pages of documents in response to the subpoenas at issue and has deposed nine (by our count) current and former Bureau officials. If the Committee is aware of specific, identifiable categories of documents of interest to it, it behooves Committee Staff to narrow, or at least prioritize, the relevant specifications so that the most important documents can be produced more quickly. In the absence of any additional guidance, we will endeavor to move forward on the requests.

As to Chairman Wagner's request on August 18, 2017, we have identified the seventeen custodians we believe received drafts of the letter or who provided comments, either directly or through other custodians, to the letter. We completed loading their emails for the period of



June 6 to June 14, 2017, inclusive, today, and for that one week period, almost 37,000 items were loaded for the seventeen custodians. We now will run preliminary tests to attempt to identify searches that will produce documents responsive to her request. It is our understanding that due to limitations in our review platform we cannot reliably and accurately de-dupe these documents against the documents produced in response to the July 3, 2017 subpoena.

Our understanding of the request is that Chairman Wagner is interested in documents related to the drafting of the June 14 Letter. Therefore, the period of emails currently being loaded ends on the date that the Director sent the letter in question. We are attempting to produce documents from that review by September 1. We will let you know if we are unable to meet that deadline.

In your email dated August 23, 2017, however, you refer to documents dated after the letter was sent. It is not clear what types of documents you believe might exist related to the June 14 letter that would have been created after it was sent or how we would identify the relevant custodians, determine the appropriate time period, or construct searches that would find such documents. Simply reviewing all of the emails of even the seventeen current custodians through the present for stray references (*e.g.*, press clips) to the letter, if any such references even exist, likely would add thousands of documents to the review queue to very little effect. Please provide guidance on what types of documents you think might exist and how we could identify them. If Chairman Wagner is interested in some other categories of documents, please let us know so that we can identify appropriate custodians and craft appropriate searches.

We appreciate your willingness to consider custodians for Specification 20 of the April 4, 2017 subpoena. At your request we have constructed the below chart of people who played a substantive role in the development of either the Bureau's arbitration study or rule. The study was conducted primarily by people in the Office of Cards, Payments, and Deposits Markets, and the rule was developed primarily by people in the Office of Regulations. As the below demonstrates, however, numerous people across the Bureau were involved in both efforts. It is our current understanding that the people identified with asterisks were the principal decision makers regarding the substantive content of the study or rule, but we are continuing to investigate, and if we identify any additional personnel we will let you know. In addition there were various other personnel, including *inter alia* attorneys from other areas, IT professionals, and procurement specialists, who participated in various ways in the study or the rule, but it is our understanding that they would have worked with or for people on the list below.

The list contains 48 people. If the relevant time period is from when the study began in earnest to the publication of the rule, it would cover approximately from January 1, 2013, through July 19, 2017, over four and a half years. Our initial review indicates that these 48 people had just over two million emails with other CFPB employees during this time. The 18 people with asterisks had over 915,000 internal emails in this time. At least some of the people with asterisks spent substantial portions of their time working on arbitration-related matters. Even loading this many custodians with this much email into the review platform will significantly delay the review process. Please let us know if you would be willing to consider narrowing the custodians further. In particular, Eric Goldberg is the team lead on the arbitration rule and likely would be included on most, if not all, significant communications related to the rule, and Will Wade-Gery and Kelvin Chen led the arbitration study and similarly likely would be involved on communications related to the study. Of course, if after review of the relevant emails for which they are custodians, you identified other persons whose emails you wished us

to review, we could expand the review. If we can agree on a manageable list of custodians, we can load the emails and run preliminary searches to attempt to assess the total volume of documents that would need to be reviewed. The key figures worked on arbitration-related matters for years, and likely a very high percentage of their emails from those periods related to arbitration. The three key persons had over 200,000 internal emails and searches of even those emails likely would produce tens of thousands of emails that would need to be reviewed. But, as noted above, we cannot run those searches to determine the precise scope until the custodians are loaded in the review platform.

Richard Cordray, Director\*

- Evan White, Advisor to the Director\*
- Chris Lipsett\*, Senior Counsel to the Director

David Silberman\*, Acting Deputy Director and Associate Director, Research, Markets, and Regulations

Research, Markets, and Regulations

- Kelly Cochran\*, Assistant Director, Office of Regulations
  - Eric Goldberg\*, Senior Counsel, Office of Regulations
  - Owen Bonheimer\*, Senior Counsel, Office of Regulations
  - Nora Rigby\*, Senior Counsel, Office of Regulations
  - Ben Cady\*, Senior Counsel, Office of Regulations
  - Larry Lee\*, Attorney Advisor, Office of Regulations (formerly in Cards, Payments, and Deposits Markets)
  - Katherine Hemmer\*, Paralegal, Office of Regulations
  - Charles Honig\*, Managing Counsel, Office of Regulations
- Ron Borzekowski\*, Assistant Director, Office of Research
  - Alexei Alexandrov\*, former Senior Economist in the Office of Research
    - Replaced briefly by Aaron Schroeder, Economist
    - Then replaced by Ryan Sandler\*, Economist
- Will Wade-Gery\*, Assistant Director, Cards, Payments, and Deposits Markets
  - Kelvin Chen\*, former Emerging Payments Program Manager, Cards, Payments, and Deposits Markets
    - Chris Drahozal\* (consultant to Cards, Payments, and Deposits Markets)
    - Cathy Mansfield, Detailee to Cards, Payments, and Deposits Markets
    - Albert Chang, former summer intern (currently in Office of Fair Lending and Equal Opportunity)
  - James Foust\*, Analyst, Cards, Payments, and Deposits Markets
  - Lewis Kirvan, former summer intern, Cards, Payments, and Deposits Markets, (currently Consumer Insights Program Manager, Office of Consumer Response)
  - Amanda Lewis, Detailee to Cards, Payments, and Deposits Markets (Consumer Financial Protection Analyst, Supervision, Enforcement, and Fair Lending)

Legal Division

- Rebecca Deutsch
- Beth France
- Ed Blatnik
- Shiva Nagaraj
- Karuna Patel
- Anand Das

- David Snyder
- David King
- Roberto Gonzalez

#### Enforcement/Supervision Enforcement and Fair Lending

- Karen Meyers
- Genessa Stout
- Melanie Hirsch
- Liz Boison
- Carolyn Hahn
- Deepak Gupta

#### Data Team

- Jackson Hughes, Data Science and Analytics Lead, Technology and Innovation
- Nicole Kelly, Data Scientist, Technology and Innovation
- Katya Belyayeva, Data Operations Support, Technology and Innovation

#### External Affairs

- Jen Howard
- David Mayorga
- Dan Smith
- Liz Ellis
- Jeff Swartz

#### Office of Legislative Affairs

- Catherine Galicia

With respect to Specifications 18, we continue to review documents. However, as we have stated before with respect to Specification 18, it is not clear how documents that contain certain words are pertinent to any matter the Committee claims to be investigating simply because they contain those words, especially when they have nothing to do with the Bureau's responses to Congressional oversight requests. For example, documents related to the creation of deposition outlines in contested litigation do not appear to be pertinent to the Committee's stated investigatory interests, but they do contain very sensitive and privileged law enforcement information. In the absence of any guidance from the Committee, we continue to review the entire set of documents. We cannot now predict when our review of documents responsive to the search string in Specification 18 will be complete or when those documents will be ready for production. The answer will depend on how quickly we can bring contract attorneys on board, the amount of resources we are required to divert to other Committee requests (*e.g.*, Chairman Wagner's most recent letter or the other specifications discussed above), and other demands on staff time. Again, if there are specific areas of inquiry that the Committee has identified based on its review of the tens of thousands of documents the Bureau has provided regarding its response to Congressional oversight or the Committee's depositions of nine current and former Bureau staff, we are happy to focus our efforts on those areas in order to expedite production.

Regards,

**John R. Coleman**

Deputy General Counsel for Litigation and Oversight

Legal Division

Consumer Financial Protection Bureau

Tel: [REDACTED]

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August 14, 2017

The Honorable Maxine Waters  
Ranking Member  
Committee on Financial Services  
U.S. House of Representatives  
2221 Rayburn House Office Building  
Washington, D.C. 20515

Dear Ranking Member Waters:

I write in response to your letter of August 1, 2017 regarding Wells Fargo & Company (“Wells Fargo”).<sup>1</sup>

The recent reports regarding Wells Fargo’s forced placed insurance program are exceptionally serious and worthy of the Committee’s full examination.<sup>2</sup> The Committee staff, at my direction, has already begun to investigate two critical questions:

- (1) how and why Wells Fargo and Wells Fargo’s apparent agent, National General Insurance (“National General”), charged so many consumers for forced place insurance policies they did not need and how those individuals may have been hurt by these actions via fees or even repossessions; and
- (2) whether or not federal financial regulators were effective in detecting and remedying Wells Fargo and National General’s practices in this area.

The Committee will conduct this investigation without fear or favor and will follow the facts wherever they lead. The Committee will deploy all investigative powers that are necessary. During the week of July 31–August 4, Wells Fargo senior executives briefed both Majority and Minority Staffs in-person and produced the Oliver Wyman Report cited in the *New York Times* article which broke this story. Majority and Minority Staffs are currently working to schedule a bipartisan, in-person briefing from National General.

The investigation will proceed in an orderly fashion. The first step in a deliberate and serious investigation is for the Committee to review the relevant

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<sup>1</sup> Letter from the Hon. Maxine Waters et al. to the Hon. Jeb Hensarling (Aug. 1, 2017).

<sup>2</sup> See, e.g., Gretchen Morgenson, *Wells Fargo Forced Unwanted Auto Insurance on Borrowers*, N.Y. Times (July 27, 2017).



records from all relevant parties. The next step, if necessary, will be to conduct a detailed examination of key witnesses.

This investigation can be bipartisan, and I certainly hope it will be. A serious investigation of the forced placed insurance matter necessarily requires an examination of the actions of both Wells Fargo and its regulators. Contrary to your letter, there has been no hesitation to chastise Wells Fargo and its executives when warranted by the facts.<sup>3</sup>

A thorough Committee investigation is one that is worthy of the Committee's oversight obligations. The Minority's participation in an independent, comprehensive, and professional examination is welcome.

Sincerely,



JEB HENSARLING  
Chairman

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<sup>3</sup> See, e.g., *Holding Wall Street Accountable: Investigating Wells Fargo's Opening of Unauthorized Customer Accounts*: Hearing Before the H. Fin. Servs. Comm. (Written Opening Statement of Chairman Hensarling) ("We are here today because millions of Americans were ripped off by their bank and seemingly let down by their government. Fraud is fraud and theft is theft. What happened at Wells Fargo over the course of many years cannot be described any other way. . . . In fact, a whole host of federal laws were potentially violated, including the Truth in Savings Act, the Fair Credit Reporting Act, the Truth in Lending Act, the Electronic Funds Transfer Act, the Securities Act of 1933, the Securities and Exchange Act of 1934, and the Sarbanes-Oxley Act of 2002. All charges must be thoroughly investigated. All culpable individuals must be held accountable. . . . Mr. Stumpf, I have a mortgage with your bank. I wish I didn't. I wish I was in the position to pay it off because you have broken my trust as you have broken the trust of millions and it's going to take a long time to earn it back.").

H. Fin. Servs. Comm. Interim Majority Report, *Was the "Cop on the Beat": Interim Majority Staff Report on the Wells Fargo Fraudulent Accounts Scandal*, at 1 (June 6, 2017) ("On September 8, 2016, the world learned of one of the worst banking scandals in years. Since at least May 2001, thousands of Wells Fargo & Company . . . employees had been engaged in the practice of defrauding customers by opening millions of unneeded, and at times, unauthorized bank accounts. Evidence suggested that executives at the Bank had turned a blind eye to this fraud for years.") Indeed, in a separate investigation the Majority released a comprehensive Staff Report chiding the Department of Justice for failing to criminally prosecute HSBC (a major bank) and some of its employees. See H. Fin. Servs. Comm. Majority Staff Report, *To Big to Jail: Inside the Obama Justice Department's Decision not to Hold Wall Street Accountable* (July 11, 2016). You declined to cooperate in this investigation in any meaningful way.

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

August 28, 2017

Timothy J. Sloan  
Chief Executive Officer and President  
Wells Fargo & Company  
420 Montgomery Street  
San Francisco, CA 94163

Dear Mr. Sloan:

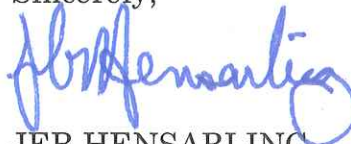
Pursuant to its authority under House Rule X, 115<sup>th</sup> Congress, the U.S. House Committee on Financial Services is currently investigating matters related to Wells Fargo & Company's use of collateral protection insurance and guaranteed auto protection on automobile loans.

To assist the Committee in this matter, please provide the records requested in Schedule A and Schedule B of the attached request by not later than September 18, 2017. We ask that you submit material responsive to this request as it becomes available, rather than waiting to provide it all at once.

Additionally, please provide to the Committee within five days of receipt your written acknowledgement of this letter. Additionally, please make your staff and counsel available to meet and confer with Committee staff within five days of receipt of this letter to discuss the enclosed production schedule.

Due to security concerns, the House Sergeant at Arms requires special treatment for materials delivered to House offices. To avoid any unnecessary delays in connection with the production, we ask that you carefully review the attached Production Instructions. Please contact Samuel Dewey of the Chairman's Staff at (202) 225-7502 if you have any questions.

Sincerely,



JEB HENSARLING  
Chairman

cc: The Honorable Maxine Waters, Ranking Member

## SCHEDULE A

In accordance with the attached schedule instructions, you, Timothy J. Sloan, are required to produce, in unredacted form, all records described below:

1. All records relating to the February 2017 Oliver Wyman report titled: *Collateral Protection Insurance Remediation Quantification Methodology*.
2. All records relating to Wells Fargo's decision in 2013 to no longer receive commissions from the Collateral Protection Insurance Program.
3. All records relating to Wells Fargo's decision to stop placing Collateral Protection Insurance on auto loans that did not evidence vehicle insurance obtained by the borrower.
4. All records indicating all actions Wells Fargo took to prevent customer harm once it determined that customers were being charged for insurance that they did not need through the Collateral Protection Insurance Program.
5. All records relating to any analysis of the Collateral Protection Insurance Program since January 1, 2011, performed by Wells Fargo or any of its employees.
6. All records relating to the Collateral Protection Insurance Program for which the Board of Wells Fargo, a Board Member of Wells Fargo, a Wells Fargo Executive Officer, or their respective Administrative Assistants, are custodian, from January 1, 2012, to the present.
7. All records relating to the termination, resignation, or retirement of any Wells Fargo employee for any reason related to the Collateral Protection Insurance Program.
8. All records relating to the forfeiture or deferment of bonuses, compensation, or awards of any Wells Fargo employee who was terminated, resigned, or retired for reasons related to the Collateral Protection Insurance Program.
9. All contracts related to the Collateral Protection Insurance Program from January 1, 2012 to the present.
10. All communications between any Wells Fargo employee and any National General employee relating to the Collateral Protection Insurance Program.
11. All records indicating Wells Fargo's customer remediation plan for customers potentially harmed by the Collateral Protection Insurance Program, including, but not limited to, details concerning the customer dispute resolution system.

12. All complaints received by Wells Fargo's Office of the President related to accounts that had Collateral Protection Insurance between January 1, 2012, and December 31, 2016.
13. All records related to the September 29, 2016, Department of Justice consent order with Wells Fargo regarding violations of the Servicemember's Civil Relief Act ("SCRA").
14. All communications between Wells Fargo and any federal agency regarding the Collateral Protection Insurance Program from January 1, 2012, to the present.
15. All records indicating the standard procedures for repossessing a customer's car.
16. All records indicating any instances in which Wells Fargo failed to follow its standard procedures for repossessing a customer's car for customers who were part of the Collateral Protection Insurance Program.
17. All records indicating the missed payments of all customers signed up for the Collateral Protection Insurance Program who had their cars repossessed, including but not limited to details on whether or not the customer was signed up for an auto pay system.
18. All records indicating Wells Fargo's internal process for interacting with and recording customer complaints in the auto lending department.
19. All records relating to the timing of charges to customers and payments to National General regarding the Collateral Protection Insurance Program.
20. All records relating to the policies and procedures that Wells Fargo used to reject placing Collateral Protection Insurance on a customer that did not evidence collision insurance.

## **SCHEDULE B**

In accordance with the attached schedule instructions, you, Timothy J. Sloan, are required to produce, in unredacted form, all records described below:

1. All records relating to issues related to the unused portion of guaranteed auto protection (“GAP”) waiver or insurance agreements between the dealer and, by assignment, the lender.
2. All records relating to the remediation plan for customers affected by the issues Wells Fargo identified with regards to GAP.
3. All contracts between Wells Fargo and its insurance carrier related to GAP.
4. All records detailing the missed payments of all customers signed up for GAP who had their cars repossessed, including but not limited to details on whether or not the customer was signed up for an auto pay system.
5. All communications between Wells Fargo and any federal agency regarding GAP from January 1, 2012, to present.
6. All complaints received by Wells Fargo’s Office of the President related to accounts that had GAP between January 1, 2012, and August 1, 2017.
7. All records indicating the steps Wells Fargo took to prevent customer harm once it determined that customers may have been harmed through GAP.
8. All records relating to any analysis of GAP since January 1, 2011, performed by Wells Fargo or any of its employees.
9. All records relating to GAP for which the Wells Fargo Board of Directors, a Board Member of Wells Fargo, or Wells Fargo Executive Officers, or their respective Administrative Assistants, are custodian, from January 1, 2012, to the present.
10. All records relating to the termination, resignation, or retirement of any employee for reasons relating to GAP.
11. All records relating to the forfeiture or deferment of bonuses, compensation, or awards of any employee who was terminated or resigned or retired for reasons related to GAP.

**INSTRUCTIONS: For the purpose of this Request:**

1. In complying with this Request, you are required to produce all responsive records that are in your possession, custody, or control. You shall also produce records that you have a legal right to obtain, that you have a right to copy or to which you have access, as well as records that you have placed in the temporary possession, custody, or control of any third party. Requested records shall not be destroyed, modified, removed, transferred, or otherwise made inaccessible to the Committee.
2. In the event that any entity, organization, or individual denoted in this Request has been, or is also known by any other name than that herein denoted, the Request shall be read also to include that alternative identification.
3. The Committee considers all members of a document “family” to be responsive to the Request if any single “member” of that “family” is responsive, regardless of whether the “family member” in question is “parent” or “child.”
4. It shall not be a basis for refusal to produce records that any other person or entity also possesses non-identical or identical copies of the same records.
5. If a date or other descriptive detail set forth in this Request referring to a record is inaccurate, but the actual date or other descriptive detail is known to you or is otherwise apparent from the context of the Request, you are required to produce all records which would be responsive as if the date or other descriptive detail were correct.
6. Records produced in response to this Request shall be produced as they were kept in the normal course of business together with copies of file labels, dividers, or identifying markers with which they were associated when the Request was served.
7. In complying with this Request, be apprised that (unless otherwise determined by the Committee) the Committee does not recognize: any purported non-disclosure privileges associated with the common law including, but not limited to, the deliberative-process privilege, the attorney-client privilege, and attorney work product protections; any purported privileges or protections from disclosure under the Freedom of Information Act; or any purported contractual privileges, such as non-disclosure agreements. Any assertion by a Request recipient of any such non-constitutional legal bases for withholding records or other materials shall be of no legal force and effect and shall not provide a justification for such withholding or refusal, unless and only to the extent that the Chairman of the Committee has consented to recognize the assertion as valid. If you withhold records in whole or in part on the basis of a claim of a privilege or protection, you are required to follow the following procedure. You may only withhold that portion of a record

over which you assert a claim of privilege or protection. Accordingly, you may only withhold a record in its entirety if you maintain that the entire record is privileged or protected. Otherwise you must produce the record in redacted form. In the event that a record is withheld in whole or in part on the basis of privilege or protection you must provide a privilege log containing the following information concerning each discrete claim of privilege or protection: (a) the privilege or protection asserted; (b) the type of record; (c) the date, author, and addressee (d) the relationship of the author and addressee to each other; and (e) a general description of the nature of the record that, without revealing information itself privileged or protected, will enable the Committee to assess your claim of privilege or protection. In the event a record or a portion thereof is withheld under multiple discrete claims of privilege or protection, each claim of privilege or protection must be separately logged. In an event portions of a record are withheld on discrete claims of privilege or protection, each separate claim of privilege or protection within that record must be separately logged. A privilege log must be produced contemporaneously with the withholding of any record in whole or in part on the basis of a privilege or protection. Privilege logs must be produced as a native Microsoft Excel file. All privilege logs must be accompanied by the certification of your counsel in a form compliant with 28 U.S.C. § 1746 that all assertions of privilege or protection contained therein are consistent with these Instructions and are warranted by existing law or by a non-frivolous argument for extending, modifying, or reversing existing law, or for establishing new law. Failure to strictly comply with these provisions constitutes waiver of any asserted privilege or protection. In the Chairman's discretion, this waiver may extend to the subject matter of the underlying records.

8. If any record responsive to this Request was, but no longer is, in your possession, custody, or control, you must file a certificate in a form compliant with 28 U.S.C. § 1746 signed by your counsel and the natural person that you designate as most knowledgeable regarding the circumstances under which the record ceased to be in your possession, custody, or control which: (a) identifies the record (stating its date, author, subject, and recipients); and (b) explains the circumstances under which the record ceased to be in your possession, custody, or control or was placed in the possession, custody, or control of a third party; (c) identifies the person who currently has possession, custody, or control over the record; and (d) identifies each person who authorized the disposition of the record or who had or has knowledge of that disposition.
9. If any record responsive to this Request cannot be located, you must immediately file a certificate in a form compliant with 28 U.S.C. § 1746 signed by your counsel and the natural person that you designate as most knowledgeable regarding the circumstances describing with particularity the efforts made to locate the record and the specific reason for its disappearance, destruction or unavailability.

10. This Request is continuing in nature and applies to any newly-discovered information. Any record not produced because it has not been located or discovered by the return date shall be produced immediately upon subsequent location or discovery. If you discover any portion of your response is incorrect in a material respect you must immediately and contemporaneously file with the Committee a certificate in a form compliant with 28 U.S.C. § 1746, signed by your counsel, and the natural person that you designate as most knowledgeable regarding your document production, setting forth: (1) how you became aware of the defect in the response; (2) how the defect came about (or how you believe it to have come about); and (3) a detailed description of the steps you took to remedy the defect.
11. A cover letter shall be included with each production and include the following:
  - a. A list of each piece of media included in the production with its unique production volume number;
  - b. A list of custodians, identifying the Bates range for each custodian;
  - c. A list of Specifications, identifying the Bates range of documents responsive to each Specification;
  - d. The time zone in which the emails were standardized during conversion; and
  - e. All Bates Prefix and Suffix formats for records contained in the production.
12. You must identify any documents which you believe to contain confidential or proprietary information.
13. In the event a complete response requires the transmission of classified information, provide as much information in unclassified form as possible in your response and send all classified information under separate cover via the Office of House Security.
14. Records must be produced to the Committee in accordance with the attached Electronic Production Instructions in order to be considered to be in compliance with the Request. Failure to produce records in accordance with the attached Electronic Production Instructions, may, in an exercise of the Committee's discretion, be deemed an act of contumacy.
15. If properties or permissions are modified for any records produced electronically, receipt of such records will not be considered full compliance with the Request.
16. Upon completion of the record production, you must submit a certificate, in a form compliant with 28 U.S.C. § 1746, signed by you and your counsel regarding your



record production, stating that: (a) a diligent search has been completed of all records in your possession, custody, or control which reasonably could contain responsive records; (b) the search complies with good forensic practices; (c) records responsive to this Request have not been destroyed, modified, removed, transferred, or otherwise made inaccessible to the Committee since the date of receiving the Committee's Request or in anticipation of receiving the Committee's Request; and (d) all records located during the search that are responsive have been produced to the Committee or withheld in whole or in part on the basis of an assertion of a claim of privilege or protection in compliance with these Instructions.

17. When representing a witness or entity before the Committee in response to a subpoena, record request, or request for transcribed interview, counsel for the witness or entity must promptly submit to the Committee a notice of appearance specifying the following: (a) counsel's name, firm or organization, and contact information; and (b) each client represented by the counsel in connection with the proceeding. Submission of a notice of appearance constitutes acknowledgement that counsel is authorized to accept service of process by the Committee on behalf of such client(s), and that counsel is bound by and agrees to comply with all applicable House and Committee rules and regulations.

## DEFINITIONS

The following definitions apply to terms within the Request, Schedule A, Schedule B, these Instructions, and these Definitions.

1. The term “record” means any written, recorded, or graphic matter of any nature whatsoever, regardless of how recorded, and whether original or copy, including, but not limited to, the following: memoranda, reports, expense reports, books, manuals, instructions, financial reports, working papers, records, notes, letters, notices, confirmations, telegrams, receipts, appraisals, pamphlets, magazines, newspapers, prospectuses, inter-office and intra-office communications, electronic mail (emails), text messages, instant messages, MMS or SMS messages, contracts, cables, telexes, notations of any type of conversation, telephone call, voicemail, meeting or other communication, bulletins, printed matter, computer printouts, teletypes, invoices, transcripts, diaries, analyses, returns, summaries, minutes, bills, accounts, estimates, projections, comparisons, messages, correspondence, press releases, circulars, financial statements, reviews, opinions, offers, studies and investigations, questionnaires and surveys, and work sheets (and all drafts, preliminary versions, alterations, modifications, revisions, changes, and amendments of any of the foregoing, as well as any attachments or appendices thereto), and graphic or oral records or representations of any kind (including without limitation, photographs, charts, graphs, microfiche, microfilm, videotape, recordings and motion pictures), and electronic, mechanical, and electronic records or representations of any kind (including, without limitation, tapes, cassettes, disks, and recordings) and other written, printed, typed, or other graphic or recorded matter of any kind or nature, however produced or reproduced, and whether preserved in writing, film, tape, disk, videotape or otherwise. A record bearing any notation not a part of the original text is to be considered a separate record. A draft or non-identical copy is a separate record within the meaning of this term. By definition a “communication” (as that term is defined herein) is also a “record” if the means of communication is any written, recorded, or graphic matter of any sort whatsoever, regardless of how recorded, and whether original or copy.
2. The term “records in your possession, custody or control” means (a) records that are in your possession, custody, or control, whether held by you or your employees; (b) records that you have a legal right to obtain, that you have a right to copy, or to which you have access; and (c) records that have been placed in the possession, custody, or control of any third party.
3. The term “communication” means each manner or means of disclosure or exchange of information (in the form of facts, ideas, inquiries, or otherwise), regardless of means utilized, whether oral, electronic, by document or otherwise, and whether in

an in-person meeting, by telephone, facsimile, e-mail (desktop or mobile device), text message, MMS or SMS message, regular mail, telexes, releases, or otherwise.

4. “Communication with,” “communications from,” and “communications between” means any communication involving the related parties, regardless of whether other persons were involved in the communication, and includes, but is not limited to, communications where one party is cc’d or bcc’d, both parties are cc’d or bcc’d, or some combination thereof.
5. The term “person” is defined as any natural person or any legal entity, including, without limitation, any business or governmental entity or association, and all subsidiaries, divisions, partnerships, properties, affiliates, branches, groups, special purpose entities, joint ventures, predecessors, successors, or any other entity in which they have or had a controlling interest, and any employee, and any other units thereof.
6. The term “employee” means a current or former: officer, director, shareholder, partner, member, consultant, senior manager, manager, senior associate, permanent employee, staff employee, attorney, agent (whether de jure, de facto, or apparent, without limitation), advisor, representative, attorney (in law or in fact), lobbyist (registered or unregistered), borrowed employee, casual employee, consultant, contractor, de facto employee, independent contractor, joint adventurer, loaned employee, part-time employee, provisional employee, or subcontractor.
7. The terms “and” and “or” shall be construed broadly and either conjunctively or disjunctively to bring within the scope of this Request any information which might otherwise be construed to be outside its scope. The terms “all,” “any,” and “each” shall each be construed as encompassing any and all. The singular includes the plural number, and vice versa. The masculine includes the feminine and neuter genders.
8. The terms “pertaining to,” “referring,” “relating,” or “concerning” with respect to any given subject means anything that constitutes, contains, embodies, reflects, identifies, states, refers to, deals with, or is in any manner whatsoever pertinent to that subject.
9. The term “indicating” with respect to any given subject means anything showing, evidencing, pointing out or pointing to, directing attention to, making known, stating, or expressing that subject of any sort, form, or level of formality or informality, whatsoever, without limitation.
10. When referring to a person, “to identify” means to give, to the extent known: (1) the person’s full name; (2) present or last known address; and (3) when referring to a natural person, additionally: (a) the present or last known place of employment;

(b) the natural person's complete title at their employment; and (c) the individual's business address. When referring to documents, "to identify" means to give, to the extent known the: (1) type of document; (2) general subject matter; (3) date of the document; and (4) author, addressee, and recipient.

11. The term "Wells Fargo," "you," or "your" means Wells Fargo & Company, and all subsidiaries, divisions, partnerships, properties, affiliates, branches, groups, special purpose entities, joint ventures, predecessors, successors, or any other entity in which they have or had a controlling interest or shared financials, and any employee (as that term is defined herein), and any other units thereof.
12. The term "Wells Fargo Bank, N.A." refers to Wells Fargo Bank, N.A., a subsidiary of Wells Fargo & Company, and its successors and assigns.
13. The term "Wells Fargo & Company" refers to the American international banking and financial services company Wells Fargo & Company and its subsidiaries and affiliates.
14. The term "Collateral Protection Insurance Program" refers to Wells Fargo's practice of purchasing collateral protection insurance through a third-party vendor on behalf of customers with auto loans, as discussed in Note 11 of Wells Fargo & Company's Form 10-Q for the quarterly period ended June 30, 2017.
15. The term "Guaranteed Auto Protection" refers to the so-named insurance agreements discussed in Note 11 of Wells Fargo & Company's Form 10-Q for the quarterly period ended June 30, 2017.
16. The term "customer harm" means negative direct or indirect effects on a Wells Fargo customer that may have been caused by Wells Fargo, whether financial or non-financial, without any limitation whatsoever.
17. The term "National General" refers to National General Holdings Corp. and all subsidiaries, divisions, partnerships, properties, affiliates, branches, groups, special purpose entities, joint ventures, predecessors, successors, or any other entity in which they have or had a controlling interest or shared financials, and any employee (as that term is defined herein), and any other units thereof.
18. The term "analysis" means any document judging, reviewing, evaluating, auditing, assessing, appraising, examining, studying, investigating, inquiring, exploring, or other like activity, of any sort, form, or level of formality or informality, whatsoever, without limitation.
19. The term "Board of Directors" means the Wells Fargo Board of Directors as well as any Committee, Subcommittee, taskforce, or any entity on which a director sits in any form, manner, or capacity, whatsoever.

20. The term “contract” means any agreement between two or more persons setting forth obligations that are enforceable or otherwise recognizable at law or in equity, and includes, but is not limited to, amendments, task orders, change orders, directional bulletins, or other similar documents.
21. The term “Administrative Assistant” refers to any person or office whose job responsibilities include providing direct support to an individual by, among other things, assisting them in any way whatsoever with communications, compilation and filing of records, making of appointments, maintenance of calendars, and the like.
22. The term “remediation plan” refers to any plan, arrangement, proposal, or course of action, of any sort, form, or level of formality or informality, whatsoever, without limitation, to compensate Wells Fargo customers that have suffered customer harm, through financial or non-financial means.

## **ELECTRONIC PRODUCTION INSTRUCTIONS**

Record productions shall be prepared according to, and strictly adhere to, the following standards:

1. Records produced shall be organized, identified, and indexed electronically.
2. Only alphanumeric characters and the underscore (“\_”) character are permitted in file and folder names. Special characters are not permitted.
3. Two sets of records shall be delivered, one set to the Majority Staff and one set to the Minority Staff. To the extent the Minority Staff does not have an electronic record review platform, records shall be produced to the Minority Staff in searchable PDF format and shall be produced consistent with the instructions specified in this schedule to the maximum extent practicable.
4. Production media and produced records shall not be encrypted, contain any password protections, or have any limitations that restrict access and use.
5. Records shall be produced to the Committee on one or more CDs, memory sticks, thumb drives, or USB hard drives. Production media shall be labeled with the following information: Case Number, Production Date, Producing Party, Bates Range.
6. Records produced to the Committee shall include an index describing the contents of the production. To the extent that more than one CD, hard drive, memory stick, thumb drive, box, or folder is produced, each CD, hard drive, memory stick, thumb drive, box, or folder shall contain an index describing its contents.
7. All records shall be Bates-stamped sequentially and produced sequentially.
8. When you produce records, you shall identify the paragraph or number in the Committee’s Request to which the records respond and add a metadata tag listing that paragraph or number in accordance with **Appendix A**.
9.
  - a. All submissions must be organized by custodian unless otherwise instructed.
  - b. Productions shall include:
    1. A Concordance Data (.DAT) Load File in accordance with metadata fields as defined in **Appendix A**.
    2. A Standard Format Opticon Image Cross-Reference File (.OPT) to link produced images to the records contained in the .DAT file.

3. A file (can be Microsoft Word, Microsoft Excel, or Adobe PDF) defining the fields and character lengths of the load file.
- c. The production format shall include images, text, and native electronic files. Electronic files must be produced in their native format, i.e., the format in which they are ordinarily used and maintained during the normal course of business. For example, a Microsoft Excel file must be produced as a Microsoft Excel file rather than an image of a spreadsheet. **NOTE:** An Adobe PDF file representing a printed copy of another file format (such as Word Document or Webpage) is NOT considered a native file unless the record was initially created as a PDF.
1. Image Guidelines:
    1. Single or multi page TIFF files.
    2. All TIFF images must have a unique file name, i.e., Bates Number
    3. Images must be endorsed with sequential Bates numbers in the lower right corner of each image.
  2. Text Guidelines:
    1. All text shall be produced as separate text files, not inline within the .DAT file.
    2. Relative paths shall be used to link the associated text file (FIELD: TEXTPATH) to the record contained in the load file.
    3. Associated text files shall be named as the BEGBATES field of each record.
  3. Native File Guidelines:
    1. Copies of original email and native file records/attachments must be included for all electronic productions.
    2. Native file records must be named per the BEGBATES field.
    3. Relative paths shall be used to link the associated native file (FIELD: NATIVEFILELINK) to the record contained in the load file.
    4. Associated native files shall be named as the BEGBATES field of each record.





<b>Field Name</b>	<b>Sample Data</b>	<b>Description</b>
CUSTODIAN	Smith, John	Email: mailbox where the email resided Attachment: Individual from whom the record originated
FROM	John Smith	Email: Sender Native: Author(s) of record **semi-colon should be used to separate multiple entries
TO	Coffman, Janice; LeeW [mailto:LeeW@MSN.com]	Recipient(s) **semi-colon should be used to separate multiple entries
CC	Frank Thompson [mailto:frank_Thompson@cdt.com]	Carbon copy recipient(s) **semi-colon should be used to separate multiple entries
BCC	John Cain	Blind carbon copy recipient(s) **semi-colon should be used to separate multiple entries
SUBJECT	Board Meeting Minutes	Email: Subject line of the email Native: Title of record (if available)
DATE_SENT	10/12/2010	Email: Date the email was sent Native: (empty)
TIME_SENT/TIME_ZONE	07:05 PM GMT	Email: Time the email was sent/ Time zone in which the emails were standardized during conversion. Native: (empty) **This data must be a separate field and cannot be combined with the DATE_SENT field
TIME_ZONE	GMT	The time zone in which the emails were standardized during conversion. Email: Time zone Native: (empty)
NATIVEFILELINK	D:\001\ EDC0000001.msg	Hyperlink to the email or native file record **The linked file must be named per the FIRSTBATES number
MIME_TYPE	MSG	The content type of an Email or native file record as identified/extracted from the header

<b>Field Name</b>	<b>Sample Data</b>	<b>Description</b>
FILE_EXTEN	MSG	The file type extension representing the Email or native file record; will vary depending on the email format
AUTHOR	John Smith	Email: (empty) Native: Author of the record
DATE_CREATED	10/10/2010	Email: (empty) Native: Date the record was created
TIME_CREATED	10:25 AM	Email: (empty) Native: Time the record was created **This data must be a separate field and cannot be combined with the DATE_CREATED field
DATE_MOD	10/12/2010	Email: (empty) Native: Date the record was last modified
TIME_MOD	07:00 PM	Email: (empty) Native: Time the record was last modified **This data must be a separate field and cannot be combined with the DATE_MOD field
DATE_ACCESSSD	10/12/2010	Email: (empty) Native: Date the record was last accessed
TIME_ACCESSSD	07:00 PM	Email: (empty) Native: Time the record was last accessed **This data must be a separate field and cannot be combined with the DATE_ACCESSSD field
PRINTED_DATE	10/12/2010	Email: (empty) Native: Date the record was last printed
NATIVEFILESIZE	5,952	Size of native file record/email in KB **Use only whole numbers
PGCOUNT	1	Number of pages in native file record/email
PATH	J:\Shared\Smith J\October Agenda.doc	Email: (empty) Native: Path where native file record was stored including original file name
INTFILEPATH	Personal Folders\Deleted Items\Board Meeting Minutes.msg	Email: original location of email including original file name Native: (empty)
INTMSGID	<000805c2c71b\$7 5977050\$cb 8306d1@MSN>	Email: Unique Message ID Native: (empty)

Field Name	Sample Data	Description
MD5HASH	d131dd02c5e6eec 4693d9a069 8aff95c 2fcab58712467ea b4004583eb 8fb7f89	MD5 Hash value of the record
TEXTPATH	\TEXT\AAA0001 .txt	Path to the record's text file that contains extracted text to be used for processing. Every record has a relative path to its text file in this field. <b>Note:</b> These paths may also be fully qualified; and thus do not have to be relative.
NATIVEFILEPATH	\NATIVES\MES SAGE1.msg; \NATIVES\ATT ACHMENT1.doc	Path to the record's native file. Every record has a relative path to its native file in this field. <b>Note:</b> These paths may also be fully qualified; and thus do not have to be relative.
HANDWRITTEN	YES	Field should be marked "YES" if the record has any handwritten notes or other text that is not contained in the text file
REDACTED	YES	Field should be marked "YES" if the record contains any redactions, "NO" otherwise

Metadata Fields Required Upon Specific Request

TAGS	FirstPass\Respon sive; FirstPass\ForQC	If requested—a list of tags assigned to the record. Multiple tags are separated by the multi-value separator, for example: "A; B; C", and nested tags are denoted using the nested value separator, for example: "X\Y\Z". Tags for attachments will appear under the custom field "ATTACHMENT_TAGS".
FOLDERS	JohnDoeDocs\Fir stPass	If requested—a list of folders of which the record is a part. Multiple folders are separated by the multi-value separator, for example: "A; B; C", and nested folders are denoted using the nested value separator, for example: "X\Y\Z". Folders for attachments will appear under the custom field "ATTACHMENT_FOLDERS".

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

September 1, 2017

Barry Karfunkel  
Chief Executive Officer and Director  
National General Holdings Corp.  
59 Maiden Lane, 38th Floor  
New York, NY 10038

Dear Mr. Karfunkel:

Pursuant to its authority under House Rule X, 115<sup>th</sup> Congress, the U.S. House Committee on Financial Services is currently examining matters related to Wells Fargo & Company's use of collateral protection insurance on automobile loans.

To assist the Committee in this matter, please provide the records requested in Schedule A of the attached request by not later than September 21, 2017. We ask that you submit material responsive to this request as it becomes available, rather than waiting to provide it all at once.

Additionally, please provide to the Committee within five days of receipt your written acknowledgement of this letter. Additionally, please make your staff and counsel available to meet and confer with Committee staff within five days of receipt of this letter to discuss the enclosed production schedule.

Due to security concerns, the House Sergeant at Arms requires special treatment for materials delivered to House offices. To avoid any unnecessary delays in connection with the production, we ask that you carefully review the attached Production Instructions. Please contact Samuel Dewey of the Chairman's Staff at (202) 225-7502 if you have any questions.

Sincerely,



Ann Wagner  
Chairman  
Subcommittee on  
Oversight & Investigations

## SCHEDULE A

In accordance with the attached schedule instructions, you, Custodian of Records, are required to produce all records described below:

1. All records related to the Collateral Protection Insurance program administered for Wells Fargo & Company auto loans (“CPI Program”).
2. All records relating to Wells Fargo’s decision to stop placing Collateral Protection Insurance on auto loans that did not evidence vehicle insurance obtained by the borrower.
3. All records relating to any analysis of the CPI Program since January 1, 2011, performed by Wells Fargo or any of its employees.
4. All records relating to any analysis of the CPI Program since January 1, 2011, performed by National General or any of its employees.
5. All records relating to the CPI Program for which the Board of Directors, a Board Member, or an Executive Officer of National General, or their respective Administrative Assistants, are custodian, from January 1, 2012, to the present.
6. All records relating to the termination, resignation, or retirement of any National General employee for any reason related to the Collateral Protection Insurance program.
7. All records relating to the forfeiture or deferment of bonuses, compensation, or awards of any National General employee who was terminated, resigned, or retired for reasons related to the Collateral Protection Insurance Program.
8. All contracts related to the CPI Program from January 1, 2012, to the present.
9. All records sent or disseminated between any Wells Fargo employee and any National General employee relating to the implementation, maintenance, management, audits, or oversight of the CPI Program.
10. All complaints received by National General related to the CPI Program between January 1, 2012, and December 31, 2016.
11. All communications between National General and any federal agency relating to the CPI Program from January 1, 2012, to the present.
12. All records reflecting the standard procedures for assessing when to place Collateral Protection Insurance on an auto loan that did not evidence collision insurance, including but not limited to outreach efforts to customers and efforts to comply with state notification laws.

**INSTRUCTIONS: For the purpose of this Request:**

1. In complying with this Request, you are required to produce all responsive records that are in your possession, custody, or control. You shall also produce records that you have a legal right to obtain, that you have a right to copy or to which you have access, as well as records that you have placed in the temporary possession, custody, or control of any third party. Requested records shall not be destroyed, modified, removed, transferred, or otherwise made inaccessible to the Committee.
2. In the event that any entity, organization, or individual denoted in this Request has been, or is also known by any other name than that herein denoted, the Request shall be read also to include that alternative identification.
3. The Committee considers all members of a document “family” to be responsive to the Request if any single “member” of that “family” is responsive, regardless of whether the “family member” in question is “parent” or “child.”
4. It shall not be a basis for refusal to produce records that any other person or entity also possesses non-identical or identical copies of the same records.
5. If a date or other descriptive detail set forth in this Request referring to a record is inaccurate, but the actual date or other descriptive detail is known to you or is otherwise apparent from the context of the Request, you are required to produce all records which would be responsive as if the date or other descriptive detail were correct.
6. Records produced in response to this Request shall be produced as they were kept in the normal course of business together with copies of file labels, dividers, or identifying markers with which they were associated when the Request was served.
7. In complying with this Request, be apprised that (unless otherwise determined by the Committee) the Committee does not recognize: any purported non-disclosure privileges associated with the common law including, but not limited to, the deliberative-process privilege, the attorney-client privilege, and attorney work product protections; any purported privileges or protections from disclosure under the Freedom of Information Act; or any purported contractual privileges, such as non-disclosure agreements. Any assertion by a Request recipient of any such non-constitutional legal bases for withholding records or other materials shall be of no legal force and effect and shall not provide a justification for such withholding or refusal, unless and only to the extent that the Chairman of the Committee has consented to recognize the assertion as valid. If you withhold records in whole or in part on the basis of a claim of a privilege or protection, you are required to follow the following procedure. You may only withhold that portion of a record

over which you assert a claim of privilege or protection. Accordingly, you may only withhold a record in its entirety if you maintain that the entire record is privileged or protected. Otherwise you must produce the record in redacted form. In the event that a record is withheld in whole or in part on the basis of privilege or protection you must provide a privilege log containing the following information concerning each discrete claim of privilege or protection: (a) the privilege or protection asserted; (b) the type of record; (c) the date, author, and addressee (d) the relationship of the author and addressee to each other; and (e) a general description of the nature of the record that, without revealing information itself privileged or protected, will enable the Committee to assess your claim of privilege or protection. In the event a record or a portion thereof is withheld under multiple discrete claims of privilege or protection, each claim of privilege or protection must be separately logged. In an event portions of a record are withheld on discrete claims of privilege or protection, each separate claim of privilege or protection within that record must be separately logged. A privilege log must be produced contemporaneously with the withholding of any record in whole or in part on the basis of a privilege or protection. Privilege logs must be produced as a native Microsoft Excel file. All privilege logs must be accompanied by the certification of your counsel in a form compliant with 28 U.S.C. § 1746 that all assertions of privilege or protection contained therein are consistent with these Instructions and are warranted by existing law or by a non-frivolous argument for extending, modifying, or reversing existing law, or for establishing new law. Failure to strictly comply with these provisions constitutes waiver of any asserted privilege or protection. In the Chairman's discretion, this waiver may extend to the subject matter of the underlying records.

8. If any record responsive to this Request was, but no longer is, in your possession, custody, or control, you must file a certificate in a form compliant with 28 U.S.C. § 1746 signed by your counsel and the natural person that you designate as most knowledgeable regarding the circumstances under which the record ceased to be in your possession, custody, or control which: (a) identifies the record (stating its date, author, subject, and recipients); and (b) explains the circumstances under which the record ceased to be in your possession, custody, or control or was placed in the possession, custody, or control of a third party; (c) identifies the person who currently has possession, custody, or control over the record; and (d) identifies each person who authorized the disposition of the record or who had or has knowledge of that disposition.
9. If any record responsive to this Request cannot be located, you must immediately file a certificate in a form compliant with 28 U.S.C. § 1746 signed by your counsel and the natural person that you designate as most knowledgeable regarding the circumstances describing with particularity the efforts made to locate the record and the specific reason for its disappearance, destruction or unavailability.

10. This Request is continuing in nature and applies to any newly-discovered information. Any record not produced because it has not been located or discovered by the return date shall be produced immediately upon subsequent location or discovery. If you discover any portion of your response is incorrect in a material respect you must immediately and contemporaneously file with the Committee a certificate in a form compliant with 28 U.S.C. § 1746, signed by your counsel, and the natural person that you designate as most knowledgeable regarding your document production, setting forth: (1) how you became aware of the defect in the response; (2) how the defect came about (or how you believe it to have come about); and (3) a detailed description of the steps you took to remedy the defect.
11. A cover letter shall be included with each production and include the following:
  - a. A list of each piece of media included in the production with its unique production volume number;
  - b. A list of custodians, identifying the Bates range for each custodian;
  - c. A list of Specifications, identifying the Bates range of documents responsive to each Specification;
  - d. The time zone in which the emails were standardized during conversion; and
  - e. All Bates Prefix and Suffix formats for records contained in the production.
12. You must identify any documents which you believe to contain confidential or proprietary information.
13. In the event a complete response requires the transmission of classified information, provide as much information in unclassified form as possible in your response and send all classified information under separate cover via the Office of House Security.
14. Records must be produced to the Committee in accordance with the attached Electronic Production Instructions in order to be considered to be in compliance with the Request. Failure to produce records in accordance with the attached Electronic Production Instructions, may, in an exercise of the Committee's discretion, be deemed an act of contumacy.
15. If properties or permissions are modified for any records produced electronically, receipt of such records will not be considered full compliance with the Request.
16. Upon completion of the record production, you must submit a certificate, in a form compliant with 28 U.S.C. § 1746, signed by you and your counsel regarding your record production, stating that: (a) a diligent search has been completed of all



records in your possession, custody, or control which reasonably could contain responsive records; (b) the search complies with good forensic practices; (c) records responsive to this Request have not been destroyed, modified, removed, transferred, or otherwise made inaccessible to the Committee since the date of receiving the Committee's Request or in anticipation of receiving the Committee's Request; and (d) all records located during the search that are responsive have been produced to the Committee or withheld in whole or in part on the basis of an assertion of a claim of privilege or protection in compliance with these Instructions.

17. When representing a witness or entity before the Committee in response to a subpoena, record request, or request for transcribed interview, counsel for the witness or entity must promptly submit to the Committee a notice of appearance specifying the following: (a) counsel's name, firm or organization, and contact information; and (b) each client represented by the counsel in connection with the proceeding. Submission of a notice of appearance constitutes acknowledgement that counsel is authorized to accept service of process by the Committee on behalf of such client(s), and that counsel is bound by and agrees to comply with all applicable House and Committee rules and regulations.

## DEFINITIONS

The following definitions apply both to terms within the Request, Schedule A, these Instructions, and these Definitions.

1. The term “record” means any written, recorded, or graphic matter of any nature whatsoever, regardless of how recorded, and whether original or copy, including, but not limited to, the following: memoranda, reports, expense reports, books, manuals, instructions, financial reports, working papers, records, notes, letters, notices, confirmations, telegrams, receipts, appraisals, pamphlets, magazines, newspapers, prospectuses, inter-office and intra-office communications, electronic mail (emails), text messages, instant messages, MMS or SMS messages, contracts, cables, telexes, notations of any type of conversation, telephone call, voicemail, meeting or other communication, bulletins, printed matter, computer printouts, teletypes, invoices, transcripts, diaries, analyses, returns, summaries, minutes, bills, accounts, estimates, projections, comparisons, messages, correspondence, press releases, circulars, financial statements, reviews, opinions, offers, studies and investigations, questionnaires and surveys, and work sheets (and all drafts, preliminary versions, alterations, modifications, revisions, changes, and amendments of any of the foregoing, as well as any attachments or appendices thereto), and graphic or oral records or representations of any kind (including without limitation, photographs, charts, graphs, microfiche, microfilm, videotape, recordings and motion pictures), and electronic, mechanical, and electronic records or representations of any kind (including, without limitation, tapes, cassettes, disks, and recordings) and other written, printed, typed, or other graphic or recorded matter of any kind or nature, however produced or reproduced, and whether preserved in writing, film, tape, disk, videotape or otherwise. A record bearing any notation not a part of the original text is to be considered a separate record. A draft or non-identical copy is a separate record within the meaning of this term. By definition a “communication” (as that term is defined herein) is also a “record” if the means of communication is any written, recorded, or graphic matter of any sort whatsoever, regardless of how recorded, and whether original or copy.
2. The term “records in your possession, custody or control” means (a) records that are in your possession, custody, or control, whether held by you or your employees; (b) records that you have a legal right to obtain, that you have a right to copy, or to which you have access; and (c) records that have been placed in the possession, custody, or control of any third party.
3. The term “communication” means each manner or means of disclosure or exchange of information (in the form of facts, ideas, inquiries, or otherwise), regardless of means utilized, whether oral, electronic, by document or otherwise, and whether in

an in-person meeting, by telephone, facsimile, e-mail (desktop or mobile device), text message, MMS or SMS message, regular mail, telexes, releases, or otherwise.

4. “Communication with,” “communications from,” and “communications between” means any communication involving the related parties, regardless of whether other persons were involved in the communication, and includes, but is not limited to, communications where one party is cc’d or bcc’d, both parties are cc’d or bcc’d, or some combination thereof.
5. The term “person” is defined as any natural person or any legal entity, including, without limitation, any business or governmental entity or association, and all subsidiaries, divisions, partnerships, properties, affiliates, branches, groups, special purpose entities, joint ventures, predecessors, successors, or any other entity in which they have or had a controlling interest, and any employee, and any other units thereof.
6. The term “employee” means a current or former: officer, director, shareholder, partner, member, consultant, senior manager, manager, senior associate, permanent employee, staff employee, attorney, agent (whether de jure, de facto, or apparent, without limitation), advisor, representative, attorney (in law or in fact), lobbyist (registered or unregistered), borrowed employee, casual employee, consultant, contractor, de facto employee, independent contractor, joint adventurer, loaned employee, part-time employee, provisional employee, or subcontractor.
7. The terms “and” and “or” shall be construed broadly and either conjunctively or disjunctively to bring within the scope of this Request any information which might otherwise be construed to be outside its scope. The terms “all,” “any,” and “each” shall each be construed as encompassing any and all. The singular includes the plural number, and vice versa. The masculine includes the feminine and neuter genders.
8. The terms “pertaining to,” “referring,” “relating,” or “concerning” with respect to any given subject means anything that constitutes, contains, embodies, reflects, identifies, states, refers to, deals with, or is in any manner whatsoever pertinent to that subject.
9. The term “indicating” with respect to any given subject means anything showing, evidencing, pointing out or pointing to, directing attention to, making known, stating, or expressing that subject of any sort, form, or level of formality or informality, whatsoever, without limitation.
10. When referring to a person, “to identify” means to give, to the extent known: (1) the person’s full name; (2) present or last known address; and (3) when referring to

a natural person, additionally: (a) the present or last known place of employment; (b) the natural person's complete title at their employment; and (c) the individual's business address. When referring to documents, "to identify" means to give, to the extent known the: (1) type of document; (2) general subject matter; (3) date of the document; and (4) author, addressee, and recipient.

11. The term "Wells Fargo," "you," or "your" means Wells Fargo & Company, and all subsidiaries, divisions, partnerships, properties, affiliates, branches, groups, special purpose entities, joint ventures, predecessors, successors, or any other entity in which they have or had a controlling interest or shared financials, and any employee (as that term is defined herein), and any other units thereof.
12. The term "Wells Fargo Bank, N.A." refers to Wells Fargo Bank, N.A., a subsidiary of Wells Fargo & Company, and its successors and assigns.
13. The term "Wells Fargo & Company" refers to the American international banking and financial services company Wells Fargo & Company and its subsidiaries and affiliates.
14. The term "Collateral Protection Insurance Program" refers to Wells Fargo's practice of purchasing collateral protection insurance through a third-party vendor on behalf of customers with auto loans, as discussed in Note 11 of Wells Fargo & Company's Form 10-Q for the quarterly period ended June 30, 2017.
15. The term "Guaranteed Auto Protection" refers to the so-named insurance agreements discussed in Note 11 of Wells Fargo & Company's Form 10-Q for the quarterly period ended June 30, 2017.
16. The term "customer harm" means negative direct or indirect effects on a Wells Fargo customer that may have been caused by Wells Fargo, whether financial or non-financial, without any limitation whatsoever.
17. The term "National General" refers to National General Holdings Corp. and all subsidiaries, divisions, partnerships, properties, affiliates, branches, groups, special purpose entities, joint ventures, predecessors, successors, or any other entity in which they have or had a controlling interest or shared financials, and any employee (as that term is defined herein), and any other units thereof.
18. The term "analysis" means any document judging, reviewing, evaluating, auditing, assessing, appraising, examining, studying, investigating, inquiring, exploring, or other like activity, of any sort, form, or level of formality or informality, whatsoever, without limitation.

19. The term “Board of Directors” means the Wells Fargo Board of Directors as well as any Committee, Subcommittee, taskforce, or any entity on which a director sits in any form, manner, or capacity, whatsoever.
20. The term “contract” means any agreement between two or more persons setting forth obligations that are enforceable or otherwise recognizable at law or in equity, and includes, but is not limited to, amendments, task orders, change orders, directional bulletins, or other similar documents.
21. The term “Administrative Assistant” refers to any person or office whose job responsibilities include providing direct support to an individual by, among other things, assisting them in any way whatsoever with communications, compilation and filing of records, making of appointments, maintenance of calendars, and the like.
22. The term “remediation plan” refers to any plan, arrangement, proposal, or course of action, of any sort, form, or level of formality or informality, whatsoever, without limitation, to compensate Wells Fargo customers that have suffered customer harm, through financial or non-financial means.

## ELECTRONIC PRODUCTION INSTRUCTIONS

Record productions shall be prepared according to, and strictly adhere to, the following standards:

1. Records produced shall be organized, identified, and indexed electronically.
2. Only alphanumeric characters and the underscore (“\_”) character are permitted in file and folder names. Special characters are not permitted.
3. Two sets of records shall be delivered, one set to the Majority Staff and one set to the Minority Staff. To the extent the Minority Staff does not have an electronic record review platform, records shall be produced to the Minority Staff in searchable PDF format and shall be produced consistent with the instructions specified in this schedule to the maximum extent practicable.
4. Production media and produced records shall not be encrypted, contain any password protections, or have any limitations that restrict access and use.
5. Records shall be produced to the Committee on one or more CDs, memory sticks, thumb drives, or USB hard drives. Production media shall be labeled with the following information: Case Number, Production Date, Producing Party, Bates Range.
6. Records produced to the Committee shall include an index describing the contents of the production. To the extent that more than one CD, hard drive, memory stick, thumb drive, box, or folder is produced, each CD, hard drive, memory stick, thumb drive, box, or folder shall contain an index describing its contents.
7. All records shall be Bates-stamped sequentially and produced sequentially.
8. When you produce records, you shall identify the paragraph or number in the Committee’s request to which the records respond and add a metadata tag listing that paragraph or number in accordance with **Appendix A**.
9.
  - a. All submissions must be organized by custodian unless otherwise instructed.
  - b. Productions shall include:
    1. A Concordance Data (.DAT) Load File in accordance with metadata fields as defined in **Appendix A**.
    2. A Standard Format Opticon Image Cross-Reference File (.OPT) to link produced images to the records contained in the .DAT file.

3. A file (can be Microsoft Word, Microsoft Excel, or Adobe PDF) defining the fields and character lengths of the load file.
- c. The production format shall include images, text, and native electronic files. Electronic files must be produced in their native format, i.e., the format in which they are ordinarily used and maintained during the normal course of business. For example, a Microsoft Excel file must be produced as a Microsoft Excel file rather than an image of a spreadsheet. **NOTE:** An Adobe PDF file representing a printed copy of another file format (such as Word Document or Webpage) is NOT considered a native file unless the record was initially created as a PDF.
1. Image Guidelines:
    1. Single or multi page TIFF files.
    2. All TIFF images must have a unique file name, i.e., Bates Number
    3. Images must be endorsed with sequential Bates numbers in the lower right corner of each image.
  2. Text Guidelines:
    1. All text shall be produced as separate text files, not inline within the .DAT file.
    2. Relative paths shall be used to link the associated text file (FIELD: TEXTPATH) to the record contained in the load file.
    3. Associated text files shall be named as the BEGBATES field of each record.
  3. Native File Guidelines:
    1. Copies of original email and native file records/attachments must be included for all electronic productions.
    2. Native file records must be named per the BEGBATES field.
    3. Relative paths shall be used to link the associated native file (FIELD: NATIVEFILELINK) to the record contained in the load file.
    4. Associated native files shall be named as the BEGBATES field of each record.





CUSTODIAN	Smith, John	Email: mailbox where the email resided Attachment: Individual from whom the record originated
FROM	John Smith	Email: Sender Native: Author(s) of record **semi-colon should be used to separate multiple entries
TO	Coffman, Janice; LeeW [mailto:LeeW@MSN.com]	Recipient(s) **semi-colon should be used to separate multiple entries
CC	Frank Thompson [mailto:frank_Thompson@cdt.com]	Carbon copy recipient(s) **semi-colon should be used to separate multiple entries
BCC	John Cain	Blind carbon copy recipient(s) **semi-colon should be used to separate multiple entries
SUBJECT	Board Meeting Minutes	Email: Subject line of the email Native: Title of record (if available)
DATE_SENT	10/12/2010	Email: Date the email was sent Native: (empty)
TIME_SENT/TIME_ZONE	07:05 PM GMT	Email: Time the email was sent/ Time zone in which the emails were standardized during conversion. Native: (empty) **This data must be a separate field and cannot be combined with the DATE_SENT field
TIME_ZONE	GMT	The time zone in which the emails were standardized during conversion. Email: Time zone Native: (empty)
NATIVEFILELINK	D:\001\ EDC0000001.msg	Hyperlink to the email or native file record **The linked file must be named per the FIRSTBATES number
MIME_TYPE	MSG	The content type of an Email or native file record as identified/extracted from the header

FILE_EXTEN	MSG	The file type extension representing the Email or native file record; will vary depending on the email format
AUTHOR	John Smith	Email: (empty) Native: Author of the record
DATE_CREATED	10/10/2010	Email: (empty) Native: Date the record was created
TIME_CREATED	10:25 AM	Email: (empty) Native: Time the record was created **This data must be a separate field and cannot be combined with the DATE_CREATED field
DATE_MOD	10/12/2010	Email: (empty) Native: Date the record was last modified
TIME_MOD	07:00 PM	Email: (empty) Native: Time the record was last modified **This data must be a separate field and cannot be combined with the DATE_MOD field
DATE_ACCESSD	10/12/2010	Email: (empty) Native: Date the record was last accessed
TIME_ACCESSD	07:00 PM	Email: (empty) Native: Time the record was last accessed **This data must be a separate field and cannot be combined with the DATE_ACCESSD field
PRINTED_DATE	10/12/2010	Email: (empty) Native: Date the record was last printed
NATIVEFILESIZE	5,952	Size of native file record/email in KB **Use only whole numbers
PGCOUNT	1	Number of pages in native file record/email
PATH	J:\Shared\Smith J\October Agenda.doc	Email: (empty) Native: Path where native file record was stored including original file name
INTFILEPATH	Personal Folders\Deleted Items\Board Meeting Minutes.msg	Email: original location of email including original file name Native: (empty)
INTMSGID	<000805c2c71b\$7 5977050\$cb 8306d1@MSN>	Email: Unique Message ID Native: (empty)
MD5HASH	d131dd02c5e6eec 4693d9a069 8aff95c	MD5 Hash value of the record

	2fcab58712467ea b4004583eb 8fb7f89	
TEXTPATH	\TEXT\AAA0001 .txt	Path to the record's text file that contains extracted text to be used for processing. Every record has a relative path to its text file in this field. <b>Note:</b> These paths may also be fully qualified; and thus do not have to be relative.
NATIVEFILEPATH	\NATIVES\MES SAGE1.msg; \NATIVES\ATT ACHMENT1.doc	Path to the record's native file. Every record has a relative path to its native file in this field. <b>Note:</b> These paths may also be fully qualified; and thus do not have to be relative.
HANDWRITTEN	YES	Field should be marked "YES" if the record has any handwritten notes or other text that is not contained in the text file
REDACTED	YES	Field should be marked "YES" if the record contains any redactions, "NO" otherwise

Metadata Fields Required Upon Specific Request

TAGS	FirstPass\Respon sive; FirstPass\ForQC	If requested—a list of tags assigned to the record. Multiple tags are separated by the multi-value separator, for example: "A; B; C", and nested tags are denoted using the nested value separator, for example: "X\Y\Z". Tags for attachments will appear under the custom field "ATTACHMENT_TAGS".
FOLDERS	JohnDoeDocs\First Pass	If requested—a list of folders of which the record is a part. Multiple folders are separated by the multi-value separator, for example: "A; B; C", and nested folders are denoted using the nested value separator, for example: "X\Y\Z". Folders for attachments will appear under the custom field "ATTACHMENT_FOLDERS".

September 7, 2017

The Honorable Richard Cordray  
Director  
Bureau of Consumer Financial Protection  
1700 G Street NW  
Washington, DC 20552

Dear Director Cordray:

On July 27, 2017, Wells Fargo & Company (“Wells Fargo”) announced that its mismanagement of its Collateral Protection Insurance (“CPI”) policies on auto loans may have harmed 570,000 customers by charging those customers for auto insurance they did not need.<sup>1</sup> Wells Fargo later announced that it may be providing refunds to certain customers related to guaranteed auto protection (“GAP”) waivers or insurance agreements on auto loans.<sup>2</sup> The Committee is concerned by Wells Fargo’s announcements, as the unneeded insurance may have contributed to over 20,000 vehicle repossessions.<sup>3</sup>

The Committee is thoroughly investigating the conduct of Wells Fargo and its CPI underwriter, National General Insurance, the adequacy of Wells Fargo’s remediation efforts to its harmed customers and the policies and procedures that led to the placement of the CPI. The Committee also intends to thoroughly investigate the conduct of Wells Fargo’s federal financial regulators to determine the oversight of the bank’s auto loan business.<sup>4</sup>

Accordingly, the Committee requests a joint briefing by the Bureau of Consumer Financial Protection (“CFPB”) and the other federal financial regulators with jurisdiction over Wells Fargo’s Consumer Lending business. Additionally, by not later than September 21, 2017, please provide all records related to the supervision, regulation, investigation, or oversight of Wells Fargo’s use of CPI and

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<sup>1</sup> Press Release, Wells Fargo & Company, Wells Fargo Announces Plan to Remediate Customers for Auto Insurance Coverage (July 27, 2017) <https://newsroom.wf.com/press-release/consumer-lending/wells-fargo-announces-plan-remediate-customers-auto-insurance>

<sup>2</sup> Wells Fargo & Company, Quarterly Report (Form 10-Q), at 124 (August 4, 2017).

<sup>3</sup> Gretchen Morgenson, *Wells Fargo Forced Unwanted Auto Insurance on Borrowers*, N.Y. Times (July 27, 2017), <https://www.nytimes.com/2017/07/27/business/wells-fargo-unwanted-auto-insurance.html>

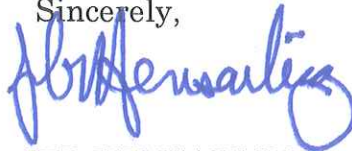
<sup>4</sup> Rule X, Rules of the House of Representatives, 115th Cong.

The Hon. Richard Cordray  
September 7, 2017  
Page 2

GAP on its auto loan portfolio by the CFPB.<sup>5</sup> Failure to provide the requested briefing and records by the return date may result in the use of compulsory process by the Committee.

If you have any questions regarding this request, please have your staff contact Brett Sisto of the Committee staff at (202) 225-7502.

Sincerely,



JEB HENSARLING  
Chairman

cc: The Honorable Maxine Waters, Ranking Member

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<sup>5</sup> Records shall be produced in accordance with the attached Committee Records Request Instructions.

**INSTRUCTIONS: For the purpose of this Request:**

1. In complying with this Request, you are required to produce all responsive records that are in your possession, custody, or control. You shall also produce records that you have a legal right to obtain, that you have a right to copy or to which you have access, as well as records that you have placed in the temporary possession, custody, or control of any third party. Requested records shall not be destroyed, modified, removed, transferred, or otherwise made inaccessible to the Committee.
2. In the event that any entity, organization, or individual denoted in this Request has been, or is also known by any other name than that herein denoted, the Request shall be read also to include that alternative identification.
3. The Committee considers all members of a document “family” to be responsive to the Request if any single “member” of that “family” is responsive, regardless of whether the “family member” in question is “parent” or “child.”
4. It shall not be a basis for refusal to produce records that any other person or entity also possesses non-identical or identical copies of the same records.
5. If a date or other descriptive detail set forth in this Request referring to a record is inaccurate, but the actual date or other descriptive detail is known to you or is otherwise apparent from the context of the Request, you are required to produce all records which would be responsive as if the date or other descriptive detail were correct.
6. Records produced in response to this Request shall be produced as they were kept in the normal course of business together with copies of file labels, dividers, or identifying markers with which they were associated when the Request was served.
7. In complying with this Request, be apprised that (unless otherwise determined by the Committee) the Committee does not recognize: any purported non-disclosure privileges associated with the common law including, but not limited to, the deliberative-process privilege, the attorney-client privilege, and attorney work product protections; any purported privileges or protections from disclosure under the Freedom of Information Act; or any purported contractual privileges, such as non-disclosure agreements. Any assertion by a Request recipient of any such non-constitutional legal bases for withholding records or other materials shall be of no legal force and effect and shall not provide a justification for such withholding or refusal, unless and only to the extent that the Chairman of the Committee has consented to recognize the assertion as valid. If you withhold records in whole or in part on the basis of a claim of a privilege or protection, you are required to follow the following procedure. You may only withhold that portion of a record

over which you assert a claim of privilege or protection. Accordingly, you may only withhold a record in its entirety if you maintain that the entire record is privileged or protected. Otherwise you must produce the record in redacted form. In the event that a record is withheld in whole or in part on the basis of privilege or protection you must provide a privilege log containing the following information concerning each discrete claim of privilege or protection: (a) the privilege or protection asserted; (b) the type of record; (c) the date, author, and addressee (d) the relationship of the author and addressee to each other; and (e) a general description of the nature of the record that, without revealing information itself privileged or protected, will enable the Committee to assess your claim of privilege or protection. In the event a record or a portion thereof is withheld under multiple discrete claims of privilege or protection, each claim of privilege or protection must be separately logged. In an event portions of a record are withheld on discrete claims of privilege or protection, each separate claim of privilege or protection within that record must be separately logged. A privilege log must be produced contemporaneously with the withholding of any record in whole or in part on the basis of a privilege or protection. Privilege logs must be produced as a native Microsoft Excel file. All privilege logs must be accompanied by the certification of your counsel in a form compliant with 28 U.S.C. § 1746 that all assertions of privilege or protection contained therein are consistent with these Instructions and are warranted by existing law or by a non-frivolous argument for extending, modifying, or reversing existing law, or for establishing new law. Failure to strictly comply with these provisions constitutes waiver of any asserted privilege or protection. In the Chairman's discretion, this waiver may extend to the subject matter of the underlying records.

8. If any record responsive to this Request was, but no longer is, in your possession, custody, or control, you must file a certificate in a form compliant with 28 U.S.C. § 1746 signed by your counsel and the natural person that you designate as most knowledgeable regarding the circumstances under which the record ceased to be in your possession, custody, or control which: (a) identifies the record (stating its date, author, subject, and recipients); and (b) explains the circumstances under which the record ceased to be in your possession, custody, or control or was placed in the possession, custody, or control of a third party; (c) identifies the person who currently has possession, custody, or control over the record; and (d) identifies each person who authorized the disposition of the record or who had or has knowledge of that disposition.
9. If any record responsive to this Request cannot be located, you must immediately file a certificate in a form compliant with 28 U.S.C. § 1746 signed by your counsel and the natural person that you designate as most knowledgeable regarding the circumstances describing with particularity the efforts made to locate the record and the specific reason for its disappearance, destruction or unavailability.

10. This Request is continuing in nature and applies to any newly-discovered information. Any record not produced because it has not been located or discovered by the return date shall be produced immediately upon subsequent location or discovery. If you discover any portion of your response is incorrect in a material respect you must immediately and contemporaneously file with the Committee a certificate in a form compliant with 28 U.S.C. § 1746, signed by your counsel, and the natural person that you designate as most knowledgeable regarding your document production, setting forth: (1) how you became aware of the defect in the response; (2) how the defect came about (or how you believe it to have come about); and (3) a detailed description of the steps you took to remedy the defect.
11. A cover letter shall be included with each production and include the following:
  - a. A list of each piece of media included in the production with its unique production volume number;
  - b. A list of custodians, identifying the Bates range for each custodian;
  - c. A list of Specifications, identifying the Bates range of documents responsive to each Specification;
  - d. The time zone in which the emails were standardized during conversion; and
  - e. All Bates Prefix and Suffix formats for records contained in the production.
12. You must identify any documents which you believe to contain confidential or proprietary information.
13. In the event a complete response requires the transmission of classified information, provide as much information in unclassified form as possible in your response and send all classified information under separate cover via the Office of House Security.
14. Records must be produced to the Committee in accordance with the attached Electronic Production Instructions in order to be considered to be in compliance with the Request. Failure to produce records in accordance with the attached Electronic Production Instructions, may, in an exercise of the Committee's discretion, be deemed an act of contumacy.
15. If properties or permissions are modified for any records produced electronically, receipt of such records will not be considered full compliance with the Request.
16. Upon completion of the record production, you must submit a certificate, in a form compliant with 28 U.S.C. § 1746, signed by you and your counsel regarding your



The Honorable Richard Cordray  
Bureau of Consumer Financial Protection  
1700 G Street NW  
Washington, DC 20552

record production, stating that: (a) a diligent search has been completed of all records in your possession, custody, or control which reasonably could contain responsive records; (b) the search complies with good forensic practices; (c) records responsive to this Request have not been destroyed, modified, removed, transferred, or otherwise made inaccessible to the Committee since the date of receiving the Committee's Request or in anticipation of receiving the Committee's Request; and (d) all records located during the search that are responsive have been produced to the Committee or withheld in whole or in part on the basis of an assertion of a claim of privilege or protection in compliance with these Instructions.

17. When representing a witness or entity before the Committee in response to a subpoena, record request, or request for transcribed interview, counsel for the witness or entity must promptly submit to the Committee a notice of appearance specifying the following: (a) counsel's name, firm or organization, and contact information; and (b) each client represented by the counsel in connection with the proceeding. Submission of a notice of appearance constitutes acknowledgement that counsel is authorized to accept service of process by the Committee on behalf of such client(s), and that counsel is bound by and agrees to comply with all applicable House and Committee rules and regulations.

## DEFINITIONS

The following definitions apply to terms within the Request, these Instructions, and these Definitions.

1. The term “record” means any written, recorded, or graphic matter of any nature whatsoever, regardless of how recorded, and whether original or copy, including, but not limited to, the following: memoranda, reports, expense reports, books, manuals, instructions, financial reports, working papers, records, notes, letters, notices, confirmations, telegrams, receipts, appraisals, pamphlets, magazines, newspapers, prospectuses, inter-office and intra-office communications, electronic mail (emails), text messages, instant messages, MMS or SMS messages, contracts, cables, telexes, notations of any type of conversation, telephone call, voicemail, meeting or other communication, bulletins, printed matter, computer printouts, teletypes, invoices, transcripts, diaries, analyses, returns, summaries, minutes, bills, accounts, estimates, projections, comparisons, messages, correspondence, press releases, circulars, financial statements, reviews, opinions, offers, studies and investigations, questionnaires and surveys, and work sheets (and all drafts, preliminary versions, alterations, modifications, revisions, changes, and amendments of any of the foregoing, as well as any attachments or appendices thereto), and graphic or oral records or representations of any kind (including without limitation, photographs, charts, graphs, microfiche, microfilm, videotape, recordings and motion pictures), and electronic, mechanical, and electronic records or representations of any kind (including, without limitation, tapes, cassettes, disks, and recordings) and other written, printed, typed, or other graphic or recorded matter of any kind or nature, however produced or reproduced, and whether preserved in writing, film, tape, disk, videotape or otherwise. A record bearing any notation not a part of the original text is to be considered a separate record. A draft or non-identical copy is a separate record within the meaning of this term. By definition a “communication” (as that term is defined herein) is also a “record” if the means of communication is any written, recorded, or graphic matter of any sort whatsoever, regardless of how recorded, and whether original or copy.
2. The term “records in your possession, custody or control” means (a) records that are in your possession, custody, or control, whether held by you or your employees; (b) records that you have a legal right to obtain, that you have a right to copy, or to which you have access; and (c) records that have been placed in the possession, custody, or control of any third party.
3. The term “communication” means each manner or means of disclosure or exchange of information (in the form of facts, ideas, inquiries, or otherwise), regardless of means utilized, whether oral, electronic, by document or otherwise, and whether in

an in-person meeting, by telephone, facsimile, e-mail (desktop or mobile device), text message, MMS or SMS message, regular mail, telexes, releases, or otherwise.

4. “Communication with,” “communications from,” and “communications between” means any communication involving the related parties, regardless of whether other persons were involved in the communication, and includes, but is not limited to, communications where one party is cc’d or bcc’d, both parties are cc’d or bcc’d, or some combination thereof.
5. The term “person” is defined as any natural person or any legal entity, including, without limitation, any business or governmental entity or association, and all subsidiaries, divisions, partnerships, properties, affiliates, branches, groups, special purpose entities, joint ventures, predecessors, successors, or any other entity in which they have or had a controlling interest, and any employee, and any other units thereof.
6. The term “employee” means a current or former: officer, director, shareholder, partner, member, consultant, senior manager, manager, senior associate, permanent employee, staff employee, attorney, agent (whether de jure, de facto, or apparent, without limitation), advisor, representative, attorney (in law or in fact), lobbyist (registered or unregistered), borrowed employee, casual employee, consultant, contractor, de facto employee, independent contractor, joint adventurer, loaned employee, part-time employee, provisional employee, or subcontractor.
7. The terms “and” and “or” shall be construed broadly and either conjunctively or disjunctively to bring within the scope of this Request any information which might otherwise be construed to be outside its scope. The terms “all,” “any,” and “each” shall each be construed as encompassing any and all. The singular includes the plural number, and vice versa. The masculine includes the feminine and neuter genders.
8. The terms “pertaining to,” “referring,” “relating,” or “concerning” with respect to any given subject means anything that constitutes, contains, embodies, reflects, identifies, states, refers to, deals with, or is in any manner whatsoever pertinent to that subject.
9. The term “indicating” with respect to any given subject means anything showing, evidencing, pointing out or pointing to, directing attention to, making known, stating, or expressing that subject of any sort, form, or level of formality or informality, whatsoever, without limitation.
10. When referring to a person, “to identify” means to give, to the extent known: (1) the person’s full name; (2) present or last known address; and (3) when referring to a natural person, additionally: (a) the present or last known place of employment;

- (b) the natural person's complete title at their employment; and (c) the individual's business address. When referring to documents, "to identify" means to give, to the extent known the: (1) type of document; (2) general subject matter; (3) date of the document; and (4) author, addressee, and recipient.
11. The term "Wells Fargo" means Wells Fargo & Company, and all subsidiaries, divisions, partnerships, properties, affiliates, branches, groups, special purpose entities, joint ventures, predecessors, successors, or any other entity in which they have or had a controlling interest or shared financials, and any employee (as that term is defined herein), and any other units thereof.
  12. The term "Wells Fargo & Company" refers to the American international banking and financial services company Wells Fargo & Company and its subsidiaries and affiliates.
  13. The term "Collateral Protection Insurance Program" refers to Wells Fargo's practice of purchasing collateral protection insurance through a third-party vendor on behalf of customers with auto loans, as discussed in Note 11 of Wells Fargo & Company's Form 10-Q for the quarterly period ended June 30, 2017.
  14. The term "Guaranteed Auto Protection" refers to the so-named insurance agreements discussed in Note 11 of Wells Fargo & Company's Form 10-Q for the quarterly period ended June 30, 2017.
  15. The term "customer harm" means negative direct or indirect effects on a Wells Fargo customer that may have been caused by Wells Fargo, whether financial or non-financial, without any limitation whatsoever.
  16. The term "National General" refers to National General Holdings Corp. and all subsidiaries, divisions, partnerships, properties, affiliates, branches, groups, special purpose entities, joint ventures, predecessors, successors, or any other entity in which they have or had a controlling interest or shared financials, and any employee (as that term is defined herein), and any other units thereof.

## **ELECTRONIC PRODUCTION INSTRUCTIONS**

Record productions shall be prepared according to, and strictly adhere to, the following standards:

1. Records produced shall be organized, identified, and indexed electronically.
2. Only alphanumeric characters and the underscore (“\_”) character are permitted in file and folder names. Special characters are not permitted.
3. Two sets of records shall be delivered, one set to the Majority Staff and one set to the Minority Staff. To the extent the Minority Staff does not have an electronic record review platform, records shall be produced to the Minority Staff in searchable PDF format and shall be produced consistent with the instructions specified in this schedule to the maximum extent practicable.
4. Production media and produced records shall not be encrypted, contain any password protections, or have any limitations that restrict access and use.
5. Records shall be produced to the Committee on one or more CDs, memory sticks, thumb drives, or USB hard drives. Production media shall be labeled with the following information: Case Number, Production Date, Producing Party, Bates Range.
6. Records produced to the Committee shall include an index describing the contents of the production. To the extent that more than one CD, hard drive, memory stick, thumb drive, box, or folder is produced, each CD, hard drive, memory stick, thumb drive, box, or folder shall contain an index describing its contents.
7. All records shall be Bates-stamped sequentially and produced sequentially.
8. When you produce records, you shall identify the paragraph or number in the Committee’s Request to which the records respond and add a metadata tag listing that paragraph or number in accordance with **Appendix A**.
9.
  - a. All submissions must be organized by custodian unless otherwise instructed.
  - b. Productions shall include:
    1. A Concordance Data (.DAT) Load File in accordance with metadata fields as defined in **Appendix A**.
    2. A Standard Format Opticon Image Cross-Reference File (.OPT) to link produced images to the records contained in the .DAT file.

3. A file (can be Microsoft Word, Microsoft Excel, or Adobe PDF) defining the fields and character lengths of the load file.
- c. The production format shall include images, text, and native electronic files. Electronic files must be produced in their native format, i.e., the format in which they are ordinarily used and maintained during the normal course of business. For example, a Microsoft Excel file must be produced as a Microsoft Excel file rather than an image of a spreadsheet. **NOTE:** An Adobe PDF file representing a printed copy of another file format (such as Word Document or Webpage) is NOT considered a native file unless the record was initially created as a PDF.
1. Image Guidelines:
    1. Single or multi page TIFF files.
    2. All TIFF images must have a unique file name, i.e., Bates Number
    3. Images must be endorsed with sequential Bates numbers in the lower right corner of each image.
  2. Text Guidelines:
    1. All text shall be produced as separate text files, not inline within the .DAT file.
    2. Relative paths shall be used to link the associated text file (FIELD: TEXTPATH) to the record contained in the load file.
    3. Associated text files shall be named as the BEGBATES field of each record.
  3. Native File Guidelines:
    1. Copies of original email and native file records/attachments must be included for all electronic productions.
    2. Native file records must be named per the BEGBATES field.
    3. Relative paths shall be used to link the associated native file (FIELD: NATIVEFILELINK) to the record contained in the load file.
    4. Associated native files shall be named as the BEGBATES field of each record.



<b>Field Name</b>	<b>Sample Data</b>	<b>Description</b>
CUSTODIAN	Smith, John	Email: mailbox where the email resided Attachment: Individual from whom the record originated
FROM	John Smith	Email: Sender Native: Author(s) of record **semi-colon should be used to separate multiple entries
TO	Coffman, Janice; LeeW [mailto:LeeW@MSN.com]	Recipient(s) **semi-colon should be used to separate multiple entries
CC	Frank Thompson [mailto:frank_Thompson@cdt.com]	Carbon copy recipient(s) **semi-colon should be used to separate multiple entries
BCC	John Cain	Blind carbon copy recipient(s) **semi-colon should be used to separate multiple entries
SUBJECT	Board Meeting Minutes	Email: Subject line of the email Native: Title of record (if available)
DATE_SENT	10/12/2010	Email: Date the email was sent Native: (empty)
TIME_SENT/TIME_ZONE	07:05 PM GMT	Email: Time the email was sent/ Time zone in which the emails were standardized during conversion. Native: (empty) **This data must be a separate field and cannot be combined with the DATE_SENT field
TIME_ZONE	GMT	The time zone in which the emails were standardized during conversion. Email: Time zone Native: (empty)
NATIVEFILELINK	D:\001\ EDC0000001.msg	Hyperlink to the email or native file record **The linked file must be named per the FIRSTBATES number
MIME_TYPE	MSG	The content type of an Email or native file record as identified/extracted from the header



<b>Field Name</b>	<b>Sample Data</b>	<b>Description</b>
FILE_EXTEN	MSG	The file type extension representing the Email or native file record; will vary depending on the email format
AUTHOR	John Smith	Email: (empty) Native: Author of the record
DATE_CREATED	10/10/2010	Email: (empty) Native: Date the record was created
TIME_CREATED	10:25 AM	Email: (empty) Native: Time the record was created **This data must be a separate field and cannot be combined with the DATE_CREATED field
DATE_MOD	10/12/2010	Email: (empty) Native: Date the record was last modified
TIME_MOD	07:00 PM	Email: (empty) Native: Time the record was last modified **This data must be a separate field and cannot be combined with the DATE_MOD field
DATE_ACCESSSD	10/12/2010	Email: (empty) Native: Date the record was last accessed
TIME_ACCESSSD	07:00 PM	Email: (empty) Native: Time the record was last accessed **This data must be a separate field and cannot be combined with the DATE_ACCESSSD field
PRINTED_DATE	10/12/2010	Email: (empty) Native: Date the record was last printed
NATIVEFILESIZE	5,952	Size of native file record/email in KB **Use only whole numbers
PGCOUNT	1	Number of pages in native file record/email
PATH	J:\Shared\Smith J\October Agenda.doc	Email: (empty) Native: Path where native file record was stored including original file name
INTFILEPATH	Personal Folders\Deleted Items\Board Meeting Minutes.msg	Email: original location of email including original file name Native: (empty)
INTMSGID	<000805c2c71b\$7 5977050\$cb 8306d1@MSN>	Email: Unique Message ID Native: (empty)

Field Name	Sample Data	Description
MD5HASH	d131dd02c5e6eec 4693d9a069 8aff95c 2fcab58712467ea b4004583eb 8fb7f89	MD5 Hash value of the record
TEXTPATH	\TEXT\AAA0001 .txt	Path to the record's text file that contains extracted text to be used for processing. Every record has a relative path to its text file in this field. <b>Note:</b> These paths may also be fully qualified; and thus do not have to be relative.
NATIVEFILEPATH	\NATIVES\MES SAGE1.msg; \NATIVES\ATT ACHMENT1.doc	Path to the record's native file. Every record has a relative path to its native file in this field. <b>Note:</b> These paths may also be fully qualified; and thus do not have to be relative.
HANDWRITTEN	YES	Field should be marked "YES" if the record has any handwritten notes or other text that is not contained in the text file
REDACTED	YES	Field should be marked "YES" if the record contains any redactions, "NO" otherwise

Metadata Fields Required Upon Specific Request

TAGS	FirstPass\Respon sive; FirstPass\ForQC	If requested—a list of tags assigned to the record. Multiple tags are separated by the multi-value separator, for example: "A; B; C", and nested tags are denoted using the nested value separator, for example: "X\Y\Z". Tags for attachments will appear under the custom field "ATTACHMENT_TAGS".
FOLDERS	JohnDoeDocs\Fir stPass	If requested—a list of folders of which the record is a part. Multiple folders are separated by the multi-value separator, for example: "A; B; C", and nested folders are denoted using the nested value separator, for example: "X\Y\Z". Folders for attachments will appear under the custom field "ATTACHMENT_FOLDERS".

September 7, 2017

Mr. Keith A. Noreika  
Acting Comptroller  
Office of the Comptroller of the Currency  
400 7<sup>th</sup> Street NW  
Washington, DC 20219

Dear Acting Comptroller Noreika:

On July 27, 2017, Wells Fargo & Company (“Wells Fargo”) announced that its mismanagement of its Collateral Protection Insurance (“CPI”) policies on auto loans may have harmed 570,000 customers by charging those customers for auto insurance they did not need.<sup>1</sup> Wells Fargo later announced that it may be providing refunds to certain customers related to guaranteed auto protection (“GAP”) waivers or insurance agreements on auto loans.<sup>2</sup> The Committee is concerned by Wells Fargo’s announcements, as the unneeded insurance may have contributed to over 20,000 vehicle repossessions.<sup>3</sup>

The Committee is thoroughly investigating the conduct of Wells Fargo and its CPI underwriter, National General Insurance, the adequacy of Wells Fargo’s remediation efforts to its harmed customers and the policies and procedures that led to the placement of the CPI. The Committee also intends to thoroughly investigate the conduct of Wells Fargo’s federal financial regulators to determine the oversight of the bank’s auto loan business.<sup>4</sup>

Accordingly, the Committee requests a joint briefing by the Office of the Comptroller of the Currency (“OCC”) and the other federal financial regulators with jurisdiction over Wells Fargo’s Consumer Lending business. Additionally, by not later than September 21, 2017, please provide all records related to the supervision, regulation, investigation, or oversight of Wells Fargo’s use of CPI and GAP on its auto loan portfolio by the OCC.<sup>5</sup> Failure to provide the requested briefing and

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<sup>1</sup> Press Release, Wells Fargo & Company, Wells Fargo Announces Plan to Remediate Customers for Auto Insurance Coverage (July 27, 2017) <https://newsroom.wf.com/press-release/consumer-lending/wells-fargo-announces-plan-remediate-customers-auto-insurance>

<sup>2</sup> Wells Fargo & Company, Quarterly Report (Form 10-Q), at 124 (August 4, 2017).

<sup>3</sup> Gretchen Morgenson, *Wells Fargo Forced Unwanted Auto Insurance on Borrowers*, N.Y. Times (July 27, 2017), <https://www.nytimes.com/2017/07/27/business/wells-fargo-unwanted-auto-insurance.html>

<sup>4</sup> Rule X, Rules of the House of Representatives, 115th Cong.

<sup>5</sup> Records shall be produced in accordance with the attached Committee Records Request Instructions.

records by the return date may result in the use of compulsory process by the Committee.

If you have any questions regarding this request, please have your staff contact Brett Sisto of the Committee staff at (202) 225-7502.

Sincerely,



JEB HENSARLING  
Chairman

cc: The Honorable Maxine Waters, Ranking Member

**INSTRUCTIONS: For the purpose of this Request:**

1. In complying with this Request, you are required to produce all responsive records that are in your possession, custody, or control. You shall also produce records that you have a legal right to obtain, that you have a right to copy or to which you have access, as well as records that you have placed in the temporary possession, custody, or control of any third party. Requested records shall not be destroyed, modified, removed, transferred, or otherwise made inaccessible to the Committee.
2. In the event that any entity, organization, or individual denoted in this Request has been, or is also known by any other name than that herein denoted, the Request shall be read also to include that alternative identification.
3. The Committee considers all members of a document “family” to be responsive to the Request if any single “member” of that “family” is responsive, regardless of whether the “family member” in question is “parent” or “child.”
4. It shall not be a basis for refusal to produce records that any other person or entity also possesses non-identical or identical copies of the same records.
5. If a date or other descriptive detail set forth in this Request referring to a record is inaccurate, but the actual date or other descriptive detail is known to you or is otherwise apparent from the context of the Request, you are required to produce all records which would be responsive as if the date or other descriptive detail were correct.
6. Records produced in response to this Request shall be produced as they were kept in the normal course of business together with copies of file labels, dividers, or identifying markers with which they were associated when the Request was served.
7. In complying with this Request, be apprised that (unless otherwise determined by the Committee) the Committee does not recognize: any purported non-disclosure privileges associated with the common law including, but not limited to, the deliberative-process privilege, the attorney-client privilege, and attorney work product protections; any purported privileges or protections from disclosure under the Freedom of Information Act; or any purported contractual privileges, such as non-disclosure agreements. Any assertion by a Request recipient of any such non-constitutional legal bases for withholding records or other materials shall be of no legal force and effect and shall not provide a justification for such withholding or refusal, unless and only to the extent that the Chairman of the Committee has consented to recognize the assertion as valid. If you withhold records in whole or in part on the basis of a claim of a privilege or protection, you are required to follow the following procedure. You may only withhold that portion of a record

over which you assert a claim of privilege or protection. Accordingly, you may only withhold a record in its entirety if you maintain that the entire record is privileged or protected. Otherwise you must produce the record in redacted form. In the event that a record is withheld in whole or in part on the basis of privilege or protection you must provide a privilege log containing the following information concerning each discrete claim of privilege or protection: (a) the privilege or protection asserted; (b) the type of record; (c) the date, author, and addressee (d) the relationship of the author and addressee to each other; and (e) a general description of the nature of the record that, without revealing information itself privileged or protected, will enable the Committee to assess your claim of privilege or protection. In the event a record or a portion thereof is withheld under multiple discrete claims of privilege or protection, each claim of privilege or protection must be separately logged. In an event portions of a record are withheld on discrete claims of privilege or protection, each separate claim of privilege or protection within that record must be separately logged. A privilege log must be produced contemporaneously with the withholding of any record in whole or in part on the basis of a privilege or protection. Privilege logs must be produced as a native Microsoft Excel file. All privilege logs must be accompanied by the certification of your counsel in a form compliant with 28 U.S.C. § 1746 that all assertions of privilege or protection contained therein are consistent with these Instructions and are warranted by existing law or by a non-frivolous argument for extending, modifying, or reversing existing law, or for establishing new law. Failure to strictly comply with these provisions constitutes waiver of any asserted privilege or protection. In the Chairman's discretion, this waiver may extend to the subject matter of the underlying records.

8. If any record responsive to this Request was, but no longer is, in your possession, custody, or control, you must file a certificate in a form compliant with 28 U.S.C. § 1746 signed by your counsel and the natural person that you designate as most knowledgeable regarding the circumstances under which the record ceased to be in your possession, custody, or control which: (a) identifies the record (stating its date, author, subject, and recipients); and (b) explains the circumstances under which the record ceased to be in your possession, custody, or control or was placed in the possession, custody, or control of a third party; (c) identifies the person who currently has possession, custody, or control over the record; and (d) identifies each person who authorized the disposition of the record or who had or has knowledge of that disposition.
9. If any record responsive to this Request cannot be located, you must immediately file a certificate in a form compliant with 28 U.S.C. § 1746 signed by your counsel and the natural person that you designate as most knowledgeable regarding the circumstances describing with particularity the efforts made to locate the record and the specific reason for its disappearance, destruction or unavailability.

Mr. Keith A. Noreika  
Office of the Comptroller of the Currency  
400 7th Street NW  
Washington, DC 20219

10. This Request is continuing in nature and applies to any newly-discovered information. Any record not produced because it has not been located or discovered by the return date shall be produced immediately upon subsequent location or discovery. If you discover any portion of your response is incorrect in a material respect you must immediately and contemporaneously file with the Committee a certificate in a form compliant with 28 U.S.C. § 1746, signed by your counsel, and the natural person that you designate as most knowledgeable regarding your document production, setting forth: (1) how you became aware of the defect in the response; (2) how the defect came about (or how you believe it to have come about); and (3) a detailed description of the steps you took to remedy the defect.
11. A cover letter shall be included with each production and include the following:
  - a. A list of each piece of media included in the production with its unique production volume number;
  - b. A list of custodians, identifying the Bates range for each custodian;
  - c. A list of Specifications, identifying the Bates range of documents responsive to each Specification;
  - d. The time zone in which the emails were standardized during conversion; and
  - e. All Bates Prefix and Suffix formats for records contained in the production.
12. You must identify any documents which you believe to contain confidential or proprietary information.
13. In the event a complete response requires the transmission of classified information, provide as much information in unclassified form as possible in your response and send all classified information under separate cover via the Office of House Security.
14. Records must be produced to the Committee in accordance with the attached Electronic Production Instructions in order to be considered to be in compliance with the Request. Failure to produce records in accordance with the attached Electronic Production Instructions, may, in an exercise of the Committee's discretion, be deemed an act of contumacy.
15. If properties or permissions are modified for any records produced electronically, receipt of such records will not be considered full compliance with the Request.
16. Upon completion of the record production, you must submit a certificate, in a form compliant with 28 U.S.C. § 1746, signed by you and your counsel regarding your

Mr. Keith A. Noreika  
Office of the Comptroller of the Currency  
400 7th Street NW  
Washington, DC 20219

record production, stating that: (a) a diligent search has been completed of all records in your possession, custody, or control which reasonably could contain responsive records; (b) the search complies with good forensic practices; (c) records responsive to this Request have not been destroyed, modified, removed, transferred, or otherwise made inaccessible to the Committee since the date of receiving the Committee's Request or in anticipation of receiving the Committee's Request; and (d) all records located during the search that are responsive have been produced to the Committee or withheld in whole or in part on the basis of an assertion of a claim of privilege or protection in compliance with these Instructions.

17. When representing a witness or entity before the Committee in response to a subpoena, record request, or request for transcribed interview, counsel for the witness or entity must promptly submit to the Committee a notice of appearance specifying the following: (a) counsel's name, firm or organization, and contact information; and (b) each client represented by the counsel in connection with the proceeding. Submission of a notice of appearance constitutes acknowledgement that counsel is authorized to accept service of process by the Committee on behalf of such client(s), and that counsel is bound by and agrees to comply with all applicable House and Committee rules and regulations.



## DEFINITIONS

The following definitions apply to terms within the Request, these Instructions, and these Definitions.

1. The term “record” means any written, recorded, or graphic matter of any nature whatsoever, regardless of how recorded, and whether original or copy, including, but not limited to, the following: memoranda, reports, expense reports, books, manuals, instructions, financial reports, working papers, records, notes, letters, notices, confirmations, telegrams, receipts, appraisals, pamphlets, magazines, newspapers, prospectuses, inter-office and intra-office communications, electronic mail (emails), text messages, instant messages, MMS or SMS messages, contracts, cables, telexes, notations of any type of conversation, telephone call, voicemail, meeting or other communication, bulletins, printed matter, computer printouts, teletypes, invoices, transcripts, diaries, analyses, returns, summaries, minutes, bills, accounts, estimates, projections, comparisons, messages, correspondence, press releases, circulars, financial statements, reviews, opinions, offers, studies and investigations, questionnaires and surveys, and work sheets (and all drafts, preliminary versions, alterations, modifications, revisions, changes, and amendments of any of the foregoing, as well as any attachments or appendices thereto), and graphic or oral records or representations of any kind (including without limitation, photographs, charts, graphs, microfiche, microfilm, videotape, recordings and motion pictures), and electronic, mechanical, and electronic records or representations of any kind (including, without limitation, tapes, cassettes, disks, and recordings) and other written, printed, typed, or other graphic or recorded matter of any kind or nature, however produced or reproduced, and whether preserved in writing, film, tape, disk, videotape or otherwise. A record bearing any notation not a part of the original text is to be considered a separate record. A draft or non-identical copy is a separate record within the meaning of this term. By definition a “communication” (as that term is defined herein) is also a “record” if the means of communication is any written, recorded, or graphic matter of any sort whatsoever, regardless of how recorded, and whether original or copy.
2. The term “records in your possession, custody or control” means (a) records that are in your possession, custody, or control, whether held by you or your employees; (b) records that you have a legal right to obtain, that you have a right to copy, or to which you have access; and (c) records that have been placed in the possession, custody, or control of any third party.
3. The term “communication” means each manner or means of disclosure or exchange of information (in the form of facts, ideas, inquiries, or otherwise), regardless of means utilized, whether oral, electronic, by document or otherwise, and whether in

an in-person meeting, by telephone, facsimile, e-mail (desktop or mobile device), text message, MMS or SMS message, regular mail, telexes, releases, or otherwise.

4. “Communication with,” “communications from,” and “communications between” means any communication involving the related parties, regardless of whether other persons were involved in the communication, and includes, but is not limited to, communications where one party is cc’d or bcc’d, both parties are cc’d or bcc’d, or some combination thereof.
5. The term “person” is defined as any natural person or any legal entity, including, without limitation, any business or governmental entity or association, and all subsidiaries, divisions, partnerships, properties, affiliates, branches, groups, special purpose entities, joint ventures, predecessors, successors, or any other entity in which they have or had a controlling interest, and any employee, and any other units thereof.
6. The term “employee” means a current or former: officer, director, shareholder, partner, member, consultant, senior manager, manager, senior associate, permanent employee, staff employee, attorney, agent (whether de jure, de facto, or apparent, without limitation), advisor, representative, attorney (in law or in fact), lobbyist (registered or unregistered), borrowed employee, casual employee, consultant, contractor, de facto employee, independent contractor, joint adventurer, loaned employee, part-time employee, provisional employee, or subcontractor.
7. The terms “and” and “or” shall be construed broadly and either conjunctively or disjunctively to bring within the scope of this Request any information which might otherwise be construed to be outside its scope. The terms “all,” “any,” and “each” shall each be construed as encompassing any and all. The singular includes the plural number, and vice versa. The masculine includes the feminine and neuter genders.
8. The terms “pertaining to,” “referring,” “relating,” or “concerning” with respect to any given subject means anything that constitutes, contains, embodies, reflects, identifies, states, refers to, deals with, or is in any manner whatsoever pertinent to that subject.
9. The term “indicating” with respect to any given subject means anything showing, evidencing, pointing out or pointing to, directing attention to, making known, stating, or expressing that subject of any sort, form, or level of formality or informality, whatsoever, without limitation.
10. When referring to a person, “to identify” means to give, to the extent known: (1) the person’s full name; (2) present or last known address; and (3) when referring to a natural person, additionally: (a) the present or last known place of employment;

(b) the natural person's complete title at their employment; and (c) the individual's business address. When referring to documents, "to identify" means to give, to the extent known the: (1) type of document; (2) general subject matter; (3) date of the document; and (4) author, addressee, and recipient.

11. The term "Wells Fargo" means Wells Fargo & Company, and all subsidiaries, divisions, partnerships, properties, affiliates, branches, groups, special purpose entities, joint ventures, predecessors, successors, or any other entity in which they have or had a controlling interest or shared financials, and any employee (as that term is defined herein), and any other units thereof.
12. The term "Wells Fargo & Company" refers to the American international banking and financial services company Wells Fargo & Company and its subsidiaries and affiliates.
13. The term "Collateral Protection Insurance Program" refers to Wells Fargo's practice of purchasing collateral protection insurance through a third-party vendor on behalf of customers with auto loans, as discussed in Note 11 of Wells Fargo & Company's Form 10-Q for the quarterly period ended June 30, 2017.
14. The term "Guaranteed Auto Protection" refers to the so-named insurance agreements discussed in Note 11 of Wells Fargo & Company's Form 10-Q for the quarterly period ended June 30, 2017.
15. The term "customer harm" means negative direct or indirect effects on a Wells Fargo customer that may have been caused by Wells Fargo, whether financial or non-financial, without any limitation whatsoever.
16. The term "National General" refers to National General Holdings Corp. and all subsidiaries, divisions, partnerships, properties, affiliates, branches, groups, special purpose entities, joint ventures, predecessors, successors, or any other entity in which they have or had a controlling interest or shared financials, and any employee (as that term is defined herein), and any other units thereof.

## **ELECTRONIC PRODUCTION INSTRUCTIONS**

Record productions shall be prepared according to, and strictly adhere to, the following standards:

1. Records produced shall be organized, identified, and indexed electronically.
2. Only alphanumeric characters and the underscore (“\_”) character are permitted in file and folder names. Special characters are not permitted.
3. Two sets of records shall be delivered, one set to the Majority Staff and one set to the Minority Staff. To the extent the Minority Staff does not have an electronic record review platform, records shall be produced to the Minority Staff in searchable PDF format and shall be produced consistent with the instructions specified in this schedule to the maximum extent practicable.
4. Production media and produced records shall not be encrypted, contain any password protections, or have any limitations that restrict access and use.
5. Records shall be produced to the Committee on one or more CDs, memory sticks, thumb drives, or USB hard drives. Production media shall be labeled with the following information: Case Number, Production Date, Producing Party, Bates Range.
6. Records produced to the Committee shall include an index describing the contents of the production. To the extent that more than one CD, hard drive, memory stick, thumb drive, box, or folder is produced, each CD, hard drive, memory stick, thumb drive, box, or folder shall contain an index describing its contents.
7. All records shall be Bates-stamped sequentially and produced sequentially.
8. When you produce records, you shall identify the paragraph or number in the Committee’s Request to which the records respond and add a metadata tag listing that paragraph or number in accordance with **Appendix A**.
9.
  - a. All submissions must be organized by custodian unless otherwise instructed.
  - b. Productions shall include:
    1. A Concordance Data (.DAT) Load File in accordance with metadata fields as defined in **Appendix A**.
    2. A Standard Format Opticon Image Cross-Reference File (.OPT) to link produced images to the records contained in the .DAT file.

3. A file (can be Microsoft Word, Microsoft Excel, or Adobe PDF) defining the fields and character lengths of the load file.
- c. The production format shall include images, text, and native electronic files. Electronic files must be produced in their native format, i.e., the format in which they are ordinarily used and maintained during the normal course of business. For example, a Microsoft Excel file must be produced as a Microsoft Excel file rather than an image of a spreadsheet. **NOTE:** An Adobe PDF file representing a printed copy of another file format (such as Word Document or Webpage) is NOT considered a native file unless the record was initially created as a PDF.
1. Image Guidelines:
    1. Single or multi page TIFF files.
    2. All TIFF images must have a unique file name, i.e., Bates Number
    3. Images must be endorsed with sequential Bates numbers in the lower right corner of each image.
  2. Text Guidelines:
    1. All text shall be produced as separate text files, not inline within the .DAT file.
    2. Relative paths shall be used to link the associated text file (FIELD: TEXTPATH) to the record contained in the load file.
    3. Associated text files shall be named as the BEGBATES field of each record.
  3. Native File Guidelines:
    1. Copies of original email and native file records/attachments must be included for all electronic productions.
    2. Native file records must be named per the BEGBATES field.
    3. Relative paths shall be used to link the associated native file (FIELD: NATIVEFILELINK) to the record contained in the load file.
    4. Associated native files shall be named as the BEGBATES field of each record.



Mr. Keith A. Noreika  
Office of the Comptroller of the Currency  
400 7th Street NW  
Washington, DC 20219

<b>Field Name</b>	<b>Sample Data</b>	<b>Description</b>
CUSTODIAN	Smith, John	Email: mailbox where the email resided Attachment: Individual from whom the record originated
FROM	John Smith	Email: Sender Native: Author(s) of record **semi-colon should be used to separate multiple entries
TO	Coffman, Janice; LeeW [mailto:LeeW@MSN.com]	Recipient(s) **semi-colon should be used to separate multiple entries
CC	Frank Thompson [mailto:frank_Thompson@cdt.com]	Carbon copy recipient(s) **semi-colon should be used to separate multiple entries
BCC	John Cain	Blind carbon copy recipient(s) **semi-colon should be used to separate multiple entries
SUBJECT	Board Meeting Minutes	Email: Subject line of the email Native: Title of record (if available)
DATE_SENT	10/12/2010	Email: Date the email was sent Native: (empty)
TIME_SENT/TIME_ZONE	07:05 PM GMT	Email: Time the email was sent/ Time zone in which the emails were standardized during conversion. Native: (empty) **This data must be a separate field and cannot be combined with the DATE_SENT field
TIME_ZONE	GMT	The time zone in which the emails were standardized during conversion. Email: Time zone Native: (empty)
NATIVEFILELINK	D:\001\ EDC0000001.msg	Hyperlink to the email or native file record **The linked file must be named per the FIRSTBATES number
MIME_TYPE	MSG	The content type of an Email or native file record as identified/extracted from the header

<b>Field Name</b>	<b>Sample Data</b>	<b>Description</b>
FILE_EXTEN	MSG	The file type extension representing the Email or native file record; will vary depending on the email format
AUTHOR	John Smith	Email: (empty) Native: Author of the record
DATE_CREATED	10/10/2010	Email: (empty) Native: Date the record was created
TIME_CREATED	10:25 AM	Email: (empty) Native: Time the record was created **This data must be a separate field and cannot be combined with the DATE_CREATED field
DATE_MOD	10/12/2010	Email: (empty) Native: Date the record was last modified
TIME_MOD	07:00 PM	Email: (empty) Native: Time the record was last modified **This data must be a separate field and cannot be combined with the DATE_MOD field
DATE_ACCESSSD	10/12/2010	Email: (empty) Native: Date the record was last accessed
TIME_ACCESSSD	07:00 PM	Email: (empty) Native: Time the record was last accessed **This data must be a separate field and cannot be combined with the DATE_ACCESSSD field
PRINTED_DATE	10/12/2010	Email: (empty) Native: Date the record was last printed
NATIVEFILESIZE	5,952	Size of native file record/email in KB **Use only whole numbers
PGCOUNT	1	Number of pages in native file record/email
PATH	J:\Shared\Smith J\October Agenda.doc	Email: (empty) Native: Path where native file record was stored including original file name
INTFILEPATH	Personal Folders\Deleted Items\Board Meeting Minutes.msg	Email: original location of email including original file name Native: (empty)
INTMSGID	<000805c2c71b\$7 5977050\$cb 8306d1@MSN>	Email: Unique Message ID Native: (empty)



Field Name	Sample Data	Description
MD5HASH	d131dd02c5e6eec 4693d9a069 8aff95c 2fcab58712467ea b4004583eb 8fb7f89	MD5 Hash value of the record
TEXTPATH	\TEXT\AAA0001 .txt	Path to the record's text file that contains extracted text to be used for processing. Every record has a relative path to its text file in this field. <b>Note:</b> These paths may also be fully qualified; and thus do not have to be relative.
NATIVEFILEPATH	\NATIVES\MES SAGE1.msg; \NATIVES\ATT ACHMENT1.doc	Path to the record's native file. Every record has a relative path to its native file in this field. <b>Note:</b> These paths may also be fully qualified; and thus do not have to be relative.
HANDWRITTEN	YES	Field should be marked "YES" if the record has any handwritten notes or other text that is not contained in the text file
REDACTED	YES	Field should be marked "YES" if the record contains any redactions, "NO" otherwise

Metadata Fields Required Upon Specific Request

TAGS	FirstPass\Respon sive; FirstPass\ForQC	If requested—a list of tags assigned to the record. Multiple tags are separated by the multi-value separator, for example: "A; B; C", and nested tags are denoted using the nested value separator, for example: "X\Y\Z". Tags for attachments will appear under the custom field "ATTACHMENT_TAGS".
FOLDERS	JohnDoeDocs\Fir stPass	If requested—a list of folders of which the record is a part. Multiple folders are separated by the multi-value separator, for example: "A; B; C", and nested folders are denoted using the nested value separator, for example: "X\Y\Z". Folders for attachments will appear under the custom field "ATTACHMENT_FOLDERS".

September 7, 2017

The Honorable Janet Yellen  
Chair  
Board of Governors of the Federal Reserve  
20<sup>th</sup> Street and Constitution Ave., NW  
Washington, DC 20429

Dear Chair Yellen:

On July 27, 2017, Wells Fargo & Company (“Wells Fargo”) announced that its mismanagement of its Collateral Protection Insurance (“CPI”) policies on auto loans may have harmed 570,000 customers by charging those customers for auto insurance they did not need.<sup>1</sup> Wells Fargo later announced that it may be providing refunds to certain customers related to guaranteed auto protection (“GAP”) waivers or insurance agreements on auto loans.<sup>2</sup> The Committee is concerned by Wells Fargo’s announcements, as the unneeded insurance may have contributed to over 20,000 vehicle repossessions.<sup>3</sup>

The Committee is thoroughly investigating the conduct of Wells Fargo and its CPI underwriter, National General Insurance, the adequacy of Wells Fargo’s remediation efforts to its harmed customers and the policies and procedures that led to the placement of the CPI. The Committee also intends to thoroughly investigate the conduct of Wells Fargo’s federal financial regulators to determine the oversight of the bank’s auto loan business.<sup>4</sup>

Accordingly, the Committee requests a joint briefing by the Board of Governors and the other federal financial regulators with jurisdiction over Wells Fargo’s Consumer Lending business. Additionally, by not later than September 21, 2017, please provide all records related to the supervision, regulation, investigation, or oversight of Wells Fargo’s use of CPI and GAP on its auto loan portfolio by the

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<sup>1</sup> Press Release, Wells Fargo & Company, Wells Fargo Announces Plan to Remediate Customers for Auto Insurance Coverage (July 27, 2017) <https://newsroom.wf.com/press-release/consumer-lending/wells-fargo-announces-plan-remediate-customers-auto-insurance>

<sup>2</sup> Wells Fargo & Company, Quarterly Report (Form 10-Q), at 124 (August 4, 2017).

<sup>3</sup> Gretchen Morgenson, *Wells Fargo Forced Unwanted Auto Insurance on Borrowers*, N.Y. Times (July 27, 2017), <https://www.nytimes.com/2017/07/27/business/wells-fargo-unwanted-auto-insurance.html>

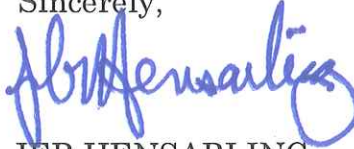
<sup>4</sup> Rule X, Rules of the House of Representatives, 115th Cong.

The Hon. Janet Yellen  
September 7, 2017  
Page 2

Board of Governors.<sup>5</sup> Failure to provide the requested briefing and records by the return date may result in the use of compulsory process by the Committee.

If you have any questions regarding this request, please have your staff contact Brett Sisto of the Committee staff at (202) 225-7502.

Sincerely,



JEB HENSARLING  
Chairman

cc: The Honorable Maxine Waters, Ranking Member

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<sup>5</sup> Records shall be produced in accordance with the attached Committee Records Request Instructions.

**INSTRUCTIONS: For the purpose of this Request:**

1. In complying with this Request, you are required to produce all responsive records that are in your possession, custody, or control. You shall also produce records that you have a legal right to obtain, that you have a right to copy or to which you have access, as well as records that you have placed in the temporary possession, custody, or control of any third party. Requested records shall not be destroyed, modified, removed, transferred, or otherwise made inaccessible to the Committee.
2. In the event that any entity, organization, or individual denoted in this Request has been, or is also known by any other name than that herein denoted, the Request shall be read also to include that alternative identification.
3. The Committee considers all members of a document “family” to be responsive to the Request if any single “member” of that “family” is responsive, regardless of whether the “family member” in question is “parent” or “child.”
4. It shall not be a basis for refusal to produce records that any other person or entity also possesses non-identical or identical copies of the same records.
5. If a date or other descriptive detail set forth in this Request referring to a record is inaccurate, but the actual date or other descriptive detail is known to you or is otherwise apparent from the context of the Request, you are required to produce all records which would be responsive as if the date or other descriptive detail were correct.
6. Records produced in response to this Request shall be produced as they were kept in the normal course of business together with copies of file labels, dividers, or identifying markers with which they were associated when the Request was served.
7. In complying with this Request, be apprised that (unless otherwise determined by the Committee) the Committee does not recognize: any purported non-disclosure privileges associated with the common law including, but not limited to, the deliberative-process privilege, the attorney-client privilege, and attorney work product protections; any purported privileges or protections from disclosure under the Freedom of Information Act; or any purported contractual privileges, such as non-disclosure agreements. Any assertion by a Request recipient of any such non-constitutional legal bases for withholding records or other materials shall be of no legal force and effect and shall not provide a justification for such withholding or refusal, unless and only to the extent that the Chairman of the Committee has consented to recognize the assertion as valid. If you withhold records in whole or in part on the basis of a claim of a privilege or protection, you are required to follow the following procedure. You may only withhold that portion of a record

over which you assert a claim of privilege or protection. Accordingly, you may only withhold a record in its entirety if you maintain that the entire record is privileged or protected. Otherwise you must produce the record in redacted form. In the event that a record is withheld in whole or in part on the basis of privilege or protection you must provide a privilege log containing the following information concerning each discrete claim of privilege or protection: (a) the privilege or protection asserted; (b) the type of record; (c) the date, author, and addressee (d) the relationship of the author and addressee to each other; and (e) a general description of the nature of the record that, without revealing information itself privileged or protected, will enable the Committee to assess your claim of privilege or protection. In the event a record or a portion thereof is withheld under multiple discrete claims of privilege or protection, each claim of privilege or protection must be separately logged. In an event portions of a record are withheld on discrete claims of privilege or protection, each separate claim of privilege or protection within that record must be separately logged. A privilege log must be produced contemporaneously with the withholding of any record in whole or in part on the basis of a privilege or protection. Privilege logs must be produced as a native Microsoft Excel file. All privilege logs must be accompanied by the certification of your counsel in a form compliant with 28 U.S.C. § 1746 that all assertions of privilege or protection contained therein are consistent with these Instructions and are warranted by existing law or by a non-frivolous argument for extending, modifying, or reversing existing law, or for establishing new law. Failure to strictly comply with these provisions constitutes waiver of any asserted privilege or protection. In the Chairman's discretion, this waiver may extend to the subject matter of the underlying records.

8. If any record responsive to this Request was, but no longer is, in your possession, custody, or control, you must file a certificate in a form compliant with 28 U.S.C. § 1746 signed by your counsel and the natural person that you designate as most knowledgeable regarding the circumstances under which the record ceased to be in your possession, custody, or control which: (a) identifies the record (stating its date, author, subject, and recipients); and (b) explains the circumstances under which the record ceased to be in your possession, custody, or control or was placed in the possession, custody, or control of a third party; (c) identifies the person who currently has possession, custody, or control over the record; and (d) identifies each person who authorized the disposition of the record or who had or has knowledge of that disposition.
9. If any record responsive to this Request cannot be located, you must immediately file a certificate in a form compliant with 28 U.S.C. § 1746 signed by your counsel and the natural person that you designate as most knowledgeable regarding the circumstances describing with particularity the efforts made to locate the record and the specific reason for its disappearance, destruction or unavailability.

10. This Request is continuing in nature and applies to any newly-discovered information. Any record not produced because it has not been located or discovered by the return date shall be produced immediately upon subsequent location or discovery. If you discover any portion of your response is incorrect in a material respect you must immediately and contemporaneously file with the Committee a certificate in a form compliant with 28 U.S.C. § 1746, signed by your counsel, and the natural person that you designate as most knowledgeable regarding your document production, setting forth: (1) how you became aware of the defect in the response; (2) how the defect came about (or how you believe it to have come about); and (3) a detailed description of the steps you took to remedy the defect.
11. A cover letter shall be included with each production and include the following:
  - a. A list of each piece of media included in the production with its unique production volume number;
  - b. A list of custodians, identifying the Bates range for each custodian;
  - c. A list of Specifications, identifying the Bates range of documents responsive to each Specification;
  - d. The time zone in which the emails were standardized during conversion; and
  - e. All Bates Prefix and Suffix formats for records contained in the production.
12. You must identify any documents which you believe to contain confidential or proprietary information.
13. In the event a complete response requires the transmission of classified information, provide as much information in unclassified form as possible in your response and send all classified information under separate cover via the Office of House Security.
14. Records must be produced to the Committee in accordance with the attached Electronic Production Instructions in order to be considered to be in compliance with the Request. Failure to produce records in accordance with the attached Electronic Production Instructions, may, in an exercise of the Committee's discretion, be deemed an act of contumacy.
15. If properties or permissions are modified for any records produced electronically, receipt of such records will not be considered full compliance with the Request.
16. Upon completion of the record production, you must submit a certificate, in a form compliant with 28 U.S.C. § 1746, signed by you and your counsel regarding your

The Hon. Janet Yellen  
Board of Governors of the Federal Reserve  
20th Street and Constitution Ave., NW  
Washington, DC 20429

record production, stating that: (a) a diligent search has been completed of all records in your possession, custody, or control which reasonably could contain responsive records; (b) the search complies with good forensic practices; (c) records responsive to this Request have not been destroyed, modified, removed, transferred, or otherwise made inaccessible to the Committee since the date of receiving the Committee's Request or in anticipation of receiving the Committee's Request; and (d) all records located during the search that are responsive have been produced to the Committee or withheld in whole or in part on the basis of an assertion of a claim of privilege or protection in compliance with these Instructions.

17. When representing a witness or entity before the Committee in response to a subpoena, record request, or request for transcribed interview, counsel for the witness or entity must promptly submit to the Committee a notice of appearance specifying the following: (a) counsel's name, firm or organization, and contact information; and (b) each client represented by the counsel in connection with the proceeding. Submission of a notice of appearance constitutes acknowledgement that counsel is authorized to accept service of process by the Committee on behalf of such client(s), and that counsel is bound by and agrees to comply with all applicable House and Committee rules and regulations.

## DEFINITIONS

The following definitions apply to terms within the Request, these Instructions, and these Definitions.

1. The term “record” means any written, recorded, or graphic matter of any nature whatsoever, regardless of how recorded, and whether original or copy, including, but not limited to, the following: memoranda, reports, expense reports, books, manuals, instructions, financial reports, working papers, records, notes, letters, notices, confirmations, telegrams, receipts, appraisals, pamphlets, magazines, newspapers, prospectuses, inter-office and intra-office communications, electronic mail (emails), text messages, instant messages, MMS or SMS messages, contracts, cables, telexes, notations of any type of conversation, telephone call, voicemail, meeting or other communication, bulletins, printed matter, computer printouts, teletypes, invoices, transcripts, diaries, analyses, returns, summaries, minutes, bills, accounts, estimates, projections, comparisons, messages, correspondence, press releases, circulars, financial statements, reviews, opinions, offers, studies and investigations, questionnaires and surveys, and work sheets (and all drafts, preliminary versions, alterations, modifications, revisions, changes, and amendments of any of the foregoing, as well as any attachments or appendices thereto), and graphic or oral records or representations of any kind (including without limitation, photographs, charts, graphs, microfiche, microfilm, videotape, recordings and motion pictures), and electronic, mechanical, and electronic records or representations of any kind (including, without limitation, tapes, cassettes, disks, and recordings) and other written, printed, typed, or other graphic or recorded matter of any kind or nature, however produced or reproduced, and whether preserved in writing, film, tape, disk, videotape or otherwise. A record bearing any notation not a part of the original text is to be considered a separate record. A draft or non-identical copy is a separate record within the meaning of this term. By definition a “communication” (as that term is defined herein) is also a “record” if the means of communication is any written, recorded, or graphic matter of any sort whatsoever, regardless of how recorded, and whether original or copy.
2. The term “records in your possession, custody or control” means (a) records that are in your possession, custody, or control, whether held by you or your employees; (b) records that you have a legal right to obtain, that you have a right to copy, or to which you have access; and (c) records that have been placed in the possession, custody, or control of any third party.
3. The term “communication” means each manner or means of disclosure or exchange of information (in the form of facts, ideas, inquiries, or otherwise), regardless of means utilized, whether oral, electronic, by document or otherwise, and whether in



an in-person meeting, by telephone, facsimile, e-mail (desktop or mobile device), text message, MMS or SMS message, regular mail, telexes, releases, or otherwise.

4. “Communication with,” “communications from,” and “communications between” means any communication involving the related parties, regardless of whether other persons were involved in the communication, and includes, but is not limited to, communications where one party is cc’d or bcc’d, both parties are cc’d or bcc’d, or some combination thereof.
5. The term “person” is defined as any natural person or any legal entity, including, without limitation, any business or governmental entity or association, and all subsidiaries, divisions, partnerships, properties, affiliates, branches, groups, special purpose entities, joint ventures, predecessors, successors, or any other entity in which they have or had a controlling interest, and any employee, and any other units thereof.
6. The term “employee” means a current or former: officer, director, shareholder, partner, member, consultant, senior manager, manager, senior associate, permanent employee, staff employee, attorney, agent (whether de jure, de facto, or apparent, without limitation), advisor, representative, attorney (in law or in fact), lobbyist (registered or unregistered), borrowed employee, casual employee, consultant, contractor, de facto employee, independent contractor, joint adventurer, loaned employee, part-time employee, provisional employee, or subcontractor.
7. The terms “and” and “or” shall be construed broadly and either conjunctively or disjunctively to bring within the scope of this Request any information which might otherwise be construed to be outside its scope. The terms “all,” “any,” and “each” shall each be construed as encompassing any and all. The singular includes the plural number, and vice versa. The masculine includes the feminine and neuter genders.
8. The terms “pertaining to,” “referring,” “relating,” or “concerning” with respect to any given subject means anything that constitutes, contains, embodies, reflects, identifies, states, refers to, deals with, or is in any manner whatsoever pertinent to that subject.
9. The term “indicating” with respect to any given subject means anything showing, evidencing, pointing out or pointing to, directing attention to, making known, stating, or expressing that subject of any sort, form, or level of formality or informality, whatsoever, without limitation.
10. When referring to a person, “to identify” means to give, to the extent known: (1) the person’s full name; (2) present or last known address; and (3) when referring to a natural person, additionally: (a) the present or last known place of employment;

- (b) the natural person's complete title at their employment; and (c) the individual's business address. When referring to documents, "to identify" means to give, to the extent known the: (1) type of document; (2) general subject matter; (3) date of the document; and (4) author, addressee, and recipient.
11. The term "Wells Fargo" means Wells Fargo & Company, and all subsidiaries, divisions, partnerships, properties, affiliates, branches, groups, special purpose entities, joint ventures, predecessors, successors, or any other entity in which they have or had a controlling interest or shared financials, and any employee (as that term is defined herein), and any other units thereof.
  12. The term "Wells Fargo & Company" refers to the American international banking and financial services company Wells Fargo & Company and its subsidiaries and affiliates.
  13. The term "Collateral Protection Insurance Program" refers to Wells Fargo's practice of purchasing collateral protection insurance through a third-party vendor on behalf of customers with auto loans, as discussed in Note 11 of Wells Fargo & Company's Form 10-Q for the quarterly period ended June 30, 2017.
  14. The term "Guaranteed Auto Protection" refers to the so-named insurance agreements discussed in Note 11 of Wells Fargo & Company's Form 10-Q for the quarterly period ended June 30, 2017.
  15. The term "customer harm" means negative direct or indirect effects on a Wells Fargo customer that may have been caused by Wells Fargo, whether financial or non-financial, without any limitation whatsoever.
  16. The term "National General" refers to National General Holdings Corp. and all subsidiaries, divisions, partnerships, properties, affiliates, branches, groups, special purpose entities, joint ventures, predecessors, successors, or any other entity in which they have or had a controlling interest or shared financials, and any employee (as that term is defined herein), and any other units thereof.

## ELECTRONIC PRODUCTION INSTRUCTIONS

Record productions shall be prepared according to, and strictly adhere to, the following standards:

1. Records produced shall be organized, identified, and indexed electronically.
2. Only alphanumeric characters and the underscore (“\_”) character are permitted in file and folder names. Special characters are not permitted.
3. Two sets of records shall be delivered, one set to the Majority Staff and one set to the Minority Staff. To the extent the Minority Staff does not have an electronic record review platform, records shall be produced to the Minority Staff in searchable PDF format and shall be produced consistent with the instructions specified in this schedule to the maximum extent practicable.
4. Production media and produced records shall not be encrypted, contain any password protections, or have any limitations that restrict access and use.
5. Records shall be produced to the Committee on one or more CDs, memory sticks, thumb drives, or USB hard drives. Production media shall be labeled with the following information: Case Number, Production Date, Producing Party, Bates Range.
6. Records produced to the Committee shall include an index describing the contents of the production. To the extent that more than one CD, hard drive, memory stick, thumb drive, box, or folder is produced, each CD, hard drive, memory stick, thumb drive, box, or folder shall contain an index describing its contents.
7. All records shall be Bates-stamped sequentially and produced sequentially.
8. When you produce records, you shall identify the paragraph or number in the Committee’s Request to which the records respond and add a metadata tag listing that paragraph or number in accordance with **Appendix A**.
9.
  - a. All submissions must be organized by custodian unless otherwise instructed.
  - b. Productions shall include:
    1. A Concordance Data (.DAT) Load File in accordance with metadata fields as defined in **Appendix A**.
    2. A Standard Format Opticon Image Cross-Reference File (.OPT) to link produced images to the records contained in the .DAT file.

3. A file (can be Microsoft Word, Microsoft Excel, or Adobe PDF) defining the fields and character lengths of the load file.
- c. The production format shall include images, text, and native electronic files. Electronic files must be produced in their native format, i.e., the format in which they are ordinarily used and maintained during the normal course of business. For example, a Microsoft Excel file must be produced as a Microsoft Excel file rather than an image of a spreadsheet. **NOTE:** An Adobe PDF file representing a printed copy of another file format (such as Word Document or Webpage) is NOT considered a native file unless the record was initially created as a PDF.
1. Image Guidelines:
    1. Single or multi page TIFF files.
    2. All TIFF images must have a unique file name, i.e., Bates Number
    3. Images must be endorsed with sequential Bates numbers in the lower right corner of each image.
  2. Text Guidelines:
    1. All text shall be produced as separate text files, not inline within the .DAT file.
    2. Relative paths shall be used to link the associated text file (FIELD: TEXTPATH) to the record contained in the load file.
    3. Associated text files shall be named as the BEGBATES field of each record.
  3. Native File Guidelines:
    1. Copies of original email and native file records/attachments must be included for all electronic productions.
    2. Native file records must be named per the BEGBATES field.
    3. Relative paths shall be used to link the associated native file (FIELD: NATIVEFILELINK) to the record contained in the load file.
    4. Associated native files shall be named as the BEGBATES field of each record.



<b>Field Name</b>	<b>Sample Data</b>	<b>Description</b>
CUSTODIAN	Smith, John	Email: mailbox where the email resided Attachment: Individual from whom the record originated
FROM	John Smith	Email: Sender Native: Author(s) of record **semi-colon should be used to separate multiple entries
TO	Coffman, Janice; LeeW [mailto:LeeW@MSN.com]	Recipient(s) **semi-colon should be used to separate multiple entries
CC	Frank Thompson [mailto:frank_Thompson@cdt.com]	Carbon copy recipient(s) **semi-colon should be used to separate multiple entries
BCC	John Cain	Blind carbon copy recipient(s) **semi-colon should be used to separate multiple entries
SUBJECT	Board Meeting Minutes	Email: Subject line of the email Native: Title of record (if available)
DATE_SENT	10/12/2010	Email: Date the email was sent Native: (empty)
TIME_SENT/TIME_ZONE	07:05 PM GMT	Email: Time the email was sent/ Time zone in which the emails were standardized during conversion. Native: (empty) **This data must be a separate field and cannot be combined with the DATE_SENT field
TIME_ZONE	GMT	The time zone in which the emails were standardized during conversion. Email: Time zone Native: (empty)
NATIVEFILELINK	D:\001\ EDC0000001.msg	Hyperlink to the email or native file record **The linked file must be named per the FIRSTBATES number
MIME_TYPE	MSG	The content type of an Email or native file record as identified/extracted from the header

<b>Field Name</b>	<b>Sample Data</b>	<b>Description</b>
FILE_EXTEN	MSG	The file type extension representing the Email or native file record; will vary depending on the email format
AUTHOR	John Smith	Email: (empty) Native: Author of the record
DATE_CREATED	10/10/2010	Email: (empty) Native: Date the record was created
TIME_CREATED	10:25 AM	Email: (empty) Native: Time the record was created **This data must be a separate field and cannot be combined with the DATE_CREATED field
DATE_MOD	10/12/2010	Email: (empty) Native: Date the record was last modified
TIME_MOD	07:00 PM	Email: (empty) Native: Time the record was last modified **This data must be a separate field and cannot be combined with the DATE_MOD field
DATE_ACCESSSD	10/12/2010	Email: (empty) Native: Date the record was last accessed
TIME_ACCESSSD	07:00 PM	Email: (empty) Native: Time the record was last accessed **This data must be a separate field and cannot be combined with the DATE_ACCESSSD field
PRINTED_DATE	10/12/2010	Email: (empty) Native: Date the record was last printed
NATIVEFILESIZE	5,952	Size of native file record/email in KB **Use only whole numbers
PGCOUNT	1	Number of pages in native file record/email
PATH	J:\Shared\Smith J\October Agenda.doc	Email: (empty) Native: Path where native file record was stored including original file name
INTFILEPATH	Personal Folders\Deleted Items\Board Meeting Minutes.msg	Email: original location of email including original file name Native: (empty)
INTMSGID	<000805c2c71b\$7 5977050\$cb 8306d1@MSN>	Email: Unique Message ID Native: (empty)

Field Name	Sample Data	Description
MD5HASH	d131dd02c5e6eec 4693d9a069 8aff95c 2fcab58712467ea b4004583eb 8fb7f89	MD5 Hash value of the record
TEXTPATH	\TEXT\AAA0001 .txt	Path to the record's text file that contains extracted text to be used for processing. Every record has a relative path to its text file in this field. <b>Note:</b> These paths may also be fully qualified; and thus do not have to be relative.
NATIVEFILEPATH	\NATIVES\MES SAGE1.msg; \NATIVES\ATT ACHMENT1.doc	Path to the record's native file. Every record has a relative path to its native file in this field. <b>Note:</b> These paths may also be fully qualified; and thus do not have to be relative.
HANDWRITTEN	YES	Field should be marked "YES" if the record has any handwritten notes or other text that is not contained in the text file
REDACTED	YES	Field should be marked "YES" if the record contains any redactions, "NO" otherwise

Metadata Fields Required Upon Specific Request

TAGS	FirstPass\Respon sive; FirstPass\ForQC	If requested—a list of tags assigned to the record. Multiple tags are separated by the multi-value separator, for example: "A; B; C", and nested tags are denoted using the nested value separator, for example: "X\Y\Z". Tags for attachments will appear under the custom field "ATTACHMENT_TAGS".
FOLDERS	JohnDoeDocs\Fir stPass	If requested—a list of folders of which the record is a part. Multiple folders are separated by the multi-value separator, for example: "A; B; C", and nested folders are denoted using the nested value separator, for example: "X\Y\Z". Folders for attachments will appear under the custom field "ATTACHMENT_FOLDERS".





**\*\*CONFIDENTIAL\*\***

September 26, 2016

VIA U.S. AND ELECTRONIC MAIL

Edwin L. Chow  
Regional Director, West Region  
Consumer Financial Protection Bureau  
301 Howard Street, Suite 1200  
San Francisco, CA 94105

Re: Notice of Intent to Produce Communications and Documents

Dear Director Chow:

We represent Wells Fargo & Company (“Wells Fargo”). We are writing to notify you that Wells Fargo intends to produce to the U.S. House of Representatives Financial Services Committee (“the Committee”) copies of certain communications between Wells Fargo and the Consumer Financial Protection Bureau (“CFPB”) as well as documents produced by Wells Fargo to the CFPB.

On September 16, 2016 Committee Chairman Jeb Hensarling sent a letter to James M. Strother, Senior Executive Vice-President and General Counsel of Wells Fargo (the “Letter”). The Letter requested, among other things, “all records relating to the questionable sales practices that Wells Fargo produced or made available to the [CFPB].” Letter at 1. On September 26, 2016, Committee staff orally expanded the request to include supervisory correspondence dated between May 2015 and July 2015. Committee staff made it clear that Chairman Hensarling wants the correspondence by September 27, 2016 and cited his authority to compel production by subpoena.

If you have any objection to Wells Fargo producing the aforementioned documents, please let us know by tomorrow, September 27, 2016 at 11:00 a.m. Eastern.

Please also feel free to contact me to discuss the request.

**\*\*CONFIDENTIAL\*\***

Director Edwin L. Chow

September 26, 2016

Page 2

Certain information provided in connection with this request is business-sensitive and, if released, would cause injury to Wells Fargo. We have marked this letter and the enclosed materials "Confidential" and request that they not be disclosed publicly.

Sincerely,



Michael D. Bopp

SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP

1440 NEW YORK AVENUE, N.W.  
WASHINGTON, D.C. 20005-2111

TEL: (202) 371-7000  
FAX: (202) 393-5760

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DIRECT DIAL

**CONFIDENTIAL – NOT SUBJECT  
TO FOIA DISCLOSURE**

October 3, 2016

**VIA ELECTRONIC DELIVERY**

Mary McLeod, Esq.  
General Counsel  
Consumer Financial Protection Bureau  
1700 G Street, NW  
Washington, DC 20552

RE: Wells Fargo Bank, N.A.

Dear Ms. McLeod:

In connection with the consent order that Wells Fargo Bank, N.A. (the “Bank”) recently entered into with the Consumer Financial Protection Bureau (the “Bureau”), the Committee on Financial Services of the U.S. House of Representatives (the “Committee”) submitted a written request to Wells Fargo asking that it provide “all records relating to the questionable sales practices that Wells Fargo produced or made available to the . . . Bureau.” That letter from the Committee is attached.

On behalf of the Bank, we request that the Bureau authorize the Bank to provide to the Committee, in response to its request, any confidential investigative information that the Bank provided to the Bureau in connection with the Bureau’s sales practices investigation, including responses to interrogatories and other information and documents that the Bank provided to the Bureau.

Thank you in advance for your consideration of our request.

Sincerely,



Anand S. Raman

Enclosure

cc: Anthony Alexis, Esq.

SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP

1440 NEW YORK AVENUE, N.W.  
WASHINGTON, D.C. 20005-2111

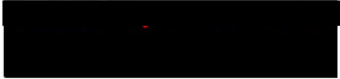
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**CONFIDENTIAL – NOT SUBJECT TO  
FOIA DISCLOSURE**

November 9, 2016

**VIA ELECTRONIC DELIVERY**

Kevin J. Rice, Esq.  
Assistant General Counsel for General Law and Ethics  
Consumer Financial Protection Bureau  
1625 I St., N.W.  
Washington, D.C. 20006

**RE: Wells Fargo Bank, N.A.**

Dear Mr. Rice:

As you discussed with my colleague, Anand Raman, Wells Fargo Bank, N.A. (the Bank) has been the subject of multiple investigations relating to sales practices, and has requested that the Consumer Financial Protection Bureau (the “Bureau”) provide blanket authority for the Bank to disclose confidential supervisory information (“CSI”) and confidential investigative information (“CII”) to various governmental agencies. While that request is being considered, we appreciate your offer to expedite our request to disclose CSI and CII to certain agencies,



We ask that the Bureau authorize the Bank to provide to the Requesting Agencies the following CSI and CII:

- information and documents that the Bank provided to the CFPB relating to the CFPB's sales practices investigation, including:
  - responses to the interrogatories and documents requests in the Civil Investigative Demands that the Bureau issued to the Bank during the course of the sales practices investigation; and
  - documents provided to the Bureau in advance of and relating to the investigational hearings and the Bureau's interview of PwC representatives, as well as the transcripts of the investigational hearings;
- information and documents that the Bureau provided to the Bank relating to the Bureau's sales practices investigation;
- information and documents provided by the Bank to the Bureau's supervisory staff regarding sales practices, and information and documents provided by the Bureau's supervisory staff to the Bank relating to sales practices; and
- communications between Wells Fargo executives or other employees or consultants discussing or relating to the Bureau's sales practices investigation or supervisory activity relating to sales practices.

Thank you in advance for your prompt consideration of our request.

Sincerely,



Darren Welch

**Testimony of Richard Cordray**  
**Director, Consumer Financial Protection Bureau**  
**Before the House Committee on Financial Services**  
**April 5, 2017**

Chairman Hensarling, Ranking Member Waters, and Members of the Committee, thank you for the opportunity to testify today about the Consumer Financial Protection Bureau's (Consumer Bureau) Spring and Fall 2016 Semi-Annual Reports to Congress. I appreciate our continued dialogue as we work together to strengthen the financial system and ensure consumers are treated fairly in the financial marketplace.

The Consumer Bureau presents these Semi-Annual Reports to Congress and the American people in fulfillment of its statutory responsibility and commitment to accountability and transparency. These reports provide updates on the Consumer Bureau's mission, activities, accomplishments, and publications from October 1, 2015 to September 30, 2016, and provide additional information required by the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act).<sup>1</sup>

The Dodd-Frank Act created the Consumer Bureau as the nation's first Federal agency with a mission of focusing solely on consumer financial protection and making consumer financial markets work for American consumers, responsible businesses, and the economy as a whole. In the wake of the financial crisis, the President and Congress recognized the need to address widespread failures in consumer protection and the rapid growth in irresponsible lending practices that preceded the crisis. To remedy these failures, the Dodd-Frank Act consolidated most Federal consumer financial protection authority in the Consumer Bureau.<sup>2</sup> The Dodd-Frank Act charged the Consumer Bureau with, among other things:

- Ensuring that consumers have timely and understandable information to make responsible decisions about financial transactions;
- Protecting consumers from unfair, deceptive, or abusive acts and practices, and from discrimination;

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<sup>1</sup> Appendix B provides a guide to the Consumer Bureau's response to the reporting requirements of Section 1016(c) of the Dodd-Frank Act. The Consumer Bureau's last Semi-Annual Report, published in November 2015, covered April-September 2015. The report may be viewed at: [http://files.consumerfinance.gov/f/201511\\_cfpb\\_semi-annual-report-fall-2015.pdf](http://files.consumerfinance.gov/f/201511_cfpb_semi-annual-report-fall-2015.pdf).

<sup>2</sup> Previously, seven different federal agencies were responsible for rulemaking, supervision, and enforcement relating to consumer financial protection. The agencies which previously administered statutes for which authority transferred to the Consumer Bureau are the Federal Reserve Board (and the Federal Reserve Banks) (Board or FRB), Department of Housing and Urban Development (HUD), Federal Deposit Insurance Corporation (FDIC), Federal Trade Commission (FTC), National Credit Union Administration (NCUA), Office of the Comptroller of the Currency (OCC), and Office of Thrift Supervision (OTS).

- Monitoring compliance with Federal consumer financial law and taking appropriate enforcement action to address violations;
- Identifying and addressing outdated, unnecessary, or unduly burdensome regulations;
- Enforcing Federal consumer financial law consistently in order to promote fair competition;
- Ensuring that markets for consumer financial products and services operate transparently and efficiently to facilitate access and innovation; and
- Conducting financial education programs.<sup>3</sup>

The Consumer Bureau has continued its efforts to serve and protect consumers in the financial marketplace. The Consumer Bureau seeks to serve as a resource on the macro level, by writing clear rules of the road and enforcing consumer financial laws in ways that improve the consumer financial marketplace, and on the micro level, by helping individual consumers address their specific issues with financial products and services. While the various divisions of the Consumer Bureau play different roles in carrying out the Consumer Bureau's mission, they all work together to protect and educate consumers, help level the playing field for participants, and fulfill the Consumer Bureau's statutory obligations and mission under the Dodd-Frank Act. In all of its work, the Consumer Bureau strives to act in ways that are fair, reasonable, and transparent.

Listening and responding to consumers is central to the Consumer Bureau's mission. The Consumer Bureau continues to provide consumers with numerous ways to make their voices heard. Consumers nationwide have engaged with the Consumer Bureau through public field hearings, listening events, roundtables and town halls, and through our website, [consumerfinance.gov](http://consumerfinance.gov). Consumer engagement strengthens the Consumer Bureau's understanding of current issues in the ever-changing consumer financial marketplace and informs every aspect of the Consumer Bureau's work, including research, rule writing, supervision, and enforcement.

The Consumer Bureau has continued to improve the capabilities of its Office of Consumer Response to handle consumer complaints, handling its one millionth complaint in September 2016. Through consumer complaints, the Consumer Bureau hears directly from consumers about the challenges they face in the marketplace, brings their complaints to the attention of companies, and assists in addressing those complaints. The Consumer Bureau knows that efficient and responsible handling of consumer complaints helps companies develop and maintain successful customer relationships, which is why we have invested in cutting-edge technology to quickly and securely route complaints to companies after screening complaints for completeness and determining they fall within our jurisdiction. The Consumer Bureau also

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<sup>3</sup> See Dodd-Frank Act, Pub. L. No. 111-203, Sec. 1021 (b) and (c).

publishes complaints in its public Consumer Complaint Database once the company has an opportunity to respond, confirming a current or prior commercial relationship with the consumer. Our secure company portal also enables companies to quickly and easily alert the Consumer Bureau when a complaint is a duplicate, submitted by an unauthorized third party, or when they are otherwise unable to confirm a current or prior commercial relationship with the consumer. Such complaints are not published in the Consumer Complaint Database. The Consumer Bureau also gives companies the opportunity to respond publicly to the substance of the consumer complaints appearing in the database, and we continue to engage with industry to find ways to make the complaint process more efficient and the data more useful. The database updates daily.

In addition to the Consumer Complaint Database, in July 2015, the Consumer Bureau launched a series of monthly complaint reports to highlight key trends from consumer complaints submitted to the Consumer Bureau. The monthly report includes complaint data on complaint volume, most-complained-about companies, state and local information, and product trends. Each month, the report highlights a particular product and geographic location and provides insight for the public into the hundreds of thousands of consumer complaints on financial products and services expected to be handled by the Consumer Bureau. The report uses a three-month rolling average, comparing the current average to the same period in the prior year where appropriate, to account for monthly and seasonal fluctuations. In some cases, month-to-month comparisons are used to highlight more immediate trends. During the reporting period, these monthly reports have covered financial products such as money transfers, debt collection, mortgage servicing, consumer reporting, and credit cards, as well as information on state and local areas, including Connecticut, Georgia, New York, Texas, Florida, California, New Mexico, and Arkansas.

The Consumer Bureau is working to provide tools and information directly to consumers to enable them to develop practical skills and support sound financial decision-making. These skills include being able to ask informed questions of financial service providers and to plan ahead for financial decisions down the road. One way we are doing this is with our online tool, *Ask CFPB*.<sup>4</sup> This tool provides answers to over 1,000 questions about financial products and services, including on topics such as mortgages, credit cards, and how to dispute errors in a credit report statement. We are also focusing on helping consumers build the skills to plan ahead. For example, our *Paying for College*<sup>5</sup> set of tools helps students and their families evaluating their higher education financing options – comparing college costs and financial aid, learning about college money and loan options, and assessing repayment options. Our *Ownning a Home*<sup>6</sup> set of tools helps consumers shop for a mortgage loan by helping them understand what mortgages are available to them, explore interest rates and compare loan offers, and by providing a closing checklist. The *Money Smart for Older Adults*<sup>7</sup> curriculum, developed with the Federal Deposit Insurance Corporation, includes training resources to help people protect themselves and loved ones from elder financial exploitation and prepare financially for unexpected life events. CFPB *en Español* ([consumerfinance.gov/es/](http://consumerfinance.gov/es/)) provides Spanish-speaking consumers a central point of access to the Consumer Bureau's most-used consumer resources available in Spanish.

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<sup>4</sup> Available at: [consumerfinance.gov/askcfpb/](http://consumerfinance.gov/askcfpb/)

<sup>5</sup> See <http://www.consumerfinance.gov/paying-for-college/>

<sup>6</sup> See <http://www.consumerfinance.gov/owning-a-home/>

<sup>7</sup> See <https://www.fdic.gov/consumers/consumer/moneysmart/OlderAdult.html/>



The Consumer Bureau is also working with other government agencies, social service providers, and community service providers to develop channels to provide decision-making support in moments when consumers are most receptive to receiving information and developing financial decision-making skills. This support includes integrating financial capability into other programs and services where consumers may be seeking assistance. We are tailoring our approaches to financial decision-making circumstances, challenges, and opportunities for specific populations, including servicemembers and veterans, students and young adults, older Americans, and lower-income and other economically vulnerable Americans.

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When Federal consumer financial law is violated, the Consumer Bureau's Supervision, Enforcement, and Fair Lending Division is committed to holding the responsible parties accountable. In the 12 months covered by these reports, our supervisory actions resulted in financial institutions providing approximately \$58 million in redress to over 516,000 consumers. During that timeframe, we also have announced enforcement actions that resulted in orders for more than \$240 million in total relief for consumers who fell victim to various violations of consumer financial laws, along with over \$183 million in civil money penalties. In fact, since we opened our doors, the Consumer Bureau has secured over \$11.8 billion in relief to 29 million consumers from our supervisory and enforcement work. This figure includes approximately \$130 million in relief to servicemembers, veterans, and their families.

During the period covered by the Spring 2016 report, we brought numerous enforcement actions for various violations of the Dodd-Frank Act. These activities included actions against two companies for engaging in illegal debt collection tactics;<sup>8</sup> a default judgment against a for-profit college for engaging in a predatory lending scheme;<sup>9</sup> a proceeding against an online lender for misrepresenting the cost of loans;<sup>10</sup> an action against a company for running an illegal debt collection lawsuit mill;<sup>11</sup> an action against two institutions for reselling sensitive personal information to lenders and debt collectors that it hadn't properly vetted;<sup>12</sup> actions against a "buy here, pay here" auto lender for providing damaging, inaccurate customer information to credit reporting companies and another auto finance company for engaging in abusive conduct in financing, hiding auto finance charges, and misleading customers;<sup>13</sup> an action against an

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<sup>8</sup> See <http://www.consumerfinance.gov/about-us/newsroom/cfpb-orders-servicemember-auto-loan-company-to-pay-3-28-million-for-illegal-debt-collection-tactics/>

<http://www.consumerfinance.gov/about-us/newsroom/cfpb-orders-ezcorp-to-pay-10-million-for-illegal-debt-collection-tactics/>

<sup>9</sup> See <http://www.consumerfinance.gov/about-us/newsroom/cfpb-wins-default-judgment-against-corinthian-colleges-for-engaging-in-a-predatory-lending-scheme/>

<sup>10</sup> See <http://www.consumerfinance.gov/about-us/newsroom/cfpb-takes-action-against-online-lender-for-deceiving-borrowers/>

<sup>11</sup> See <http://www.consumerfinance.gov/about-us/newsroom/cfpb-takes-action-to-stop-illegal-debt-collection-lawsuit-mill/>

<sup>12</sup> See <http://www.consumerfinance.gov/about-us/newsroom/cfpb-takes-action-against-lead-aggregators-for-online-trafficking-of-personal-information/>

<sup>13</sup> See <http://www.consumerfinance.gov/about-us/newsroom/cfpb-orders-carhop-to-pay-6-4-million-penalty-for-jeopardizing-consumers-credit/>  
<http://www.consumerfinance.gov/about-us/newsroom/cfpb-takes-action-against-herbies-auto-sales-for-unlawful-lending-practices/>

institution for illegally obtaining consumer credit reports and failing to appropriately investigate consumer disputes;<sup>14</sup> and an action against an institution for illegal debt-sales and debt-collection practices.<sup>15</sup> Additionally, the Consumer Bureau and the U.S. Department of Justice reached a resolution with an institution in which minority borrowers who paid higher rates than non-Hispanic White borrowers for their auto loans, without regard to their creditworthiness or other objective risk criteria, will receive up to \$21.9 million in restitution.<sup>16</sup>

During the period covered by the Fall 2016 report, our public enforcement actions included actions against a company for illegal debt collection practices;<sup>17</sup> an action against a check cashing company for illegal practices relating to its payday lending;<sup>18</sup> an action against a company enabling unauthorized withdrawals;<sup>19</sup> an action against a depository institution for illegal redlining and discriminatory mortgage underwriting and pricing practices;<sup>20</sup> an action against a depository institution for illegal overdraft practices;<sup>21</sup> actions against a depository institution for illegal student loan servicing practices and the illegal opening of unauthorized accounts;<sup>22</sup> an action against a former depository institution employee for an illegal mortgage fee-shifting scheme;<sup>23</sup> an action against a depository institution for illegal credit card add-on practices;<sup>24</sup> an action against a for-profit education provider for deceiving students about the cost of student loans;<sup>25</sup> actions against five Arizona title lenders for failing to disclose loan APR rates to consumers;<sup>26</sup> an action against a finance company for luring consumers into more costly loans;<sup>27</sup> and an action against an online lender for failing to deliver promised benefits.<sup>28</sup>

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<sup>14</sup> See <http://www.consumerfinance.gov/about-us/newsroom/cfpb-orders-subprime-credit-reporting-company-and-owner-to-pay-8-million-penalty-for-illegal-practices/>

<sup>15</sup> See <http://www.consumerfinance.gov/about-us/newsroom/cfpb-orders-citibank-to-provide-relief-to-consumers-for-illegal-debt-sales-and-collection-practices/>

<sup>16</sup> See <http://www.consumerfinance.gov/about-us/newsroom/cfpb-and-doj-reach-resolution-with-toyota-motor-credit-to-address-loan-pricing-policies-with-discriminatory-effects/>

<sup>17</sup> See <https://www.consumerfinance.gov/about-us/newsroom/cfpb-takes-action-halt-illegal-debt-collection-practices-lawsuit-mill-and-debt-buyer/>

<sup>18</sup> See <https://www.consumerfinance.gov/about-us/newsroom/cfpb-takes-action-against-check-cashing-and-payday-lending-company-tricking-and-trapping-consumers/>

<sup>19</sup> See <https://www.consumerfinance.gov/about-us/newsroom/consumer-financial-protection-bureau-sues-payment-processor-enabling-unauthorized-withdrawals-and-other-illegal-acts-clients/>

<sup>20</sup> See <https://www.consumerfinance.gov/about-us/newsroom/consumer-financial-protection-bureau-and-department-justice-action-requires-bancorpsouth-pay-106-million-address-discriminatory-mortgage-lending-practices/>

<sup>21</sup> See <https://www.consumerfinance.gov/about-us/newsroom/consumer-financial-protection-bureau-orders-santander-bank-pay-10-million-fine-illegal-overdraft-practices/>

<sup>22</sup> See <https://www.consumerfinance.gov/about-us/newsroom/cfpb-takes-action-against-wells-fargo-illegal-student-loan-servicing-practices/>

<https://www.consumerfinance.gov/about-us/newsroom/consumer-financial-protection-bureau-fines-wells-fargo-100-million-widespread-illegal-practice-secretly-opening-unauthorized-accounts/>

<sup>23</sup> See <https://www.consumerfinance.gov/about-us/newsroom/cfpb-takes-action-against-former-wells-fargo-employee-illegal-mortgage-fee-shifting/>

<sup>24</sup> See <https://www.consumerfinance.gov/about-us/newsroom/cfpb-orders-first-national-bank-omaha-pay-3225-million-illegal-credit-card-practices/>

<sup>25</sup> <https://www.consumerfinance.gov/about-us/newsroom/consumer-financial-protection-bureau-takes-action-against-bridgepoint-education-inc-illegal-student-lending-practices/>

<sup>26</sup> See <https://www.consumerfinance.gov/about-us/newsroom/cfpb-sues-five-arizona-title-lenders-failing-disclose-loan-annual-percentage-rate-consumers/>

<sup>27</sup> See <https://www.consumerfinance.gov/about-us/newsroom/cfpb-fines-titlemax-parent-company-9-million-luring-consumers-more-costly-loans/>

Notably, in September, 2016, the Consumer Bureau, together with partners at the Los Angeles City Attorney's office and the Office of the Comptroller of the Currency, took an enforcement action against Wells Fargo Bank.<sup>29</sup> The Consumer Bureau's independent and comprehensive investigation found that, in order to meet sales goals and collect financial bonuses, employees of the bank created unauthorized deposit and credit card accounts, enrolled consumers in online banking services, and ordered debit cards for consumers, all without their consent or even their knowledge. Some of these practices involved false email accounts and PIN numbers. The investigation also found that the fraud occurred on a national scale. As detailed in our Consent Order,<sup>30</sup> Wells Fargo opened 1,534,280 deposit accounts that may not have been authorized, including transferring funds from some consumers' accounts without their knowledge or consent. Wells Fargo also initiated applications for 565,443 credit card accounts that may not have been authorized, by using consumers' information without their knowledge or consent. These activities caused some consumers to incur fees. The actions are also a breach of trust and conduct that should never occur at any financial institution. Wells Fargo will pay full restitution to all victims and a \$100 million fine to the Consumer Bureau's Civil Penalty Fund. The bank will also pay an additional \$35 million penalty to the Office of the Comptroller of the Currency, and another \$50 million to the City and County of Los Angeles.

The Consumer Bureau also released four editions of *Supervisory Highlights* during this reporting period. This publication is intended to inform both industry and the public about the development of the Consumer Bureau's supervisory program and to discuss, in a manner consistent with the confidential nature of the supervisory process, important examination findings in key market or product areas. The Fall 2015 edition<sup>31</sup> reported examination findings in the areas of consumer reporting, debt collection, mortgage origination, mortgage servicing, student loan servicing, and fair lending. In June 2016, the Consumer Bureau issued a Mortgage Servicing special<sup>32</sup> edition, which reminded institutions of Module 4 of the Equal Credit Opportunity Act (ECOA) baseline review modules used by Consumer Bureau examiners to evaluate compliance management systems under ECOA. Among other things, Module 4 contains questions regarding fair lending training of servicing staff, fair lending monitoring of servicing, and servicing of consumers with Limited English Proficiency. The Summer 2016<sup>33</sup> edition highlighted findings from fair lending examinations where, pursuant to their compliance obligations under HMDA and Regulation C, institutions improperly coded actions taken on conditionally-approved applications with unmet underwriting conditions. In addition, the report discussed supervisory observations of special purpose credit programs, which are established and administered to extend credit to a class of persons who otherwise probably would not receive such credit or would receive it on less favorable terms. The Winter 2016 edition<sup>34</sup> shared recent examination findings related to consumer reporting, debt collection, mortgage origination,

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<sup>28</sup> See <https://www.consumerfinance.gov/about-us/newsroom/lendup-enforcement-action/>

<sup>29</sup> See <http://www.consumerfinance.gov/about-us/newsroom/consumer-financial-protection-bureau-fines-wells-fargo-100-million-widespread-illegal-practice-secretly-opening-unauthorized-accounts/>

<sup>30</sup> [http://files.consumerfinance.gov/f/documents/092016\\_cfpb\\_WFBconsentorder.pdf](http://files.consumerfinance.gov/f/documents/092016_cfpb_WFBconsentorder.pdf)

<sup>31</sup> See [http://files.consumerfinance.gov/f/201510\\_cfpb\\_supervisory-highlights.pdf](http://files.consumerfinance.gov/f/201510_cfpb_supervisory-highlights.pdf)

<sup>32</sup> See [http://files.consumerfinance.gov/f/documents/Mortgage\\_Servicing\\_Supervisory\\_Highlights\\_11\\_Final\\_web\\_.pdf](http://files.consumerfinance.gov/f/documents/Mortgage_Servicing_Supervisory_Highlights_11_Final_web_.pdf).

<sup>33</sup> See [http://files.consumerfinance.gov/f/documents/Supervisory\\_Highlights\\_Issue\\_12.pdf](http://files.consumerfinance.gov/f/documents/Supervisory_Highlights_Issue_12.pdf).

<sup>34</sup> See [http://files.consumerfinance.gov/f/201603\\_cfpb\\_supervisory-highlights.pdf](http://files.consumerfinance.gov/f/201603_cfpb_supervisory-highlights.pdf)

remittances, and student loan servicing. The Winter 2016 edition also includes important updates to past fair lending settlements reached by the Consumer Bureau.

The Consumer Bureau also published new guidance documents, in partnership with other regulators where appropriate, to help institutions know what to expect and how to become, or remain, compliant with the law. This effort includes bulletins on Real Estate Settlement Procedures Act (RESPA) compliance and marketing services agreements;<sup>35</sup> the revised supervisory matters appeal process;<sup>36</sup> requirements for consumer authorizations for preauthorized electronic fund transfers;<sup>37</sup> the obligation of furnishers to have reasonable written policies and procedures under the Fair Credit Reporting Act;<sup>38</sup> interagency guidance regarding deposit reconciliation practices;<sup>39</sup> guidance on the new Uniform Residential Loan Application and Regulation B compliance;<sup>40</sup> and collection of expanded Home Mortgage Disclosure Act (HMDA) information about ethnicity and race in 2017.<sup>41</sup>

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In addition to our supervisory and enforcement tools, the Consumer Bureau seeks to provide consumers with protection through our efforts to establish a meaningful regulatory framework. Reasonable regulations are essential for protecting consumers from harmful practices and ensuring that consumer financial markets function in a fair, transparent, and competitive manner. Where our research and analysis suggests the need for regulatory intervention, we seek to develop regulations which will protect consumers without unintended consequences or unnecessary costs. As part of the rulemaking process, we carefully assess the benefits and costs of the regulations we are considering on consumers and financial institutions. The Research, Markets, and Regulations Division has focused its efforts on promoting markets in which consumers can shop effectively for financial products and services and are not subject to unfair, deceptive, or abusive acts or practices.

During the period covered by the Spring 2016 report, the Research and Markets teams released reports on the consumer credit card market, mobile financial services, and college credit card agreements. The Regulations office issued regulations modifying and clarifying a number of rules implementing changes made by the Dodd-Frank Act, including a final rule to implement amendments to HMDA, adding new reporting requirements and clarifying several existing

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<sup>35</sup> See <http://www.consumerfinance.gov/about-us/newsroom/cfbp-provides-guidance-about-marketing-services-agreements/>

<sup>36</sup> See [http://files.consumerfinance.gov/f/201510\\_cfbp\\_appeals-of-supervisory-matters.pdf](http://files.consumerfinance.gov/f/201510_cfbp_appeals-of-supervisory-matters.pdf)

<sup>37</sup> See [http://files.consumerfinance.gov/f/201511\\_cfbp\\_compliance-bulletin-2015-06-requirements-for-consumer-authorizations-for-preauthorized-electronic-fund-transfers.pdf](http://files.consumerfinance.gov/f/201511_cfbp_compliance-bulletin-2015-06-requirements-for-consumer-authorizations-for-preauthorized-electronic-fund-transfers.pdf)

<sup>38</sup> See [http://files.consumerfinance.gov/f/201602\\_cfbp\\_supervisory-bulletin-furnisher-accuracy-obligations.pdf](http://files.consumerfinance.gov/f/201602_cfbp_supervisory-bulletin-furnisher-accuracy-obligations.pdf)

<sup>39</sup> See [https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/201605\\_cfbp\\_interagency-guidance-regarding-deposit-reconciliation-practices.pdf](https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/201605_cfbp_interagency-guidance-regarding-deposit-reconciliation-practices.pdf)

<sup>40</sup> See <https://www.consumerfinance.gov/policy-compliance/guidance/implementation-guidance/status-new-uniform-residential-loan-application-and-collection-expanded-home-mortgage-disclosure-act-information-about-ethnicity-and-race-2017-under-regulation-b/>

<sup>41</sup> See <https://www.consumerfinance.gov/policy-compliance/rulemaking/final-rules/status-new-uniform-residential-loan-application-and-collection-expanded-home-mortgage-disclosure-act-information-about-ethnicity-and-race-2017-under-regulation-b/>

requirements;<sup>42</sup> a final rule making technical corrections to Regulation Z with respect to the Know Before You Owe rule;<sup>43</sup> and a final procedural rule establishing an application process under which a person may identify an area that has not been designated by the Consumer Bureau as a rural area for the purposes of a Federal consumer financial law and apply for such area to be so designated.<sup>44</sup> In addition, the Consumer Bureau issued an interim final rule that expanded eligibility for special provisions and added an exemption for certain small creditors operating in rural or underserved areas under the Consumer Bureau's mortgage rules.<sup>45</sup> The Consumer Bureau also issued a notice and request for information regarding HMDA resubmission guidelines, which describe when supervised institutions should correct and resubmit HMDA data.<sup>46</sup>

During the reporting period covered by the Fall 2016 report, the Research and Markets teams released reports on third party debt collection operations<sup>47</sup> and, jointly with the Federal Housing Finance Agency, a technical report about a profile of 2013 mortgage borrowers that includes statistics from the National Survey of Mortgage Originations.<sup>48</sup> The Regulations office issued a final rule in August 2016 amending certain mortgage servicing rules issued in 2013 under RESPA and the Truth in Lending Act.<sup>49</sup> These amendments focus primarily on clarifying, revising, or amending provisions regarding force-placed insurance notices, policies and procedures, early intervention, and loss mitigation requirements under Regulation X's servicing provisions, and periodic statement requirements under Regulation Z's servicing provisions. In conjunction with this final rule, the Consumer Bureau issued an interpretive rule under the Fair Debt Collection Practices Act (FDCPA), which constitutes an advisory opinion for purposes of the FDCPA and provides safe harbors from liability for servicers acting in compliance with specified mortgage servicing rules in Regulations X and Z.<sup>50</sup>

Following the issuance of a March 2015 report,<sup>51</sup> in May 2016, the Consumer Bureau proposed a rule concerning the use of agreements providing for arbitration of any future dispute between covered persons and consumers in connection with the offering or providing of consumer

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<sup>42</sup> See <http://www.consumerfinance.gov/about-us/newsroom/cfbp-finalizes-rule-to-improve-information-about-access-to-credit-in-the-mortgage-market/>

<sup>43</sup> See <https://www.federalregister.gov/documents/2015/12/24/2015-32463/2013-integrated-mortgage-disclosures-rule-under-the-real-estate-settlement-procedures-act-regulation>

<sup>44</sup> See <https://www.federalregister.gov/documents/2016/03/03/2016-04643/application-process-for-designation-of-rural-area-under-federal-consumer-financial-law-procedural>

<sup>45</sup> See <http://www.consumerfinance.gov/about-us/newsroom/cfbp-rule-broadens-qualified-mortgage-coverage-of-lenders-operating-in-rural-and-underserved-areas/>

<sup>46</sup> See <http://www.consumerfinance.gov/about-us/newsroom/cfbp-seeks-public-input-on-mortgage-lending-information-resubmission-guidelines/>

<sup>47</sup> See

[http://files.consumerfinance.gov/f/documents/20160727\\_cfbp\\_Third\\_Party\\_Debt\\_Collection\\_Operations\\_Study.pdf](http://files.consumerfinance.gov/f/documents/20160727_cfbp_Third_Party_Debt_Collection_Operations_Study.pdf)

<sup>48</sup> See [http://files.consumerfinance.gov/f/documents/201605\\_cfbp\\_nsm-technical-report-16-01.pdf](http://files.consumerfinance.gov/f/documents/201605_cfbp_nsm-technical-report-16-01.pdf)

<sup>49</sup> See <https://www.consumerfinance.gov/policy-compliance/rulemaking/final-rules/amendments-2013-mortgage-rules-un-er-real-estate-settlement-procedures-act-regulation-x-and-truth-lending-act-regulation-z/>

<sup>50</sup> See

[http://files.consumerfinance.gov/f/documents/20160804\\_cfbp\\_Bureau\\_Interpretations\\_Safe\\_Harbors\\_from\\_Liability\\_under\\_FDCPA.pdf](http://files.consumerfinance.gov/f/documents/20160804_cfbp_Bureau_Interpretations_Safe_Harbors_from_Liability_under_FDCPA.pdf)

<sup>51</sup> See <https://www.consumerfinance.gov/data-research/research-reports/arbitration-study-report-to-congress-2015/>

financial products or services.<sup>52</sup> The proposal would prohibit covered providers of certain consumer financial products and services from using an arbitration agreement to bar the consumer from filing or participating in a class action. Under the proposal, companies would still be able to include arbitration clauses in their contracts, but for contracts subject to the proposal, the clauses would have to say explicitly that they cannot be used to stop consumers from being part of a class action in court.

In July 2016, the Consumer Bureau published a notice of proposed rulemaking and request for comment on payday loans, auto title loans, and other similar credit products. Among other things, the proposal would require lenders to make a reasonable determination that the consumer has the ability to repay a covered loan before extending credit. It would also require lenders to make certain disclosures before attempting to collect payments from consumers' accounts and restrict lenders from making additional payment collection attempts after two consecutive attempts have failed.<sup>53</sup> The comment period for both of these proposals has closed, and the Consumer Bureau is in the process of reviewing comments.

Also in July 2016, and in furtherance of its obligations under the Regulatory Flexibility Act, as amended by the Small Business Regulatory Enforcement Fairness Act, the Consumer Bureau outlined proposals under consideration that would reform the debt collection market by capping collector contact attempts and by helping to ensure that companies collect the correct debt.<sup>54</sup> Under the proposals being considered, debt collectors would be required to have more and better information about the debt before they collect. The proposals under consideration were the focus of a Small Business Review Panel convened by the Consumer Bureau to gather feedback from small industry representatives.

The Consumer Bureau recently finalized a key rulemaking not covered by the reporting periods. In October 2016, the Consumer Bureau finalized federal consumer protections for prepaid account users<sup>55</sup> that require financial institutions to limit consumers' losses when funds are stolen or cards are lost, investigate and resolve errors, and give consumers free and easy access to account information. The Consumer Bureau also finalized new Know Before You Owe prepaid account disclosures to give consumers clear, upfront information about fees and other key details. Finally, prepaid companies must now generally offer protections similar to those for credit cards if consumers are allowed to use credit on their accounts to pay for transactions that they lack the money to cover.

The Consumer Bureau is committed to ensuring our rules and regulations are tailored and balanced, so that as we fulfill our mandate to protect consumers, we are mindful of the impact of compliance on financial institutions and responsive to their concerns. We engage in rigorous evaluation of the effects of proposed and existing regulations on consumers and financial

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<sup>52</sup> See <http://www.consumerfinance.gov/about-us/newsroom/consumer-financial-protection-bureau-proposes-prohibiting-mandatory-arbitration-clauses-deny-groups-consumers-their-day-court/>

<sup>53</sup> See <http://www.consumerfinance.gov/about-us/newsroom/consumer-financial-protection-bureau-proposes-rule-end-payday-debt-traps/>

<sup>54</sup> See <http://www.consumerfinance.gov/about-us/newsroom/consumer-financial-protection-bureau-considers-proposal-overhaul-debt-collection-market/>

<sup>55</sup> See <http://www.consumerfinance.gov/about-us/newsroom/cfpb-finalizes-strong-federal-protections-prepaid-account-consumers/>

institutions throughout our rulemaking process, and maintain steady dialogue with consumer advocates and industry participants. To support the implementation of and industry compliance with its final rules, the Consumer Bureau has published a number of plain-language compliance guides summarizing certain rules, and has actively engaged in discussions with industry about ways to achieve compliance.<sup>56</sup> The Consumer Bureau also continued its efforts to streamline, modernize, and harmonize financial regulations that it inherited from other agencies.

The Dodd Frank Act mandated that the Consumer Bureau undertake a regulatory review process as part of our rulemaking authority. Section 1022 of the Dodd-Frank Act requires that within five years after the effective date of any significant rule or order adopted by the Consumer Bureau under Federal consumer financial law, the Consumer Bureau must assess the rule's effectiveness in meeting the purposes and objectives of the Consumer Financial Protection Act and any other stated goals for a particular rule.<sup>57</sup> The Consumer Bureau is committed to these reviews and, as required under the Act, will seek public comment and publish a report on its assessments as we complete each review.

In addition to implementing the Dodd-Frank Act, the Consumer Bureau continues to explore other areas where regulations may be needed to ensure that markets function properly and possibly harmful or inefficient practices are addressed. The Consumer Bureau will continue implementing the Dodd-Frank Act and using its regulatory authority to ensure that consumers have access to consumer financial markets that are fair, transparent, and competitive.

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The Consumer Bureau continues to grow and evolve as an institution and today consists of 1,678 employees working to carry out the Consumer Bureau's mission. The Consumer Bureau has worked to build a human capital and organizational infrastructure that promotes – and will continue to promote – diversity, transparency, accountability, fairness, and service to the public. That infrastructure includes:

- Demonstrating a strong commitment to openness by utilizing the Consumer Bureau's website to share information on its operations;
- Recruiting highly-qualified, diverse personnel;
- Providing training and engagement opportunities for Consumer Bureau staff to improve skills, increase knowledge, and maintain excellence; and
- Further promoting diversity and inclusion in the Consumer Bureau's workforce and among its contractors, including through the Consumer Bureau's Office of Minority and

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<sup>56</sup> See <http://www.consumerfinance.gov/policy-compliance/guidance/implementation-guidance/>

<sup>57</sup> 12 U.S.C. § 5512(d).

## Women Inclusion (OMWI).

The Consumer Bureau recognizes that the best way to effectively serve consumers is to ensure that its workforce reflects the ideas, backgrounds, and experiences of the American public. OMWI supports the Consumer Bureau's mission by working with the offices of Human Capital and Civil Rights to continue building a diverse and inclusive workforce that can foster broader and better thinking about how to approach markets.

Thank you again for the opportunity to provide the Consumer Bureau's Spring and Fall 2016 Semi-Annual Report testimony. Consumer Bureau staff will continue to fulfill the vision of an agency that is dedicated to ensuring that the American people have access to a fair, transparent, and competitive consumer financial marketplace. I would be happy to answer any of your questions about the Consumer Bureau's work.



**THE 2016 SEMI-ANNUAL REPORTS  
OF THE BUREAU OF CONSUMER  
FINANCIAL PROTECTION**

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**HEARING**  
BEFORE THE  
**COMMITTEE ON FINANCIAL SERVICES**  
**U.S. HOUSE OF REPRESENTATIVES**  
ONE HUNDRED FIFTEENTH CONGRESS  
FIRST SESSION

APRIL 5, 2017

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**THE 2016 SEMI-ANNUAL REPORTS  
OF THE BUREAU OF CONSUMER  
FINANCIAL PROTECTION**

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**Wednesday, April 5, 2017**

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

The committee met, pursuant to notice, at 10:04 a.m., in room 2128, Rayburn House Office Building, Hon. Jeb Hensarling [chairman of the committee] presiding.

Members present: Representatives Hensarling, McHenry, Royce, Lucas, Pearce, Posey, Luetkemeyer, Huizenga, Duffy, Stivers, Hultgren, Ross, Pittenger, Wagner, Barr, Rothfus, Messer, Tipton, Williams, Poliquin, Love, Hill, Emmer, Zeldin, Trott, Loudermilk, Mooney, MacArthur, Davidson, Budd, Kustoff, Tenney, Hollingsworth; Waters, Maloney, Velazquez, Sherman, Meeks, Capuano, Clay, Lynch, Scott, Green, Cleaver, Ellison, Perlmutter, Himes, Foster, Kildee, Delaney, Heck, Vargas, Gottheimer, Crist, and Kihuen.

Chairman HENSARLING. The Financial Services Committee will come order.

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

Today's hearing is entitled, "The 2016 Semi-Annual Reports of the Bureau of Consumer Financial Protection."

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

Today we receive the testimony of Richard Cordray as he presents, again, the semi-annual report of the CFPB.

Mr. Cordray, I know that you are here at our committee's invitation for a statutory appearance, but I am otherwise surprised to see you here in that, as you well know, there have been many press reports saying that you would otherwise have returned to Ohio to pursue a gubernatorial bid. Perhaps the rumors of your political aspirations are greatly exaggerated.

On the other hand, I am also surprised that you are here because, as you are well aware, the President, under the PHH case, can dismiss you at will. Under Dodd-Frank you can be removed for cause.

Either way, I believe the President is clearly justified in dismissing you and I call upon the President, yet again, to do just that and to do it immediately.

(1)

There is no greater form of consumer protection than fostering competitive, innovative, and transparent markets, and then vigorously policing them for fraud, theft, and deception. In policing our markets, under Mr. Cordray's leadership CFPB's success record is anything but clear.

What is clear, though, is that under Mr. Cordray's leadership the CFPB has shown an utter disregard for protecting our markets and has made credit more expensive and less available in many instances. This is particularly true for low-and moderate-income Americans.

What is also clear is that under Mr. Cordray's leadership the CFPB has acted unlawfully, routinely denied market participants due process, and abused its powers. The CFPB has now finalized a rule that would reduce access to prepaid card products, harming nearly 70 million consumers who do not or cannot use traditional banking services.

Thanks in part to CFPB's oversight, credit card rates have risen significantly, with many would-be borrowers being priced out of the market entirely. Many credit-worthy borrowers could pay almost \$600 more for their auto loans due to CFPB's indirect auto lending guidance. According to researchers at the University of Maryland, as a result of Dodd-Frank and the CFPB middle-income borrowers not only, quote, "didn't obtain cheaper mortgages, but were cut out of the mortgage market all together."

For all the harm inflicted upon consumers, Richard Cordray should be dismissed by the President.

Next, CFPB's short 6-year history: The record is replete with instances where it has abused or exceeded its statutory authority. In the PHH case, where the CFPB structure was ruled unconstitutional, the facts show that Mr. Cordray unilaterally reversed accepted law with regards to section 8(c) of RESPA, and did so not with formal rulemaking—that is, with notice, comment, and due process—but with an ad hoc enforcement action instead.

Then, to make matters worse, Mr. Cordray attempted to apply this new rogue standard retroactively. The D.C. Circuit Court ruled against him in both instances.

On March 31, 2013 CFPB issued bulletin 2013-2, attempting to impose control over dealer indirect auto lending compensation. In doing so, CFPB sought to illegally regulate companies over which it has no statutory authority and which, in fact, are expressly exempt under the Dodd-Frank law. CFPB then failed to afford due process to regulated companies under the Administrative Procedures Act.

For conducting unlawful activities, abusing this authority, denying market participants due process, Richard Cordray should be dismissed by our President.

Not only must Mr. Cordray go, but this current CFPB must go, as well. American consumers need competitive markets and a cop on the beat to protect them from fraud and deception; they don't need Washington elites trampling on their freedom of choice and picking their financial products for them.

Today Mr. Cordray and his CFPB don't just act as a cop on the beat; they act as legislature, prosecutor, judge, and jury all rolled

into one. CFPB represents the summit of unelected, unaccountable, and unconstitutional agency government.

It represents a dagger aimed at the heart of our foundational principles—namely coequal branches of government, checks and balances, due process, and justice for all. Clearly you can be a Democrat—uppercase D—and believe in the CFPB, but you cannot be a democrat—lowercase D—and believe in this institution.

Thus, this debate has import way beyond the fate of fines, credit cards, and mortgage access. It represents nothing less than one of the key battles to defend and protect our Constitution.

As James Madison wrote in Federalist 47, the combination of all power, legislative, executive, and judiciary may justly be pronounced the very definition of tyranny. This tyranny must end and the people’s constitutional rights returned to them.

I now recognize the ranking member for 5 minutes for an opening statement.

[The statement of Chairman Hensarling follows:]

\*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

Ms. WATERS. Thank you very much, Mr. Chairman.

And I thank you, Director Cordray, for joining us again to discuss the numerous ways in which the Consumer Financial Protection Bureau continues to fight for hardworking Americans who have been harmed by illegal predatory financial schemes.

I am delighted that you are here. I am so pleased that you are here. I am so honored that you have done the work that you have done for all the consumers in America.

I would also like to thank you for your sustained, long, strong leadership despite unyielding Republican efforts to impede your work and their unfounded desire to remove you from your position prior to the expiration of your term.

The Consumer Financial Protection Bureau has successfully recovered nearly \$12 billion for 29 million consumers who have been victim to predatory financial practices. In addition, the Consumer Bureau has handled over a million consumer complaints and has worked diligently to promote clear disclosures and root out bad practices committed by financial institutions.

The Consumer Financial Protection Bureau and Director Cordray are doing exactly the job they are supposed to do, and they are doing it well.

Following the foreclosure crisis, Congress recognized that Americans needed a new watchdog that would swiftly and effectively crack down on unscrupulous practices and products. In the Dodd-Frank Wall Street Reform and Consumer Protection Act we deliberated extensively and created a consumer agency with a single director that operates independently in order to effectively serve consumers and regulate financial markets.

We could not have had a better person than Director Cordray. Despite what you will hear from Republicans and the leadership structure of the consumer—the leadership structure of the Consumer Bureau is not unique. In fact, there are other federal regulatory agencies with similar structures.

But these facts haven’t stopped Republicans and some in the industry from making legal challenges to its structure. That is why last week I led 40 other current and former members of Congress

to file an amicus curiae brief with the D.C. Circuit Court of Appeals in support of the Consumer Financial Protection Bureau's independent structure and its clear constitutionality.

Republicans have been clamoring to weaken, impede, and ultimately destroy the Consumer Financial Protection Bureau since its creation. First, they did everything they could to block a director from being appointed in the first place. And since then, they have pushed measures to defund and dismantle the Consumer Financial Protection Bureau.

The chairman has called for the Consumer Financial Protection Bureau to be functionally terminated, and it is unclear why. There are constituents in every state who have been ripped off by financial institutions. Why aren't Republicans fighting for them and for their financial security?

I reject these misguided attacks on the Consumer Financial Protection Bureau, and I will continue to stand up for the hardworking American consumers that the agency defends every day. The Consumer Financial Protection Bureau is an invaluable ally to consumers, and its work must continue.

Director Cordray, I look forward to hearing your testimony. I can't thank you enough for what you have done and the way that you have conducted yourself, the way that you have allowed everybody to come in and talk with you and share their concerns with you, the way that you have traveled all over this country meeting with consumer groups.

I will be with you forever. And I know that legally your term doesn't end until July, but I would hope that this President—even though I doubt it—would have the wisdom to ask you to stay on.

I yield back the balance—well, I yield to Mr. Kildee. Is there any time left?

Somebody else yield him some time along the way. Thank you. I yield to you.

[The statement of Ms. Waters follows:]

\*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

Mr. KILDEE. Thank you.

And, Mr. Chairman, thank you and Ranking Member for holding this hearing.

And, Mr. Cordray, it is good to see again. I have known you a long time, since you and I were both county treasurers. Your public service in that role and every role since has been stellar, especially in this role.

The mission of the Consumer Financial Protection Bureau is to protect the American consumer. When Wells Fargo opened thousands of fraudulent accounts, it was the Consumer Protection Bureau that sounded the alarm. When Moneytree, a payday lender—

[Laughter.]

Mr. KILDEE. Mr. Chairman?

Chairman HENSARLING. Committee will come to order. Committee will come to order.

The gentleman from Michigan is recognized.

Mr. KILDEE. I wonder if the chairman might reset the clock so I would have some time?

Chairman HENSARLING. We will give the gentleman an additional 20 seconds.

Mr. KILDEE. Thank you, Mr. Chairman.

You know, I do find it somewhat ironic that when clearly some of the success of the Consumer Protection Bureau from the work that you have done is noted, whether it is Wells Fargo, whether it is Moneytree or Bridgepoint Education, where the Consumer Bureau that you lead has restored, returned millions and millions of dollars to consumers, that that notation is met with some ridicule.

I suppose it may be that when it comes to which side we stand on, institutions that have incredible influence over this community, this town, or the people back home, people have to choose which side they are on. And I am glad that in the role that you have taken you have always been on the side of the consumer, and I thank you for the work that you are doing.

[The statement of Mr. Kildee follows:]

\*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

Chairman HENSARLING. Time of the gentlelady and gentleman have expired.

So today we welcome the testimony of the Honorable Richard Cordray. Director Cordray has previously testified before this committee, so I believe he needs no further introduction.

Mr. Cordray, without objection, your written statement will be made part of the record, and you are now recognized for 5 minutes to give an oral presentation of your testimony. Thank you.

Chairman HENSARLING. I think you hit the mike—

**STATEMENT OF HON. RICHARD CORDRAY, DIRECTOR,  
CONSUMER FINANCIAL PROTECTION BUREAU**

Mr. CORDRAY. Thank you, Chairman Hensarling, Ranking Member Waters, and members of the committee—a little rusty there.

I am reporting today and our work over the past year. The Consumer Financial Protection Bureau was created to stand up for consumers and make financial markets work more fairly. Over the past 5 years we have returned almost \$12 billion to 29 million consumers all over the country in every state, in every district, and imposed about \$600 million in civil penalties.

We have put in place strong safeguards against reckless mortgage practices that led to the financial crisis that hurt so many people in so many communities. We are arming consumers with unbiased information and resources so they can make better-informed decisions for themselves and their families.

Our complaint system gives consumers a voice that matters so they can address their own concerns and report on broader patterns of problems or abuse. To date, we have fielded over 1.1 million complaints, so more and more people are finding this option to be worthwhile.

These are just some of the ways we are standing up for consumers.

Markets that work for consumers, as the chairman said, are also good for responsible businesses and the economy as a whole. Consumer lending has been ramping up in mortgages, credit cards, and auto loans, and delinquencies remain at historic lows.

Last year auto sales reached record levels and consumer spending has been leading the recovery for the past 4 years, growing faster than GDP. Banks are showing solid profits, and community

banks and credit unions are growing their share of the mortgage market.

Still, we know that we have much more work to do to clean up the consumer financial marketplace. These markets are huge and they touch all of us in one way or another.

Years of uneven Federal oversight of behalf of consumers allowed a lot of bad behavior to go unchecked. As the independent consumer watchdog, we are solely focused on the job Congress gave us of assuring that these markets are fair, transparent, and competitive, and consumers have access to sound financial products and services.

Today I want to highlight some areas where people remain vulnerable without the Consumer Bureau to stand up for them.

The first area is markets that create frustrating and harmful dead ends for consumers. When people are forced to deal with companies they did not choose and cannot change, they lose much of their power because they lack the freedom simply to take their business elsewhere.

A prime example is credit reporting. If your credit report contains inaccurate information you can suffer severe and lasting harm. Yet, many people do not know what is in their credit report, and if they do find something wrong it is way too hard to get anybody to pay attention and make it right.

The Consumer Bureau is the first Federal agency to supervise this industry and the companies that supply the credit information, and we are making steady progress to clean up these problems.

We also recently took enforcement actions against all three major credit bureaus for deceiving consumers in marketing credit scores. But we are still flooded with credit reporting complaints, so clearly more work remains to be done.

Another dead-end market for consumers is debt collection. Consumers often find their debt is sold off or its collection is outsourced to some new company. They often do not know what to do when these collectors treat them badly.

We hear horror stories about constant harassing phone calls, relatives or employers tracked down and wrongly contacted, or even false threats of arrest if the debt is not paid. These tactics are indefensible and they are against the law.

People deserve to be treated with dignity, whether or not they owe a debt. We have taken action on several fronts to address widespread abuses in debt collection, but, like credit reporting, it is a big problem that will take time to fix properly.

Another area of focus is financial performance incentives which encourage results that hurt consumers. This systemic issue spans all markets and products.

A prominent example is Wells Fargo's practices that lead to millions of consumers having accounts opened in their name without their knowledge.

In 2013 the Consumer Bureau got a whistleblower tip about pressure to meet aggressive cross-selling goals and problems it was causing. The investigation was conducted with our Federal and local partners that documented the widespread practice of secretly opening up unauthorized accounts.



By completing a public enforcement action with a record fine we blew open a scandal whose far-reaching effects are being felt across financial markets to this day. We are keeping a close eye on these practices and insisting that all banks and financial companies must carefully monitor their incentive programs to avoid such problems.

Issues like this demonstrate why the Consumer Bureau is so important to protect consumers. And incentive programs that cause improper conduct are not limited to Wells Fargo; they show up in areas like overdraft and credit card add-on products, where we are rooting out bad practices and getting money back to consumers.

We will remain vigilant and crack down on these abuses wherever we find them.

Those who talk about weakening or destroying the Consumer Bureau are missing the importance of the work we are doing to stand up for individuals and families all over the country. Nobody should want to return to a system that failed us and produced a financial crisis that damaged so many lives.

I look forward to answering your questions about what we have accomplished over the past year. Thank you.

[The statement of Mr. Cordray follows:]

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Chairman HENSARLING. Thank you, Mr. Cordray.

I now yield myself 5 minutes for questions.

First, Mr. Cordray, I want to deal with the important subject of congressional oversight. As I trust you are well aware, yesterday I reissued a subpoena for this Congress for matters that were pending from subpoenas in the last Congress that were never complied with. Some of these matters have been pending for 382 days.

I just wish to remind you and all personnel at the CFPB that under Title 18, section 1505 it is unlawful to influence, obstruct, or impede the due and proper exercise of the power of inquiry under which any inquiry or investigation is being had by either House or any committee of either House. And I suspect that you will find that the Justice Department will no longer turn a blind eye to obstruction.

As you are also probably aware, there is a December 21st article that appeared in the National Review dealing with CFPB and congressional oversight. In the article the article stated, quote, "The unwritten policy of it supervising attorneys, and in particular of one former Democratic Senate staffer was, quote, 'Never give them what they ask for.'"

It goes on to say, "Soon a career professional in the unit who had resisted pressure to engage in witness coaching and other unethical practices was reprimanded for insubordination and reassigned. The inspector general investigated and issued a report to Cordray that concluded the reprimand was unwarranted and the supervisors had engaged in obstruction."

Mr. Cordray, is anything in this article true?

Mr. CORDRAY. I have seen that article. It is filled with hearsay and opinion—

Chairman HENSARLING. Okay. Is any of it true?

Mr. CORDRAY. —and it is not fact.

Chairman HENSARLING. Is any of it true, or do you deny all of the assertions in the article?

Mr. CORDRAY. You know, I don't know what all of the assertions in the article are.

Chairman HENSARLING. The ones I just quoted, Mr. Cordray.

Mr. CORDRAY. It is not the kind of article that anybody pays close attention, but I would be happy to have my staff—

Chairman HENSARLING. Well, then let me be specific.

Mr. CORDRAY. —on any particular issues—

Chairman HENSARLING. Mr. Cordray, has the Fed inspector general ever communicated with you regarding a supervisor who worked on oversight request?

Mr. CORDRAY. Say that again.

Chairman HENSARLING. Has the Fed inspector general ever communicated with you regarding a supervisor who worked on oversight request?

Mr. CORDRAY. I do not, I am not sure what you are referring to, so I am not sure what to—

Chairman HENSARLING. You don't know the answer. Okay.

Are you aware of any inspector general inquiry into any aspect of the CFPB's handling of congressional inquiries?

Mr. CORDRAY. I don't recall that offhand, but I would be happy to talk to—

Chairman HENSARLING. You are unaware of any inspector general inquiry into your handling of congressional inquiries. You are unaware of this. Is that correct?

Mr. CORDRAY. What I would tell you is I don't always know all the inquiries the inspector general is conducting. I am not supposed to know all the inquiries the inspector general is conducting. So I am not sure what to tell you, but I would be happy to have staff—

Chairman HENSARLING. But if I could, Mr. Cordray, the article states that the inspector general issued you a report of the findings of its investigation. Have you ever received a report from the inspector general detailing any aspect of CFPB's handling of congressional inquiry? Surely you would know if you had received a report.

Mr. CORDRAY. I have gotten dozens of reports from the inspector general. I try to pay close attention all of them. I am not sure what you are referring to, but I would be happy to talk to you—

Chairman HENSARLING. So you don't know if you have ever received a report from the inspector general dealing with how congressional inquiries are handled. This is a terribly important matter going to the whole foundation of our Constitution and oversight, and you are unaware of any inspector general report.

Mr. CORDRAY. I can tell you, you started from an article that is based on opinion and hearsay, and there were claims made that we don't provide documents responsive to—

Chairman HENSARLING. Okay, but you are unaware of this inspector general report. In that case, Mr. Cordray, again, if necessary we will subpoena such. I can't believe that you would be unaware of this. The time I have remaining—

Mr. CORDRAY. What I am saying to you is if you want to have— if you want to show me the report and refresh my memory, I am happy to have a discussion with—

Chairman HENSARLING. Well, I am kind of hoping you would show me the report because I don't have a copy of the report.

Mr. CORDRAY. Is it a published report?

Chairman HENSARLING. I am asking you the question. You say you are unaware of the report.

Mr. CORDRAY. I am unaware of a published report. I am not sure what you are referring to. I honestly am not sure what you are referring to—

Chairman HENSARLING. We will request document.

In the time I have remaining, Mr. Director, as I think you know, section 1071 of Dodd-Frank requires financial institutions to collect and report women-owned, minority-owned, and small business credit application information. I personally don't believe the information is necessarily of great value, but that is not the point.

Six years ago the bureau's general counsel stated the bureau would not enforce the statute against financial companies until the bureau issued its rules. You have been at the helm for almost 5 years.

Mr. CORDRAY. Yes.

Chairman HENSARLING. You have failed in your duty to prescribe a rule under section 1071. The same is true of section 1033.

Two years ago Democrat committee members, led by the ranking member, said, quote, "Your unwillingness to prioritize implementing section 1071 is unacceptable."

So, Mr. Director, can you cite any section of Dodd-Frank that permits you to ignore mandatory rulemakings for 5-plus years, knowing that you have engaged in discretionary rulemaking such as payday rule, arbitration rule, and the prepaid card rule, and why these are not grounds for removal for cause?

Mr. CORDRAY. Okay. I am happy to address that if you want to give me a few moments to do so.

Chairman HENSARLING. Please.

Mr. CORDRAY. Yes?

So 1071 is a required rulemaking. There are a—have been a number of required rulemakings; there have been more than a dozen or so that we have been required to enact. We have adopted those rules at a reasonable pace over time.

One of those rules was updates to the Home Mortgage Disclosure Act reporting and collection and publication of information process. That also involves bringing over from the Federal Reserve the operational job of actually conducting the data collection and publication, which is a big job; lots of people involved with that.

And we had made the judgment, I think reasonable, that the small business lending data collection and reporting, which has never existed before—the HMDA has been in operation for 40 years—is something that should be in order just behind the HMDA rule.

The HMDA rule has now been finalized and we are at work on the small business lending rule, and that is what I can tell you at this point. I would be happy to—

Chairman HENSARLING. I appreciate that, Mr. Cordray but again, you have engaged in discretionary rulemaking for almost 5-1/2 years; mandatory rulemakings have gone undone. And again, I think it, frankly, proves removal for a cause grounds.

I now yield to the member.

Mr. CORDRAY. I will be happy to take your advice and move forward speedily on that rule as fast as we reasonably can move, if that is what—

Chairman HENSARLING. I now yield to the ranking member.

Mr. CORDRAY. —direction to be.

Ms. WATERS. Thank you very much, Mr. Chairman.

Mr. Cordray, I would like you to absolutely ignore the National Review. The article was done by someone who used to work for Mr. Hensarling, and I just don't think that is credible.

And let me just say that you organized this Consumer Financial Protection Bureau wonderfully well in a short period of time. You put together what Dodd-Frank asked you to do in an extraordinary period of time, and I know that you have dealt with every aspect of organizing the Consumer Financial Protection Bureau.

I trust you, and I believe in you, and I believe that you have moved as quickly as you possibly could to implement 1071. I have no problems with it, and if I don't have any problems with it as a minority woman, I don't think anybody else should have any problems with it because I have not seen some of those who complain step up to the plate to deal with the problems of minorities and small businesses and women, et cetera.

Having said that, let's get to some real issues.

On Wells Fargo, they would like to take the credit away from you about what you have done to deal with the fact that Wells Fargo created these accounts in clients' names without them knowing about it. Would you please tell us what you did and how you did it? And don't let them deny what you have done and what you have accomplished with the Wells Fargo problem.

Mr. CORDRAY. Sure. No, I know that there are people who just don't like to see any positive work from the Consumer Bureau and want to try to explain it away wherever they can.

The Wells Fargo matter was a very significant matter. We first began to hear about potential problems in the institution in 2013. We received a couple of whistleblower tips.

At that time it appeared to be an employee-employer problem. It evolved over time.

Obviously, millions of accounts weren't opened in a day. This was a problem that did evolve over time.

Our work on the problem also evolved over time. We began by reviewing the issues in supervision, and over time it became clear that they were growing and they were significant and it needed to move over to our enforcement area, which involved our own investigation together with our partners; we brought the OCC in and we worked with the L.A. City Attorney's Office.

But we conducted depositions of bank officials which was the first time that that was able to be done. We compelled the production of thousands of pages of documents, which was the first time those documents were able to be turned over. And we were able to document and specify that there were, in fact, millions of deposit and credit card accounts that have been opened illegally, that this was a widespread practice involving thousands of employees. I have never seen a situation like this where more than 5,000 employees were fired because of the extent of the irregularities within the institution.

We completed successfully an enforcement action with our partners, which is always difficult to do and time-consuming but was important to do quickly because that is what exposed this matter to the public and has brought lots of follow-on actions by other public officials, other regulators, the Congress of the United States, the press, and individuals who have brought their own claims. And it is an ongoing matter.

We have installed a monitor at Wells Fargo that has continued to make sure that all consumers are being remediated properly, including ancillary issues, that the problems are being cleaned up going forward and will not occur again. There is a horizontal review that we are engaged in across other institutions to see if similar problems are occurring and to make sure they are being cleaned up.

And we have issued a bulletin to put the entire industry—bank and non-bank companies—on notice that any problems of this kind around incentive compensation programs, whether it is in bank accounts, or credit cards, or mortgages, or debt collection, or wherever, will not be tolerated and needs to be monitored carefully. So that is significant work and it is ongoing.

Ms. WATERS. The city attorney that I am referring to and you are referring to is Mike Feuer, in my city of Los Angeles. He has nothing but praise for you. He has nothing but praise for you because he has never, he said, been able to work with anyone in the way that he worked with you and how you moved so quickly not only to follow up and to further investigate and explore, to do what you are able to do to make sure that you sanctioned them with the fines in the way that you did.

So I want you to know that I am very appreciative. My city is appreciative. The city attorney is appreciative.

And don't let anybody take credit away from the work that you have done to protect the consumers from the fraud that was being perpetrated by Wells Fargo.

Mr. CORDRAY. Our feeling is mutual for Mike and his team and we look forward to working on other matters in the future as they may arise.

Ms. WATERS. Thank you so very much.

And I yield back.

Chairman HENSARLING. Gentlelady yields back.

The chair now recognizes the gentleman from Missouri, Mr. Luetkemeyer, chairman of our Financial Institutions Subcommittee.

Mr. LUETKEMEYER. Thank you, Mr. Chairman.

Welcome, Mr. Cordray. Right here.

Director Cordray, I want to start by asking you about the bureau's proposed amendments relating to disclosure of records information issued in August of last year. As I understand it, this amendment would impose what amounts to be an unprecedented gag order on any individual entity under investigation by CFPB.

In your proposal, as I understand it, you allow for absolutely no judicial review.

Mr. Director, even recipients of national security letters of law enforcement are permitted due process. No other Federal regu-

latory agency has an outright prohibition on the disclosure information—not the SEC, not the FTC.

Can you provide me with a compelling reason why the bureau needs this unprecedented gag order authority?

Mr. CORDRAY. I will say two things.

Number one, I don't think that the rule has the far-reaching effects you are describing. But let me say that we have received those comments from you and your colleagues. We think they raise legitimate concerns. We are going back to the drawing board in terms of what we are doing on that issue, and we will produce a rule that I believe that you will respect and appreciate that we have responded to those questions.

Mr. LUETKEMEYER. Well, Director, I have with me this morning here a letter from the ACLU, of all people. And in the letter, which you received back—dated October 20, 2016; it is from the legal director. In there it delineates basically what I just said with regards to other agencies are not—they don't have this prohibition.

In fact, in your rule it indicates that if you look at it the recipient of the subpoena would not even be able to put that information on their own Web site, which you can do on your Web site. And even they recite here the concern with regards to—even in national security interests there is a very strict protocol that has to be observed in that situation even, to be able to protect that information. And yet, you are going beyond that.

So again, this elimination of due process is basically unconstitutional. In fact, their letter they cite that provision. So I am very concerned about that, and to me—

Mr. CORDRAY. So—I am sorry.

Mr. LUETKEMEYER. —we need to withdraw the rule. It makes no sense. It doesn't have any bearing. I don't know why you even are going down this road.

Mr. CORDRAY. Yes. So I am hearing what you are saying. It is reinforcing the concerns that you had raised and others have raised. I think they are legitimate concerns and we are going back to the drawing board on that, and I think you will be happy to see that when that is completed.

Mr. LUETKEMEYER. Okay. With regards to another issue, with regards to small-dollar lending and access to credit. You know, you and I have talked about this at length over the years, and I am still very concerned about some of the actions that your agency has taken.

The small-dollar lending rule is, in my view, so punitive that it will close businesses and leave consumers in my district out of options. And I will give you an example.

Let me read a quick part of a letter that I got from a gentleman named Nick in Sinclair, Missouri. Nick writes, and I quote, "The CFPB has made a rule that will really hurt people who turn to a payday loan to help solve the personal finances. This is not just a bad idea, this is a horrible one. Please do not let this rule stand, Congressman Luetkemeyer.

"My car broke down recently and I was worried that I wouldn't be able to afford all the repairs. I went to my local cash advance store and was quickly approved to get a loan. I am glad I used these loans help me get my car fixed and back on the road."

Director Cordray, I know you think that everybody can turn to other sources of credit whenever they are in—this—where—in like Nick’s situation here, he needs some immediate cash to fix an immediate need. But if the government decides that he can’t have this kind of loan, where do we—where does he need to go to get this? What is your solution to this?

Mr. CORDRAY. Yes. So I want to be careful with what I say because this proposal was out for comment. We received over a million comments on it, some of them along the lines of what you just said, some of them quite the reverse. And we are trying to work through that; it is a complicated subject.

I will say there are 14 states in the union that have no payday lending. South Dakota is the most recent one to join their ranks because the voters in that state, by 76 percent, approved a ballot measure last fall to essentially bar payday lending in the state, and that is tens of millions of Americans in those states that seem to get by just fine.

So, you know, that is an interesting experiment that you have, part of the country that has no payday loans and part of it does.

Mr. LUETKEMEYER. Well, all due respect, Director, they are still there. They are going offshore, and you know this as well as I do. And those aren’t regulated, so therefore I don’t know how you get around them, just saying, well, there is no access, period.

I mean, there are other ways to do this. They increase their credit card debt, their prepaid cards. These are all things that are other options, but that shows that they are—in those situations they have higher credit card past dues and things like that.

This is a need for immediate cash and this rule is so restrictive it is driving people into certain areas they don’t want to go to.

Mr. CORDRAY. Yes, that is not what I intended say. It is just payday lending is one way to meet that need; there are many other ways to meet that need. And in the states that do not have payday lending people find many other ways to meet that need.

But it is a legitimate discussion. It is something we are thinking hard about and we have gotten, as I said, many, many comments on both sides of that issue.

Mr. LUETKEMEYER. I yield back. Thank you.

Chairman HENSARLING. Time of the gentleman is expired.

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

Mrs. MALONEY. Thank you. Thank you, Mr. Chairman and Ranking Member.

Director Cordray, I would like to ask you about the Consumer Bureau’s prepaid card rule, which I believe went to an effect in this November. The prepaid rule requires minimum disclosures, limits the amount of overdraft on prepaid cards, and establishes a process for resolving errors and customer disputes. The prepaid card market is growing very, very quickly and it has a great deal of potential.

But there are virtually no Federal consumer protections for prepaid cards, and that is why the rule coming from your agency is so important.

The rule was supposed to take effect in October 2017, but the bureau recently proposed delaying the effective date by 6 months, to

April 2018. In its proposed delay the bureau said the additional time would allow the bureau to, and I quote "evaluate concerns raised by industry participants regarding certain substantive aspects of the rule," end quote.

So my question is, is the bureau open to making substantial, substantive changes to the prepaid rule before it goes into effect? And if the bureau is open, what aspects of the rule is the bureau open to changing? I am particularly interested in the disclosure requirements and the issues that affect digital wallets.

Mr. CORDRAY. Okay. Thank you. And I will say two things in response to that question.

The first is—and it is important to keep this in mind as some people are talking about trying to overturn that rule—the rule was finalized last fall but it has an implementation period for companies to be able to work on their packaging and other things and get ready, had an implementation of 12 months. We have now determined from what we have heard that that may be too short, and we have put out a proposal to reopen the issue of extending that period of time for 6 more months.

Let's understand where that rule comes from.

Probably most Americans, almost all of those in this room, have bank accounts. On those bank accounts we have certain legal rights. We have rights to get errors corrected; we have rights to get disputes resolved; we have rights to certain disclosures on those accounts. Nobody wants to roll back those rights for those of us who have bank accounts.

There are millions of Americans now who do not have bank accounts and for whom prepaid cards and prepaid accounts are an increasingly satisfactory solution, but they have none of those protections. This is meant to level the playing field and make sure they have the same protections that more privileged members of our society who have bank accounts have, that we take for granted and are basic.

Now, having said that, we recently proposed to extend the effective date of the rule by 6 months and we have been hearing from industry during this time about a few issues that have come up as we have been working with them to implement the rule.

And we have heard enough that we believe it makes sense to seek comment on at least two of the issues in the following rule-making in the coming weeks, and perhaps there will be others. The first relates to the linking of credit cards into digital wallets that are capable of storing funds, and the second issue relates to error resolution for prepaid cards that have not been registered.

Both of these could have disclosure implications. Both of them we are going to take a serious look at and we intend to try to figure out how to address them.

Mrs. MALONEY. So you are open to substantial changes?

Mr. CORDRAY. We are always open to hearing more from stakeholders—that is all sides, consumer groups and industry—about what else could be done to improve the functioning of our rules.

Mrs. MALONEY. I am interested in overdraft fees, and my question is do you plan to propose a rule on overdraft fees before your term expires in 2018? And if so, when can we expect to see this proposed rule?



Mr. CORDRAY. So, as you know, and we have discussed this a number times, overdraft is an issue that the Consumer Bureau has been looking at from the outset. There have been some problems in that area.

I think private lawsuits have demonstrated certain problems that have resulted in significant resolutions. The Federal Reserve had just tried to address this issue before we became an agency with its opt-in rule.

The different Federal agencies have different approaches to overdraft, which is probably not the right landing place. And it is something that we have been looking at for quite some time.

As to when we would or would not initiate a proposed preliminary framework for rulemaking, which is what we need to do with small business review panels, I can't speak to the timing on that, but it is something we would be happy to keep you and your staff posted on as we go, and it is an issue that is on our minds very much.

Mrs. MALONEY. Okay. My time is expired, but I wanted to hear also your safeguards to mortgage products. But my time—

Chairman HENSARLING. Time of the gentlelady has expired.

The chair now recognizes the gentleman from New Mexico, Mr. Pearce, chairman of our Terrorism and Illicit Finance Subcommittee.

Mr. PEARCE. Thank you, Mr. Chairman.

Thanks, Mr. Cordray, for being here.

I appreciate your strong interest in consumer complaint filings. You draw out that you have had more than a million filed. Have you got any rough breakdown on how many of those complaints have of been against community banks?

Mr. CORDRAY. We don't actually take or put in our database any complaints against community banks.

Mr. PEARCE. Okay. How about from rural counties? Do you break it down by rural counties?

Mr. CORDRAY. We can break down complaints, certainly, by state. There may be smaller divisions we could put them into. If you are interested in that I would be happy to have my staff talk your staff about—

Mr. PEARCE. How many complaints against CFPB?

Mr. CORDRAY. Beg your pardon?

Mr. PEARCE. How many complaints against CFPB? In other words, I hear quite frequently when I go to the district that CFPB is intrusive: "They do this; they are limiting our access." So how many complaints against CFPB?

Mr. CORDRAY. I see. So our database is about consumer complaints about the financial institution with whom they have a relationship—

Mr. PEARCE. Okay, so you don't tack when people, you know, have any kind of one-star, two-star, three-star rating for yourself?

Mr. CORDRAY. No, although we do hear—

Mr. PEARCE. How many of the complaints—I appreciate that you don't track those.

And so now, keep in mind that when you first started our discussion here was about rural and you are defining Luna County in the same category as New York City. Luna County has got eight people

per square mile and New York City has got 28,000 people per square mile.

You have a lot more options there in New York City than you do in Luna County. And so everything you might do which would choke off access we were creating tremendous friction with you, if you recall that.

Mr. CORDRAY. Yes.

Mr. PEARCE. And so I am interested in page four, where you draw the—"We are tailoring our approaches to financial decision-making," and then you give all these subgroups, but you didn't put rural in there.

I mean, rural is a big part of America. How come you didn't include that in your list? You tell everything else that you are doing.

Mr. CORDRAY. So I should have included that on the list because we have actually made good progress there.

Mr. PEARCE. Okay, fine. You should have put it there.

Mr. CORDRAY. No, but we have also changed our definition of "rural" twice in response to kind of comments that you have made to me and others have made.

Mr. PEARCE. Yes. And so I guess my point is that it took about 3 to 4, maybe 5 years to get that change from a member of Congress.

Mr. CORDRAY. That is right.

Mr. PEARCE. And so when I see that you have done a million complaints I kind of wonder about those people who are not congressman, the ones from rural areas, saying, "You are making life very difficult for us."

So one of the things that you and I discussed—and you sent the lady up to my office for an hour, hour-and-a-half—was the idea of seller finance. You get people in New Mexico and they are making \$25,000, \$30,000 a year is kind of the average.

Over their lifetime they end up owning five trailer houses and then that is their retirement. They sell a trailer and they will take the payments and it helps Social Security.

We have worked with you, our office, for over 2 to 3 years on one sentence. Just go back to what it was before, you can sell five of those and then you need to be a mortgage loan originator. No, you have changed it to where you sell one you got to be a mortgage loan originator, and you have taken away the possibility of people having—I mean, just comparing it to the transportation system: In the city your car breaks down, you go out and you get on the subway, you get to Uber, you get anything, you rent a bicycle.

The person that we are interviewing for my office in Las Cruces right now lives 65 miles away. There ain't no rental bikes out; there is no Uber out there; there are no cabs. And if she has got to go get a payday loan to fix the transmission, you say that you are going to shut off 75 percent of it.

And so I have asked you before, the guy in the oil field that is just trying to get through every day says, "What business is it of Mr. Cordray's if I want to borrow 100 days—\$100 on Monday and on Saturday I am going to pay back when I get my check \$120?"

I will guarantee you there is no one in New York City that is going to come out and lend that hundred bucks, and yet you are going to say that you can't have seller financing of trailer houses,

you can't have any access to payday loans, you can't have this. And so I don't think it was sort of an oversight on page four when you didn't include rural.

I don't think it is in your mindset because I know the number of community banks that have closed down. I know the total assault on them. They are not the ones who caused the problem in 2008. They did not.

And yet, you treated them like the same in the initial definition. It takes 3 years to kind of unbundle that, and still they are the ones complaining to me.

Go ahead, sir. I am sorry I—

Mr. CORDRAY. Could I have a moment to respond?

Mr. PEARCE. Yes, sure.

Mr. CORDRAY. Okay.

On the rural, what you are pointing to is a success story. It took longer than it might have, and we worked with Congress ultimately and the rural definition has been fixed. So it is an example, you know, maybe not perfect, but of us listening and responding and not just digging our heels in.

In terms of New Mexico, we have two call centers to take complaints around the country. One of them is in New Mexico in the area you described. We are very familiar with that area.

We are happy to talk to you further about the seller financing issue if you want us to follow up on that—

Chairman HENSARLING. Time of the gentleman—

Mr. PEARCE. —the rural problem is not fixed, with all respect, and I appreciate your observation.

Chairman HENSARLING. Time of gentlemen is expired.

The chair now recognizes the gentlelady from New York, Ms. Velazquez, for 5 minutes.

Ms. VELAZQUEZ. Thank you, Mr. Chairman.

And, Dr. Cordray, thank you for the work you do on behalf of working families and consumers in the country, particularly on behalf of my—New York City's—the people that I represent.

Dr. Cordray, I would like to share with you and the committee some stats regarding small business lending practices, in terms of the most vulnerable population of the small business sector, women and minority, to show why I strongly disagree with the chairman of the committee about the section 1071.

One study found that among women who sought financing 32 percent received approvals, compared to 35 percent of men. They were also more likely to receive short-term funding with APRs varying from 14 to 50 percent or higher than men.

On average, women paid a 13 percent higher interest rate for the same product, even on SBA loans. These are loans guaranteed by the Federal Government.

Women received less funding on average than men, the average being nearly \$60,000 for women and over \$156,000 for men. The same ran true for minority business owners. They are approved for lower loan amounts and pay higher interest rates than non-minorities.

So it is important to be able to collect data so that it shows us whether or not we need to come up with legislative solutions to

level the playing field in terms of making lending credit accessible to every sector of the small business community.

Mr. CORDRAY. I find that very persuasive. I also heard the chairman loud and clear when he said that he wants us to move ahead quickly with that small business lending rulemaking, and we will respond to that oversight.

Ms. VELAZQUEZ. Thank you.

Director Cordray, increasingly homeowners are purchasing rooftop solar panels as a way to reduce their monthly utility bills. Unfortunately, along with the growth of the solar panel market there have also been reported increases in consumer complaints regarding abusive or deceptive acts by solar companies in their sales, financing, and marketing practices.

What is the CFPB doing to address consumer complaints in this industry?

Mr. CORDRAY. So we have been hearing two different things, and increasing amounts about both. One is the sale of solar panels directly may involve abuses of consumers. There are limitations around our jurisdiction if it is a loan in connection with the sale of a retail product, so that is difficult for us. But we are talking to attorneys general and others to try to understand who can do what on that problem.

There is a separate issue that may or may not be what you are referring to, which has to do so-called PACE loans, where one of the ways in which the solar panels are financed is that states have set up a superior priority tax lien on the property to be able to finance the energy efficiency changes, and that creates some real complexities in the real estate market that we are hearing a lot about from mortgage lenders and others and that we are trying to think about carefully and talk to FHFA and others about those.

Ms. VELAZQUEZ. Thank—

Mr. CORDRAY. So we are hearing the same things you are hearing, I believe.

Ms. VELAZQUEZ. Thank you.

Credit unions in New York recently approached me and they expressed that it is becoming increasingly difficult to provide overseas remittances due to the escalating costs of complying with the associated rules and regulations. What is the CFPB doing when reviewing the remittances rules to make sure the cost has not gone up for consumers? And if you find it has, how will you address that?

Mr. CORDRAY. So I was going to a portion of my book, because I know we have some new data that folks provided me with on the issue of remittances. Ninety-six percent of that market is money transfer operators rather than banks and credit unions, so it is a market that is dominated by non-bank players. I mean, talking about people like Western Union, MoneyGram, and now, increasingly, online products that are going to be disruptive in that market and perhaps beneficial to consumers, like Xoom and some others that we have seen.

In terms of the credit unions, we did exempt, by creating a threshold, over more than 80 percent of credit unions from coverage under our rule. But we have been talking to all players and

there may be more we can do on that front. That is something we are going to look at.

We are doing a retrospective review of the remittance rule, as Congress requires us to do on all significant rules 5 years after it takes effect. That is going to be our first example of a—

Chairman HENSARLING. Time of the gentlelady has expired.

The chair now recognizes the gentleman from Michigan, Mr. Huizenga, chairman of the Capital Markets Subcommittee.

Mr. HUIZENGA. Thank you, Mr. Chairman.

And thank you, Director Cordray.

It is my understanding that parties that—entering into a consent order with the bureau are not actually admitting guilt, correct?

Mr. CORDRAY. I am sorry. There was a little noise. Are not what?

Mr. HUIZENGA. Yes, it is a little noisy with the doors opening. It is my understanding that parties entering into a consent decree with the bureau are not actually admitting guilt, correct?

Mr. CORDRAY. Typically that is not the case, but I will tell you my perspective on it.

Mr. HUIZENGA. I am sorry, they are admitting guilt?

Mr. CORDRAY. Typically it is not the case, and I will give you my perspective on it if you would like.

Mr. HUIZENGA. Well, hold on. First of all, I just want to establish that because I—there is—these consent orders normally contain a paragraph labeled "stipulation," which states, quote, "Respondent agrees to the issuance of the consent order without admitting or denying any of the facts—findings of facts or conclusions of law, except that the Respondent admits the facts necessary to establish the Bureau's jurisdiction over a Respondent in the subject matter of this action."

That is included in those consent decrees, correct?

Mr. CORDRAY. I would be glad to offer you my perspective on that if you would like.

Mr. HUIZENGA. It is yes or no. Are those included?

Mr. CORDRAY. That is true of many orders, yes—

Mr. HUIZENGA. Yes, okay. All right, well, so—

Mr. CORDRAY. —not necessarily all, but—

Mr. HUIZENGA. —myself and many others in this committee have previously raised this with you, what I believe has been a significant problem with the way that the bureau has issued their press releases around these consent orders. Specifically, virtually every one of your settlements you don't prove any facts alleged—

Mr. CORDRAY. I don't agree with that.

Mr. HUIZENGA. —the company doesn't admit to any violation of the law, yet in your press releases that you send out there is regularly alleged, again without factual basis, that the company actually violated the law.

Mr. CORDRAY. So again, could I give you my perspective on that?

Mr. HUIZENGA. Quickly, please.

Mr. CORDRAY. Okay. When we complete an action it is because we completed a thorough investigation of the facts. We know what the facts are; the company knows what the facts are. That is why they end up—

Mr. HUIZENGA. So you don't believe that any of these companies that would sign a consent decree would feel intimidation or maybe

the fact that this could draw out for years, that maybe they are too small to fight, well, City Hall or the CFPB at this point?

Mr. CORDRAY. I think the main reason why companies enter into a consent decree is we have done a thorough investigation. We know the facts; they know the facts. They don't have a leg to stand on, all right?

Mr. HUIZENGA. Okay, like PPH.

Mr. CORDRAY. So we document those orders in detail—

Mr. HUIZENGA. Well—

Mr. CORDRAY. —so everyone knows what was done, and it doesn't matter to me whether the company says they don't admit or deny. Does anybody doubt that Wells Fargo had the problem that we described when they fired 5,000 employees?

Mr. HUIZENGA. So whoa, whoa, whoa. So hold on, hold on, hold on. Wait a minute. You are an attorney and you just said that it doesn't matter what they signed—

Mr. CORDRAY. It doesn't matter to the truth—

Mr. HUIZENGA. —as a legal document with the CFPB?

Mr. CORDRAY. It doesn't matter to the truth of the facts of our investigations. What it does matter to—

Mr. HUIZENGA. Okay, so you have—so you intentionally know that the CFPB signs consent orders that lie?

Mr. CORDRAY. No. What it does matter to is whether—

Mr. HUIZENGA. Well, you just said they are not factual.

Mr. CORDRAY. Do you want me to answer you?

Mr. HUIZENGA. I would like you to answer my question, yes.

Mr. CORDRAY. I am happy to answer to you.

So where this matters is whether facts are already established for follow-on lawsuits by private plaintiffs' attorneys. I don't feel it is my job to make that happen for them.

Mr. HUIZENGA. Okay.

Mr. CORDRAY. My job is to conclude the investigation, to lay out the facts as they are. The company can dispute it or not as they please, but the facts are the facts. They are made public—

Mr. HUIZENGA. So the facts are the facts, okay, perfect.

Mr. CORDRAY. They are clear. Everybody can learn from that.

Mr. HUIZENGA. We are going to disagree. I have got a minute-and-a-half here, but I would call this trial by press release, but maybe we can put it in slightly—

Mr. CORDRAY. No.

Mr. HUIZENGA. —different terms here.

Several employees have filed claims of racial and sexual discrimination and retaliation with the bureau's Office of Equal Opportunity and the Equal Employment Opportunity Commission, EEOC. You have settled some of these cases, including one with a whistleblower who has testified before our committee.

I would like to enter into the record one of those settlements, which is dated October of 2014, if we could do that?

[The information follows:]

\*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

Chairman HENSARLING. Without objection.

Mr. HUIZENGA. And so using your standard, the fact that you settled these cases means that you and your managers, frankly, are guilty of racial and sexual discrimination, correct?

Mr. CORDRAY. No, I don't agree that. We have—

Mr. HUIZENGA. Well, wait a minute. You just said it doesn't matter what it says, that the facts supersede what the paper says.

Mr. CORDRAY. There is a consent order that is entered which has specific facts in it—

Mr. HUIZENGA. No.

Mr. CORDRAY. —and that is a different issue—

Mr. HUIZENGA. Director Cordray—

Mr. CORDRAY. —in a private settlement.

Mr. HUIZENGA. —using your own standard, you settled claims and thereby admit to your crimes, but you won't fire the managers responsible for that.

Mr. CORDRAY. No. No, that is not the correct. So, when we get complaints and grievances we look to resolve those through whatever process we can. Mediation we use quite a bit and—

Mr. HUIZENGA. So wait a minute. So you are saying that sometimes signing an agreement doesn't mean you are guilty.

Mr. CORDRAY. No, no. You are not making a distinction—

Mr. HUIZENGA. Well, wait a minute. You are either guilty of the things—

Mr. CORDRAY. You are not making a distinction—

Mr. HUIZENGA. —that you just settled, or the other people who you have forced into settlement agreements might not be guilty of what you charged them.

Mr. CORDRAY. No. A public consent order is an order entered by either the bureau or the court, okay? It is an independent—

Mr. HUIZENGA. It is for remediation, correct?

Mr. CORDRAY. —independently authorized order. That is distinct from a settlement agreement, which may be a contractual matter.

Mr. HUIZENGA. Well, here is the simple fact, Director Cordray: What is good for the goose is good for the gander, and you are not willing to accept the same standard that you apply to others on the outside for the own—your own bureau that you are—

Mr. CORDRAY. It is apples to oranges.

Chairman HENSARLING. Time of the gentleman has expired.

Mr. CORDRAY. I would be happy to follow up with your further if you would like.

Chairman HENSARLING. Time of the gentlemen has expired.

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

Mr. MEEKS. Thank you, Mr. Chairman.

And Chairman Cordray, let me first thank you because, you know, we voted 62 times previously on the Affordable Care Act only to find out that many of my colleagues, when it came time when they were in power, they realized that many of their constituents benefited from the Affordable Care Act.

And you, sir, have now, I think, testified before Congress over 62 times. And I think that your responsiveness to Congress and who you are responsive to is consumers. I mean, they ask about accountability.

Sir, isn't, in fact, your accountability to the consumers of America?

Mr. CORDRAY. I believe it is to the public, yes, and every member of the public is a consumer, so—

Mr. MEEKS. And prior to the establishment of the CFPB, do you know of any such agency that would be reflective of the—and responsible directly to the public or the consumers? You know, the corporations or the banks, they have—they there responsible, as they tell me, to their board, to their stockholders, which is, you know, a limited crew, and to their corporate board.

Who is responsible to the American public, the American people?

Mr. CORDRAY. I think this Congress did a good thing in 2010, and it is very important to have an independent watchdog looking out for consumers, standing on their side, making sure they are treated fairly in the financial marketplace, where it is typically not a fair fight when they are in a struggle with a large financial company.

Mr. MEEKS. In fact, when we had the greatest financial crisis since the Great Depression, the fact of the matter was because nobody was out there watching out for the consumer, many of the no-doc loans and bad products is what brought this country down. Is that not correct?

Mr. CORDRAY. And you know what that meant? That meant lots of people lost their jobs who had nothing to do with any of this; lots of people lost their homes—millions of people; and we all lost significant retirement savings. We all suffered because of that failure on the part of the regulatory system.

Mr. MEEKS. And the fact of the matter is, those people that lost their homes and jobs, et cetera, they were not just minorities; they were not just people from urban America; they were not people just from rural America; they were not people just from the east, the west, the north or the south; they will all Americans.

They were not just Democrats. They were Democrats and Republicans. Is that not correct? They all fit within that group.

Mr. CORDRAY. That is correct, and I will give you a great example.

Maybe some people got into irresponsible mortgage loans. Maybe they should have known better; maybe they were defrauded.

In that subdivision if there were 10 foreclosures everybody else in the subdivision, even though they had fine mortgages and they were okay initially, was going to get hurt because their home values were going to plummet and they were going to be innocent bystanders of this. And it happened to many, many millions of Americans, as you say, from all walks of life, of all backgrounds, of all origins.

Mr. MEEKS. So this is not a battle—I mean, you know, you are not there just to represent minorities or just to represent urban America. You are there making sure that there are solutions for consumers wherever they be, no matter who they are, but you are the one agency that we have now to make sure that the American public has someone that has their back.

That is whose back you have, right? The American public. The average, everyday Mary and Joe.

Mr. CORDRAY. That is our job. It is a big job. We try to do it as best we can. When we don't get it right, we look to fix it.

Mr. MEEKS. In fact, you have got something that is called the Consumer Complaint Portal. Is that correct?

Mr. CORDRAY. We do.



Mr. MEEKS. Can you tell me something about how many people have responded to your Consumer Complaint Portal? Because if you are not doing your job then I guess you are only getting a few complaints, right? Because, you know, everybody else must be accountable—if you get rid of this bureau and get rid of you there must be accountability somewhere, so there must be only a few people are complaining to you. Is that correct?

Mr. CORDRAY. Well, that is not the way it seems to be working. We have had over 1,150,000 complaints so far. They are coming in at the rate of 25,000 to 30,000 a month.

And people have—you know what this is like. Think about your mothers and fathers, sisters and brothers, sons and daughters. They have issues. They aren't sure how to fix them. It is, you know, a big, distant financial company that may or may not be responsive immediately to their concerns.

To have a place to turn to, to come to this Consumer Bureau, to say the complaint in their own voice, and to make sure we will work with the company to try to get it fixed and they can get relief in many instances, that is really important for people. It is a good thing. It is something that we should want to preserve and it is very important.

Mr. MEEKS. And I would say it is fair to say, because I have looked at some of the people, where they come—some come from Nebraska, some come from Texas, some come from New York. So they have got to be Democrats and Republicans and Independents and people don't vote at all.

You know, there is no litmus test that is utilized. Is that correct?

Mr. CORDRAY. And in fact, we get complaints referred to us from congressional offices in all districts all across the country. You know, Democrat, Republican, doesn't matter, we are just trying to work on behalf of consumers. And we welcome those, and we encourage the offices to send them to us.

Mr. MEEKS. So I would say that every member of Congress, Democrat or Republican, we should say thank you. Thank you for helping our constituents on a regular basis, because without you they wouldn't have anybody.

Chairman HENSARLING. Time of the gentleman has expired.

The chair now recognizes the gentleman from Wisconsin, Mr. Duffy, chairman of our Housing and Insurance Subcommittee.

Mr. DUFFY. Thank you, Mr. Chairman.

Welcome, Director Cordray.

How long have you been the director of the CFPB?

Mr. CORDRAY. Well, I was—first went into that position in January of 2012.

Mr. DUFFY. So that would be 5 years and 3 months, right?

Mr. CORDRAY. I guess that is right.

Mr. DUFFY. And—

Mr. CORDRAY. Time flies when you are having fun.

Mr. DUFFY. When we are having fun it does.

And the original intent of the Congress, a bill written by exclusively Democrats in Dodd-Frank, had the intent that the director would serve for how long?

Mr. CORDRAY. So I wasn't here then. I understand there were some Republicans who supported that bill in the House—

Mr. DUFFY. —let's not take my time. This is an easy answer. The answer was they intended that the director serve for 5 years Not 5 years and 3 months, not 6 years and 6 months, but 5 years.

Mr. CORDRAY. No, I don't think so. That is not what the statute says.

Mr. DUFFY. And so when we look at your tenure, you were—obviously you were brought in and it was found under the Supreme Court that the NLRB recess appointment issue would apply to you, as well, so you were brought in unconstitutionally by the President and then were reappointed, which will then give you a timeframe to the middle of next year. Is that fair to say?

Mr. CORDRAY. That is one perspective on the matter, I suppose.

Mr. DUFFY. So you weren't appointed unconstitutionally. Is that your position?

Mr. CORDRAY. Well, I don't know that I have ever been ruled on that, but I would accept that the Noel Cannon case is the holding of this U.S. Supreme Court, and we accept it and respect it, certainly, as people do—

Mr. DUFFY. I am sorry. You are over the 5-year time period, which would give you great cause right now to say, "Listen, I have done my 5 years. I am going to comply with the spirit of my party and the intent of the law. I am going to step down." You have chosen not to do that thus far.

Mr. CORDRAY. Could I—

Mr. DUFFY. One second. I will give you a chance to respond.

Mr. CORDRAY. Okay.

Mr. DUFFY. As I look at the PHH case discussing whether the President has the authority to remove you, or that you serve at his pleasure, or if you to be removed for cause, the CFPB has appealed that case, which means you prefer the standard that you be removed for cause.

And my question for you is would you prefer that the President—and again, we are going to note your political aspirations in Ohio—that we will walk through the racism, the sexism, we will walk through the intimidation and the retaliation—all the things that we did on our oversight committee and more—do that very publicly to have you removed for cause, or do think it is probably easier for to go, "I have done my 5 years. I will step down and go"?

What is the better way to do this? For you even, politically, what is the best way?

Mr. CORDRAY. So to go back to your previous point—

Mr. DUFFY. No, make this one. Answer the question first.

Mr. CORDRAY. —I was nominated by the President and confirmed by the Senate on a significant bipartisan vote in July of 2013 to serve a 5-year term. That is what the statute provides for and that is where we are at the moment.

The PHH case, as you noted, is pending. It is an interesting constitutional set of arguments that is being presented there, and the court will sort it out.

Mr. DUFFY. Director Cordray, I would prefer we do this publicly. You have a rotting agency. And we brought in women and minorities who have talked about the bureau and how they treat women and African-American women.

I am sorry. I would be happy to have that public conversation because, guess what, I think Democrats even in Ohio would be aghast at what has happened at the CFPB.

I want to move on. Do you know how—

Mr. CORDRAY. You—

Mr. DUFFY. Do you believe that 25 million people—

Mr. CORDRAY. Do I get a chance here?

Mr. DUFFY. Do you believe that 25 million people—

Mr. CORDRAY. I don't get a chance. Okay.

Mr. DUFFY. —are a lot of people? 25 million people.

Mr. CORDRAY. I am sorry? I am sorry, I was trying to respond to you and I missed your question.

Mr. DUFFY. Is 25 million people a pretty good chunk of folks?

Mr. CORDRAY. 25 million people are a pretty good chunk of folks. I would agree with that.

Mr. DUFFY. So this side of the aisle in this committee, collectively we represent 25 million people right here. And as the chairman pointed out, we have sent you subpoenas for years, and you fail to comply with those subpoenas.

Mr. CORDRAY. So I don't agree with that.

Mr. DUFFY. And on occasion when you do comply, you don't certify that you have complied with our requests. Other agencies certify that they have complied with the subpoena that has come from Congress, but not the CFPB. We won't certify compliance.

Mr. CORDRAY. So I don't know what you are referring to or—

Mr. DUFFY. How about Ally? Have you complied with our subpoena in regard to the Ally case that goes back to 2015?

Mr. CORDRAY. I believe that we have complied with all of your subpoenas—

Mr. DUFFY. No, no. Let's talk Ally.

Mr. CORDRAY. —and if you send us more, we will work to comply with those—

Mr. DUFFY. Have you complied with the—our Ally subpoena?

Mr. CORDRAY. Beg your pardon?

Mr. DUFFY. Have you complied with our Ally subpoena?

Mr. CORDRAY. I believe we have, and—

Mr. DUFFY. Have you certified—

Mr. CORDRAY. —and let me say—

Mr. DUFFY. No, no, no. Have you certified that you have complied?

Mr. CORDRAY. Let me say that that—

Mr. DUFFY. Have you certified that you have complied?

Mr. CORDRAY. I am not sure what you are referring to, and I don't know that there is—

Mr. DUFFY. Well, it is pretty clear. You are an attorney.

We have a certification requirement in our subpoena that you certify your compliance. Have you certified to the 25 million people that we represent that you have complied with our subpoena? Yes or no?

Mr. CORDRAY. If that is an issue for you I would be glad to discuss it with—

Mr. DUFFY. No, my question is for you, Director. Have you certified your compliance with our subpoena? Because you have come

in and said, "I have complied." Have you certified that compliance? Yes or no?

Mr. CORDRAY. What I will say is as of the end of last year we understood that—

Mr. DUFFY. What I will say is your dodging. You haven't certified compliance with any of our subpoenas.

Chairman HENSARLING. Time of the gentlemen has expired. Time of the gentlemen has expired.

Mr. CORDRAY. Could I respond for 30 seconds?

Chairman HENSARLING. A brief response from the director.

Mr. CORDRAY. Okay. My understanding is that in response to that subpoena we have supplied yet more documents and we were engaged in discussions with staff, and at the end of last year staff said that they would engage in further discussions with us and they thought that would—we heard nothing until this week.

Mr. DUFFY. Never compliance.

Mr. CORDRAY. And so—

Chairman HENSARLING. Time of the gentlemen has expired.

The chair now recognizes the gentlemen from California, Mr. Sherman.

Mr. SHERMAN. Mr. Cordray, thank you for your service.

I want to associate myself with the ranking member's praise of you, except for the part perhaps where she posited the possibility that Donald Trump would appoint you for another term, that nothing other than that could diminish the high esteem that I have for you.

We have up behind you on the board the trade deficit statistics. I know that we didn't have quite as big a trade deficit last month as was expected, but that was a quirk because of the Chinese New Year and some interruption in shipments.

Mr. Cordray, we have the know-before-you-owe mortgage disclosures in TRID. It has resulted in transparency for consumers, better accountability financial institutions. But ongoing compliance issues remain, costing time and money for consumers and for the industry.

When will the latest proposed rule be finalized, and do you plan to issue any additional guidance clarifying this rule that could be relied upon the industry as implementation continues?

Mr. CORDRAY. So it is apparently not appropriate for us to comment on timing of rulemaking since they are pending. These are issues somewhat like judicial opinions. You know, they are done when they are done. So I am not sure what to tell you there.

Mr. SHERMAN. But you understand the social utility of being done as expeditiously as you can be?

Mr. CORDRAY. I always do, and I am sometimes disappointed at how slowly the Federal government works even though I am trying to be there and make it work faster, yes.

Mr. SHERMAN. And we have these PACE loans, which are home improvement loans for alternative energy, but they are structured as part of the property tax bill. Are you sure your agency can't—I mean, they are basically home improvement loans—can't exert jurisdiction in this area?

Mr. CORDRAY. It is a pretty complicated subject is what I have learned, because in the states where those exist typically the state

legislature has passed state laws that provide for priority liens, which involves the government in the—both the making and collection of those loans, and that is a very significant complicating factor for us. It is something that we have a team of people looking and trying to work through because we are hearing enough about it to be concerned, as I think you are here, as well.

Mr. SHERMAN. I would hope that your legal staff would work with us. I hope that this is an area—home improvement loans is an area that you ought to be involved in. And if you need legislation—

Mr. CORDRAY. Home improvement loans, we are involved in—

Mr. SHERMAN. Well, this is—

Mr. CORDRAY. —but where there is government tax liens passed by state law—

Mr. SHERMAN. —this is a—

Mr. CORDRAY. —that is more difficult.

Mr. SHERMAN. —this is a special, super-duper—

Mr. CORDRAY. Yes, yes.

Mr. SHERMAN. —home improvement loan—

Mr. CORDRAY. Yes, it is.

Mr. SHERMAN. —and if you need legislation I hope that we would work with you on this.

Studies have shown that in some geographic areas it is possible to determine the identity of nearly 100 percent of the borrowers using the data that lenders are required to collect and report by the Home Mortgage Disclosure Act. This is despite the fact that that act is—supposedly provides for anonymous data in its final form.

The revised and greatly expanded HMDA rule is slated to become effective January 1st of next year and includes many highly sensitive data points, including the borrower's credit score. The bureau has stated in its final rule that it would propose a balancing test to determine which of many data points would be re-disclosed to the public.

What is your timeline? I realize this is another timeline question but—

Mr. CORDRAY. That is all right. No, it is—

Mr. SHERMAN. —some regulation for that process, and what does the CFPB plan to protect highly sensitive consumer data, like the borrower's salary or their credit score, from being publicly disclosed?

Mr. CORDRAY. So I am very well aware of that issue. It is something we are wrestling with.

We do not want to be increasing the re-disclosure possibility for consumers, and it is something we are working on we are mindful of the fact that although people would be reporting starting in January—and that, of course, was a mandatory rule that Congress required—we need to give guidance about the privacy aspects of this, and we are very sensitive to it.

So I don't have a timeframe for you, but we are well aware of how these things fit together and the need for people to—

Mr. SHERMAN. And let me just quickly urge you to use your authority to have a simpler version of many of your rules applying to smaller financial institutions.

Mr. CORDRAY. Yes.

Mr. SHERMAN. Otherwise they are driven out of the market and everybody has to go to Wells Fargo, and then you end up with 20 accounts.

Mr. CORDRAY. We are trying to do that where we can, and I believe that is a sentiment shared on both sides of the aisle and it is something we hear quite a lot.

Chairman HENSARLING. Time of the gentleman has expired.

Now, pursuant to clause d(4) committee rule three, the gentlelady from Missouri, Mrs. Wagner, chairman of our Oversight and Investigation Subcommittee, will be recognized for an additional 5 minutes upon the conclusion of the time allocated to her under the 5-minute rule. The gentlelady is now recognized.

Mrs. WAGNER. Thank you, Mr. Chairman.

And, Director Cordray, thank you for appearing here today before us. I want to ask you today about the widespread failure in consumer protection that occurred at Wells Fargo over a number of years regarding fraudulent sales practices in which Wells Fargo fired 5,300 employees for opening, gosh, up to 1.5 million deposits and credit card accounts without the customers' knowledge or consent.

Sir, despite receiving more than 140,000 pages of responsive records from Wells Fargo, the OCC, and the CFPB, this committee to date has seen no evidence that the CFPB had an ongoing independent investigation relating to Wells Fargo sales practices prior to May 8, 2015. This is 4 days after Wells Fargo informed the CFPB that the L.A. city attorney filed a civil complaint against the bank that same day, and over 500 days, sir, after the original article by the L.A. Times first broke the story about fraudulent accounts at Wells.

Director Cordray, there is a binder just to your right, sir. It has got a congressional seal on it. Will you grab it please?

The binder to your right, sir. You don't care to take the binder?

All right. It is in front of you. There are documents, sir, I am going to be referencing. Perhaps you would like to reference them also.

And I would like the record to reflect that the gentleman has ignored the binder that Congress has put in front of him.

I will be referencing—and I would like—appreciate it if you would keep your answers very, very short, sir. Simply yes or no on most of them.

Mr. CORDRAY. I am quite familiar with the background—

Mrs. WAGNER. Sir, do you recall when you first read the December 2013 L.A. Times article I am referring to?

Mr. CORDRAY. Beg your pardon? Have I read that article?

Mrs. WAGNER. When did you first read the article?

Mr. CORDRAY. I do not know when I first read that article.

Mrs. WAGNER. At the Senate Banking Committee's hearing in September 2016 on Wells Fargo—well let me ask you, did you read it?

Mr. CORDRAY. I have read that article.

Mrs. WAGNER. All right.

Mr. CORDRAY. I don't recall when I first read it.

Mrs. WAGNER. All right. At the Senate Banking Committee's hearing in September 2016 on Wells Fargo, L.A. City Attorney Michael Feuer noted in his testimony that upon reading the L.A. Times article he, quote, "immediately instructed his staff to investigate the allegations."

Do you believe that was an appropriate response? Yes or no?

Mr. CORDRAY. I believe that Mike Feuer and his team conducted—

Mrs. WAGNER. Was that an appropriate response? Yes or no?

Mr. CORDRAY. —in exemplary fashion throughout this case.

Mrs. WAGNER. Did you also instruct your staff—your staff—to immediately investigate the allegations made in the L.A. Times article after you read it? Yes or no?

Mr. CORDRAY. Actually, we had had previous indication that there might be problems at Wells Fargo—

Mrs. WAGNER. Did you instruct them? Yes or no?

Mr. CORDRAY. We had two whistleblower tips earlier—

Mrs. WAGNER. Did you instruct them? Yes or no? I will get to that in a moment, sir. I am asking you a yes or no question.

Mr. CORDRAY. So it wasn't the L.A. Times article the tipped us off to the fact—

Mrs. WAGNER. All right. I will—

Mr. CORDRAY. —that there might be a problem.

Mrs. WAGNER. Let me reclaim my time. Did the CFPB first initiate—first initiate a supervisory review of Wells Fargo branch sales practices on May 8, 2015?

Mr. CORDRAY. No, that is not correct. That is not a correct—

Mrs. WAGNER. Exhibit one in the binder that you prefer not to look at in front of you is a letter dated March 3rd—it is up here for review, also—dated March 3, 2016 from Edwin Chow, an employee of yours, a CFPB regional director for the west region, where indicated to Wells Fargo that the CFPB, and this is a quote, "initiated a supervisory review of Wells Fargo's branch sales practices on May 8, 2015."

Mr. Chairman, I would like to enter this letter in the hearing. [The information follows:]

\*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

Chairman HENSARLING. Without objection.

Mrs. WAGNER. Are you denying that the CFPB initiated its supervisory review of Wells Fargo's branch sales practices on May 8, 2015? Yes or no?

Mr. CORDRAY. We actually had engaged in supervisory activity prior to that time.

Mrs. WAGNER. Did the CFPB notify Wells Fargo on March 3, 2016 that the CFPB had decided to—

Mr. LYNCH. Mr. Chairman?

Mrs. WAGNER. —refer this matter to enforcement, sir?

Mr. CORDRAY. That is the key point that I want to make sure you are clear on, okay?

Mr. LYNCH. Mr. Chairman?

Mr. CORDRAY. We were engaged in—what is happening?

Mr. LYNCH. Just a point of parliamentary—

Chairman HENSARLING. Clerk will suspend.

For what purpose does the gentlemen from Massachusetts seek recognition?

Mr. LYNCH. Mr. Chairman, I am just wondering, according to the rules am I entitled to any of the documents that we are questioning the witness on? Because I would really like to get copies of the documents, if I could.

Chairman HENSARLING. They will be provided to all members.

Mr. LYNCH. But we are doing the investigation now, and I was just wondering if I could get copies of—if copies of the documents have been provided to all the members as under the rules are required?

Chairman HENSARLING. Members may request copies of the documents and they will be provided to members after the request.

Time—

Mr. LYNCH. May I make it a formal request to get the documents, please?

Chairman HENSARLING. I am sorry, would the gentleman repeat the question?

Mr. LYNCH. May I get documents then? I guess I have to ask for them.

Chairman HENSARLING. Apparently they are being provided to you as we speak.

Mr. LYNCH. Thank you, Mr. Chairman. Appreciate that.

Chairman HENSARLING. Clerk will start the clock again.

Gentlelady is once again recognized.

Mrs. WAGNER. Are you denying, sir, the CFPB initiated a supervisory review of Wells Fargo branch sales practices on May 8th, 2015? Yes or no?

Mr. CORDRAY. Well, no. A moment ago you said "enforcement investigation," and as I said—

Mr. CLAY. Mr. Chairman—

Mr. CORDRAY. —in my introductory—

Mr. CLAY. Excuse me.

Mr. Chairman, is it possible for—

Chairman HENSARLING. Gentlelady will suspend.

For what purpose does the gentleman from Missouri seek recognition?

Mr. CLAY. I would love to see these documents, too. The gentlewoman has raised some interesting points and I think they—that the documents should be shared with the committee.

Mr. HUIZENGA. Mr. Chairman?

Mr. CORDRAY. Mr. Chairman?

Ms. WATERS. Will the gentleman yield?

Mr. CORDRAY. Mr. Chairman—

Mr. CLAY. I will yield.

Ms. WATERS. Mr. Chairman, why don't we just give the documents to all the members over here?

Chairman HENSARLING. They will be provided in a timely fashion. They are not violative of any committee rules, and I think so far what the gentlelady has alluded to is also put onto the committee screens.

Gentlelady from Missouri is recognized yet again.

Mrs. WAGNER. Can I have my time restored, Mr. Chairman, please?



Chairman HENSARLING. The time was stopped.

Mrs. WAGNER. Did the CFPB, sir, notify Wells Fargo on March 3rd, 2016 that the CFPB had decided to refer this matter to enforcement? Yes or no?

Mr. CORDRAY. Yes. When that happened there had been previous work done on the matter.

Mrs. WAGNER. Okay. But you do not deny that the CFPB represented in writing that it referred this matter to enforcement on March 3rd, 2016. That is correct?

Mr. CORDRAY. So let me clarify this for you. The letter—and I am—

Mrs. WAGNER. Sir, my time is limited and I have a lot of question.

Mr. CORDRAY. I understand. The letter dated March 3rd is a point at which we have decided that the matter has risen to a level where it is no longer a supervisory matter and, in fact, has become an enforcement matter.

Mrs. WAGNER. Reclaiming my time, did the CFPB refer this matter to enforcement around the same time that the L.A. city attorney began settlement negotiations with Wells Fargo?

Mr. CORDRAY. Yes, but that is not when we initiated work on the matter.

Mrs. WAGNER. Wow. What an amazing coincidence because, in fact, the CFPB referred this Wells Fargo matter to enforcement on March 3rd, 2016. The L.A. city attorney referred it on March 2nd, 2016. What an amazing coincidence.

Did the CFPB, sir—

Mr. CORDRAY. These aren't coincidences. We are in contact with local officials—

Mrs. WAGNER. Sir, reclaiming my time—

Mr. CORDRAY. We are in contact with officials around the country—

Mrs. WAGNER. —did the CFPB first request—

Mr. CORDRAY. —and we work cooperatively with them.

Mrs. WAGNER. Director Cordray, did the CFPB first request that Wells Fargo delay the destruction of records relating to its branch sales practices on May 8th, 2015?

Mr. CORDRAY. I am sorry, say that again?

Mrs. WAGNER. Did the CFPB first request that Wells Fargo delay the destruction of records relating to its branch sales practices on May 8th, 2015?

Mr. CORDRAY. Consistent with the fact that it had become—it had migrated and graduated into an enforcement action, yes.

Mrs. WAGNER. Edwin Chow's letter from the CFPB, Mr. Chairman, I would like to enter into the record as exhibit three.

[The information follows:]

\*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

Chairman HENSARLING. Without objection.

Mrs. WAGNER. Sir, so you agree. So you do not deny that the CFPB first requested on May 8th, 2015 that Wells Fargo delay the destruction of records pertaining to its branch sales practices. Yes or no?

Mr. CORDRAY. So that is just a reminder of obligations—

Mrs. WAGNER. Is that a yes or no, sir?

Mr. CORDRAY. —that already exist under the law, so.

Mrs. WAGNER. Is that when you sent the request? Yes or no?

Mr. CORDRAY. That is a reminder of the obligations that already exist under the law, yes.

Mrs. WAGNER. I will take the reminder as a yes.

Was it the first time that the CFPB made this request to Wells Fargo, then why didn't the CFPB produce those records to this committee, given the fact that such records would be responsive to the committee's record request of September 16, 2016, which is exhibit five, Mr. Chairman, that I would like to have—that is in your binder that I would also like to have—

Chairman HENSARLING. Without objection.

Mrs. WAGNER. —entered into the record.

[The information follows:]

\*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

Mr. CORDRAY. So, I am sorry, we have given you documents, and if there are more documents that you want we are happy to work with your staff, so.

Mrs. WAGNER. We have been asking for documents, as everyone on this side of the aisle has referenced, for hundreds and hundreds and hundreds of days, sir, and you are in woeful compliance.

Let me move on.

Mr. CORDRAY. If there are documents you don't have, happy to try to provide them.

Mrs. WAGNER. Director Cordray, I want to stay on this measure. Did the CFPB first request on May 8, 2015 that Wells Fargo produce items such as sales practice policies and actions taken by the bank regarding fraudulent sales practices at the bank? Yes or no?

Mr. CORDRAY. Those are the compelled production of documents—

Mrs. WAGNER. Yes or no, sir?

Mr. CORDRAY. —that became very significant to this investigation.

Mrs. WAGNER. Yes or no, sir?

Mr. CORDRAY. Yes.

Mrs. WAGNER. All right. Good. So you do not deny that the CFPB first—first requested that Wells Fargo produced this information on May 8, 2015.

Mr. CORDRAY. No. I don't, and that is not correct. And you are conflating things, and I don't want you to build on that in an erroneous fashion.

Mrs. WAGNER. Well, let me move on then. If you are saying that this—

Mr. CORDRAY. They are already—

Mrs. WAGNER. —isn't the first time—

Mr. CORDRAY. No.

Mrs. WAGNER. If you are saying this isn't the first time the CFPB requested this information from Wells Fargo, then why didn't the CFPB produce those records to this committee—

Mr. CORDRAY. Look, first—

Mrs. WAGNER. —given that such records would be responsive to the committee's request of September 16, 2016, which is exhibit five that has been put in. I have a few more.

Mr. CORDRAY. First of all—

Mrs. WAGNER. Director, did the CFPB ever contact Wells Fargo about its fraudulent branch sales practices before Wells Fargo informed the CFPB on May 4, 2015? Yes or no?

Mr. CORDRAY. We had had supervisory activity prior to that time and subsequent to that time, which ultimately resulted—

Mrs. WAGNER. I will take that as a yes. Were you aware that the earliest correspondence between the CFPB and the Wells Fargo that you have produced is the Edwin Chow letter of May 8, 2015?

Mr. CORDRAY. There was supervisory activity prior to that time—

Mrs. WAGNER. All right. Let's get to that.

Mr. CORDRAY. —and subsequent to that time.

Mrs. WAGNER. Is this the earliest correspondence between the CFPB and Wells Fargo pertaining to the bank's sales practices?

Mr. CORDRAY. I don't know exactly, but—

Mrs. WAGNER. All right. Well, I will leave that.

Did the CFPB depose or interview only three Wells Fargo employees in connection with the fraudulent accounts scandal?

Mr. CORDRAY. The CFPB took the only depositions that occurred in this case.

Mrs. WAGNER. Three? Were they three? Yes or no, three?

Mr. CORDRAY. The only ones that occurred in this case—

Mrs. WAGNER. Were they three, sir?

Mr. CORDRAY. —we took them. We took them, so.

Mrs. WAGNER. Is that correct? That is correct then. Yes.

Wow. You tout CFPB's investigation as both independent and comprehensive. Director Cordray, only interviewing three employees for such widespread cases of fraudulent practices where 5,300 employees were fired does not seem very comprehensive to me, sir.

In your letter to this committee on September 23, 2016 you indicate that bureau staff first became aware of some related issues around Wells Fargo. This was well over a year before either initiating a supervisory review or containing the bank about fraudulent practices, sir. It is most concerning.

I don't have much time left.

Mr. CORDRAY. So, let me—

Mrs. WAGNER. No, I am going to close here, sir. And then—

Mr. CORDRAY. Okay. You don't want to give me a chance to respond? That is okay.

Mrs. WAGNER. —can yield or not.

Director Cordray, from the minimal—minimal records you have given to this committee thus far, and based on your testimony, the only conclusion there is to draw regarding the Wells Fargo scandal is that the CFPB was asleep at the wheel—asleep at the wheel, Director Cordray, under your leadership—

Mr. CORDRAY. That is not correct.

Mrs. WAGNER. —and that your investigation—

Mr. CORDRAY. That is not correct.

Mrs. WAGNER. —in this matter was far from independent and comprehensive, sir.

You have claimed that the CFPB was created to root out this kind of widespread consumer harm, but the L.A. Times, the OCC, the L.A. city attorney all got there before you did, sir. I would encourage you—

Chairman HENSARLING. Time—

Mrs. WAGNER. —after your testimony to—

Chairman HENSARLING. Time of the gentlelady—

Mrs. WAGNER. —revise your remarks, sir.

Chairman HENSARLING. Time of the gentlelady has expired.

Mrs. WAGNER. I would yield back my time.

Chairman HENSARLING. The chair now recognizes the gentleman from Massachusetts, Mr. Capuano.

Mr. CAPUANO. Thank you, Mr. Chair.

Mr. Cordray, boy, they really hate you, don't they?

Mr. CORDRAY. They don't want to give us—

Mr. CAPUANO. I don't know if it is you or the agency.

Mr. CORDRAY. —any credit for anything good that we do. I understand that. That is part of the game.

Mr. CAPUANO. Well, I think I have entered the bizarro world now. We have already had somebody call for you to get fired, call the agency a rotting agency.

First they complained that you enforced too much. Now we just heard a 10-minute rant that you didn't enforce enough.

And, bizarro of all bizzaros, the people on the other side of the aisle have now become the sole and perfect defenders of workers' rights, women's rights, and minority rights. Unbelievable.

We had better stay here a little longer because eventually they are going to be in favor of the health care law and all the other good things of America.

You know, Mr. Cordray, we have had many interactions, and sometimes I disagree with you, sometimes I disagree with the agency. And I would love to sit here and talk about those things.

But let's be honest: You and your agency are here 62 times not to have the typical oversight that is our responsibility, but to beat the hell out of you and to try to make sure we get rid of this agency. That is why we are here.

That being the case, a thoughtful presentation here is really not called for. And with that, since nobody on that side of the aisle seems to want to give you the opportunity to actually address a misleading question based on wrong facts, I will lend you 3-1/2 minutes to address—

Mr. CORDRAY. All right.

Mr. CAPUANO. —you can pick a bunch. Which one of the most ridiculous assertions that were just made would you like to address?

Mr. CORDRAY. That is fine. And I am sorry that the previous questioner has left the room, but—

Mr. CAPUANO. Well, it doesn't matter.

Mr. CORDRAY. —let me recap.

Mr. CAPUANO. They weren't going to listen to you anyway.

Mr. CORDRAY. Maybe.

Let me recap the events. So we had the first whistleblower tips in the middle of 2013 before the L.A. Times story, although I will say that was a splendid piece of investigative reporting, and investigative reporting often aids government law enforcement investigations and did so here, as well as follow-up stories by the L.A. Times.

At the time there were issues around whether employees were being abused by the employer, whether they were being held to un-

realistic sales goals, and the like. Over time this problem migrated into something bigger and our look at it migrated into something bigger as the problem itself evolved.

We were engaged in supervisory activity through 2014 and in 2015, and at that point, as the congresswoman noted, the matter had become serious enough and clear enough that it migrated and was graduated into an enforcement action. That is a very serious matter and it involved taking depositions.

We didn't need to take hundreds of depositions here. We took three key depositions that had not been able to be taken in the case because of restrictions—evidentiary restrictions on what the L.A. city attorney's office could do. They shared with us information from other interviews they had had. We didn't need to duplicate that work.

We also compelled the production of documents from Wells Fargo that were very significant to detailing and documenting, and nobody denies this. We established it through this joint investigation, and it is clear and no one denies that millions of accounts were opened illegally, improperly, in the name of consumers who didn't know a thing about it and were often hurt by it, in terms of costing them fees or affecting their credit reports or the like.

We worked with the L.A. city attorney's office and brought the OCC into a joint work with the L.A. city attorney's office, and we resolved the matter—not just on the basis of the boundaries of California, which is what the L.A. city attorney could have done, but nationwide and with broad injunctive relief that this will not happen again at Wells Fargo. And because it is a public enforcement action and all the facts are detailed—when the congresswoman talks about 5,300 employees fired and millions of accounts opened, that is—we know that because of the public enforcement action.

That is what broke this matter open. Nobody was talking about it before then.

That is leading to the entire industry taking a look and being more careful about whether they are engaging in any of the same kind of fraudulent practices toward their own customers. So this will have cleaned this up throughout the entire industry and put everyone on notice that this is a very serious matter; it is not to be taken lightly. You can't just put out these sales goals and say you should meet them and we will turn a blind eye to how you meet them even if it violates the law.

And if we establish that principle there will be a lot of problems avoided in the future and a lot less work for the Consumer Bureau, and I will be glad of it.

Mr. CAPUANO. Thank you, Mr. Director.

And with that, I am going to yield the committee back 8 seconds. Chairman HENSARLING. Gentleman yields back.

Chair now recognizes the gentleman from Kentucky, Mr. Barr, chairman of our Monetary Policy and Trade Subcommittee.

Mr. BARR. Thank you, Mr. Chairman.

And, Director Cordray, in response to your—in your response to my friend, Mr. Capuano from Massachusetts, you—I think you said this is just, quote, "part of the game." Well, let me tell you what is not a game.

What is not a game is your agency denying vital financial services to servicemembers serving abroad from my commonwealth in communicating with their families back home.

Mr. CORDRAY. Well, we are not—

Mr. BARR. As you may know—let me ask you the question.

Mr. CORDRAY. Okay.

Mr. BARR. As you may know, the bureau has issued regulations on international remittances. And in Kentucky we have a number of military bases; Fort Knox, Fort Campbell, the National Guard headquarters is located in my district. Credit unions are no longer to offer their members this product, and here is why—give you a real-life story from a constituent.

Fort Knox Federal Credit Union has members all across the world and they have discontinued offering this much-needed service due to fear of not being compliant after 100 remittances a year. Now, you can imagine that for this credit union it doesn't take long to reach 100 when you have over 85,000 members, many of whom are deployed overseas.

Mr. CORDRAY. Yes, I see that.

Mr. BARR. When the Kentucky Credit Union contacted you about the rule and its unintended consequences it is reported to me that your comment was, "No, this is the intended consequence," and that you were not concerned about these customers—

Mr. CORDRAY. I don't know about that statement—

Mr. BARR. —hardworking military men and women that are now having to pay much higher fees to remit funds home to their families because their credit union can't comply with this onerous regulation.

Why won't you provide relief to servicemembers and their families?

Mr. CORDRAY. So we are doing a lot of great work for servicemembers and their families, and I would be happy to detail it if I am given a chance. In terms of remittances in particular, are you aware of who required there to be that rule?

Mr. BARR. What I am telling you—

Mr. CORDRAY. Congress required that rule. That is in the law. We are merely following the law and carrying it out.

Mr. BARR. Director Cordray, I will reclaim my time. The bureau has the discretion to provide the relief to these credit unions who are no longer able to deal with a workable rule that would allow these remittances and have priced these members out of their credit union and, as a result, these credit unions are no longer able to provide.

And I want you to revisit that. That is a request of you to revisit that rule to provide relief to these servicemembers.

Mr. CORDRAY. We would have the discretion to do that if Congress provided it in the law. It is not in the law, so—

Mr. BARR. No. Well, once again—

Mr. CORDRAY. —that is my problem.

Mr. BARR. Once again, I think the bureau is taking an overly restrictive view of your administrative—certainly you exercise a whole lot of discretion to take away financial services and products from the American people. I think you could probably revisit this,

and I would love to continue that conversation, but let me move on to another problem.

Mr. CORDRAY. We will be glad to continue that—

Mr. BARR. Another problem: In March of 2015, Director Cordray, you testified before this committee and you said you needed data showing that the CFPB rules related to, quote, “high-cost loans” were, in fact, constraining the manufactured housing market.

Well, according to Home Mortgage Disclosure Act data, manufactured housing loans from \$50,000 to \$75,000 have decreased by about 14 percent as a result of your regulation. There is clear data—

Mr. CORDRAY. According to data from whom?

Mr. BARR. The Home Mortgage Disclosure Act data.

Mr. CORDRAY. I am sorry, the data from—

Mr. BARR. The government’s data. The government’s data is telling you that manufactured housing credit is down because of your regulations.

Why in the world, when we have an affordable housing crisis, when many rural Americans struggling in Kentucky and elsewhere need access to affordable housing, why don’t you provide relief to working Americans who need access to manufactured housing credit when the government’s own data is telling you that your regulations are hurting low-income Americans?

Mr. CORDRAY. So, first of all, I don’t think the government data says that. The government data doesn’t—

Mr. BARR. 14 percent.

Mr. CORDRAY. The government data doesn’t ascribe causation, so there are a lot of reasons why this could be, but I would be happy to follow up with your office.

I know this is a point of particular importance to you and to other members of the committee, and we have talked about it before and be glad to talk about it further.

Mr. BARR. Well, I think we should because I think you have the discretion to stop these rules that are contributing to the affordable housing crisis and making it harder for Americans, particularly in rural areas, to afford manufactured homes.

Finally, on October 7, 2016, the Office of Advocacy of U.S. Small Business Administration—another government agency—submitted a comment letter to the bureau related to your proposed rule regarding small-dollar consumer loans. The comments pointed out that the economic impact of the proposed rule on small entities and consumers would be greater than what is indicated in the bureau’s analysis pursuant to the Regulatory Flexibility Act.

This is corroborated by my own constituent small businesses who say that the SBREFA process was a joke. They went and told you that they were going to go out of business and you ignored them.

So you have got our constituents saying they are going out of business because of your rule and another government agency saying that that is true, and you are ignoring it.

Mr. CORDRAY. No, no, no. Not at all, Congressman. We are not ignoring that. And the reason we have that process and hear from everyone is to hear what they say and to process it and digest it and analyze it.

Just because we don't necessarily agree with every single thing people say to us—often they are saying conflicting things so we can't agree with it all.

Chairman HENSARLING. Time of the gentleman has expired—

Mr. CORDRAY. I would be glad to follow up with your office on these points if you would like, on the remittances and the manufactured housing—

Chairman HENSARLING. Time of the gentleman has expired.

The chair now recognizes the gentleman from Missouri, Mr. Clay, ranking member of our Financial Institutions Subcommittee.

Mr. CLAY. Thank you, Mr. Chairman.

And thank you, Director, for being here.

You know, I really don't know where to start today. My neighbor from Missouri, Mrs. Wagner, sounded as though she was sounding the alarm, that you had done something wrong and that she was in defense of Wells Fargo. Then my friend from Wisconsin, Mr. Duffy, brings up the issue of race.

So let's focus on race first.

You know, it is—I noted in your semiannual report that mortgage companies and auto loan companies continue to charge higher interest rates to African-Americans and Hispanic borrowers than to non-Hispanic, white borrowers. In the case of PNC, \$35 million has already been recovered to the injured and given back to the injured, as well as Ally auto loans with about \$80 million in damages already recovered.

And I would hope my friends on the other side of the aisle would understand that this has severe financial impact to African-American, Hispanic family that prevents them from building wealth for their family. It keeps them in a hole.

And so I want to commend CFPB for finding these atrocities and making these companies pay. And that is part of why you were created, and I appreciate the job you do.

Can you speak to that and what you are finding in these industries?

Mr. CORDRAY. Sure.

Let me start just by correcting the record on—one point on PNC. The discrimination there was by National City Bank. PNC later took them over, but they weren't really responsible for any of that; they actually helped us clean it up.

But the point you are making is, we think, really important. A lot of people would like to think discrimination is a thing of the past and it is a vestige of the past, and we have found ongoing instances of discrimination, some of them significant, some of them involving redlining, which a lot of people want to think is a practice that was, you know, went out of fashion decades ago, but we have found that it hasn't. And we have taken action where that was appropriate and where the evidence demonstrates that action is needed.

And what is this about? It is about making sure that people are treated fairly and equally in the financial marketplace where they live so much of their lives, that they are seeking a mortgage that they are going to be able to get credit and be charged the same interest rate that they would if they had a different ethnic background or a different racial or skin color.



You know, that is a very American principle but it requires enforcing the law to make it happen and make it stick. And it makes people uncomfortable.

Now, some of the law in this area is complicated. I will grant that. We try to work through it as best we can.

The U.S. Supreme Court reinforced the validity of that law 2 years ago in the Inclusive Communities decision, and we do our best to faithfully follow all of those decisions. But it is important work.

Our Office of Fair Lending and Equal Opportunity does that work on a daily basis. They have encountered obstacles at times in doing that work, but they have been splendid in persevering and getting justice for Americans in so many circumstances, and I am very proud of their work.

Mr. CLAY. And I am proud of the work that you do, also.

Just out of curiosity, I noticed that you describe some of your public meetings and community roundtables with stakeholders like community banks and credit unions. Do you get many complaints from the public about the creation and existence of the CFPB? Have you gotten many of those?

Mr. CORDRAY. No, I don't think so. I mean, we do hear—everybody comes before us in a variety of forms, and we encourage that. And they all have different things to say, and some of them are complimentary and some of them are critical, and we try to listen to them all.

Frankly, it is the critical things they say that are often the most helpful because they tell us where we should think about doing something differently. The complimentary things, of course, we love to hear them when people are willing to say them, but that just means keep doing what you are doing, which is a good message, but we don't learn quite as much from that.

So we do try to be very accessible, and I think nobody can complain about the fact that they can't get their voice heard at the Consumer Financial Protection Bureau, and that is the way it should be—

Mr. CLAY. And it seems to be pretty effective. Looking at the chart on the screen, it looks like people from all around the country participate and bring their complaints to you.

So I see my time is up, but thank you.

Chairman HENSARLING. Time of the gentleman has expired.

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

Ms. WATERS. Mr. Chairman?

Mr. ROYCE. Well, thank you.

Director Cordray, Mr. Luetkemeyer raised some concerns along the same line that I have here, and one of the things in particular that I am concerned about is the largely unchecked power that the CFPB has to issue the civil investigative demands, or CIDs, to inquire about a company's activity.

And what is unusual here, I think, is that the CFPB is not required to possess evidence of wrongdoing before initiating a probe. And I wanted to talk to you about that.

I think he was making this argument basically: Companies deserve due process. They deserve the ability to appeal to a body

other than the CFPB itself, and I think companies deserve the assurance that the agency will objectively review any petition or set aside or limit a CID.

In terms of my questions, I am interested in your selection process for CIDs.

Do you look at this number of complaints, you know, that come up in the database? Is that how you do it? And specifically, if a company has zero complaints or has been proactively taking steps to address concerns, would you launch an investigation under that situation?

Mr. CORDRAY. So let me just say that you just talked for a minute and 40 seconds and I agreed with everything you said—everything you said, including companies have a right to due process. They do under our Constitution.

We do not open investigations where there is no evidence of wrongdoing. That would be a waste of our time. We have limited resources.

Mr. ROYCE. Okay. Let me explain the only reason I am going to interject here.

Mr. CORDRAY. Yes.

Mr. ROYCE. I want to ask an additional question, but there are examples—

Mr. CORDRAY. Yes.

Mr. ROYCE. —where you have had an investigation without complaints that I am—

Mr. CORDRAY. No, no, but we would have some sort of evidence of wrongdoing or some reasonable basis for—and—

Mr. ROYCE. Right, but I am just explaining, without any complaints—

Mr. CORDRAY. —that can be appealed to the courts, and some have been appealed to the courts and sometimes the courts disagree. That is a check. That is fine, yes.

Mr. ROYCE. Right, but I am pointing out you have opened up the investigations without any complaints.

When you make the decision to initiate a probe you refer to the company as a target. Do you think that type of language creates an adversarial posture at the outset or presumes wrongdoing on the part of the—

Mr. CORDRAY. Actually, we changed that very early on.

Mr. ROYCE. I appreciate that you changed—

Mr. CORDRAY. We talk about companies as subjects because we don't want to prejudge.

Mr. ROYCE. I appreciate—

Mr. CORDRAY. And by the way, let me also say, it is important to note, we have opened a number of investigations that we later closed because we did not find enough basis to proceed. And so we do that. We are willing to do that.

I tell our lawyers when that happens, "Don't be disappointed. You looked at it and there wasn't anything and that is the right outcome. Don't feel like you have wasted your time. You did the right thing there."

But there has to be a reasonable basis for thinking that something is amiss before we would open an investigation at all, and a

court—and courts can and have check us on that if they think we didn't get that right.

Mr. ROYCE. Right, in your opinion, but that is, again, with zero complaints in some of these cases.

Now, let me just go to—

Mr. CORDRAY. Yes.

Mr. ROYCE. —a company that visited my office recently—

Mr. CORDRAY. Okay.

Mr. ROYCE. —which explained that as part of the initial inquiry in the CID process the second question they were asked was about their annual revenue. Why is such a question relevant to the initial inquiry, I would ask?

Mr. CORDRAY. So it could go to scope, trying to figure out how big the problem is. If it is a small problem at a small institution it is probably not, you know, the right expenditure of resources by the bureau. If it is a smaller problem at a larger institution then it can look a lot more like a larger problem at a smaller institution. You know, these are just—

Mr. ROYCE. Well—

Mr. CORDRAY. These are things you try to make your best judgments about.

Mr. ROYCE. I just want to explain how it seems to some smaller institutions.

Mr. CORDRAY. Yes, and I understand. That is not how it was intended.

Mr. ROYCE. With all due respect, Director, let me explain how it seems. It seems to them a little like a car mechanic in "National Lampoon's Vacation." I will just give you this example as he relayed it to me.

Mr. CORDRAY. I have lived through those examples myself.

Mr. ROYCE. Yes, he says, you know, when Clark Griswold asks, "How much is the bill for repair?" he responds, "How much you got?"

That, at least for many of these smaller companies, is the way they view it. And we need to restore, I think, some balance or sanity in the process, right?

An—

Mr. CORDRAY. Actually, sir—

Mr. ROYCE. Let me just close with this: An investigation or an examination is not supposed to be a gotcha moment or a hold-up, and I am just explaining, in terms of many companies in cases where there were zero complaints, their feeling about the attitude when somebody comes in and says, "You are a target."

Mr. CORDRAY. Ten seconds? Zero complaints is one bit of evidence; there may be other bits of evidence that point in a different direction.

The other thing is sometimes when we are asking about resources it is because we would limit any kind of penalty based on their ability to repay because we don't want to send that company out of business.

Chairman HENSARLING. Time—

Mr. CORDRAY. We just want—

Chairman HENSARLING. Time of the gentleman has expired.

Pursuant to clause d(4) of committee rule three, the gentleman from Massachusetts, Mr. Lynch, will be recognized for an additional 5 minutes upon the conclusion of the time allotted to him under the 5-minute rule. The gentleman is now recognized.

Mr. LYNCH. Thank you, Mr. Chairman.

Mr. Cordray, thank you very much for your hard work and for your attention. I am up here, sir.

Mr. CORDRAY. Okay. All right.

Mr. LYNCH. Changed my seat.

Mr. CORDRAY. Having trouble.

Mr. LYNCH. Just trying to confuse you.

Mr. CORDRAY. Get a little dizzy after a while.

Mr. LYNCH. Do you need a couple more seconds to finish your thought on that? I know we were speaking when you ran out of time.

Mr. CORDRAY. No, I don't think so. I think Congressman Royce and I—

Mr. LYNCH. All right.

I do want to revisit the whole Wells Fargo scenario just for a second. According to my records, you testified before the Senate Banking Committee and your testimony was that you had received whistleblower complaints regarding fraudulent accounts being opened up. And that was in, I believe, July of 2013.

Mr. CORDRAY. Correct.

Mr. LYNCH. And the expose written by the L.A. Times wasn't until December, 6 months later.

Mr. CORDRAY. And it detailed certain aspects of the situation, but again, important to understand the situation itself unfolded over time. There weren't millions of accounts opened in a single day.

Mr. LYNCH. Right.

Mr. CORDRAY. This was a practice that started in a very limited way and then maybe spread to other employees and then spread through the grapevine that this is the way you can make your bonuses. You know, it expounded—became exponential over time.

And so as the problem evolved and our look at it evolved, that is why anybody can look back and say, "You should have known everything on day one."

Mr. LYNCH. Right.

Mr. CORDRAY. Well, everything wasn't even happening on day one, so that is kind of a misplaced criticism, I think.

Mr. LYNCH. And there was an active effort by Wells Fargo to conceal this. They had originally, if I am correct, back in 2011 fired hundreds of employees allegedly for opening fraudulent accounts back in 2011.

Mr. CORDRAY. Yes. The timing on the firings is not entirely clear.

Mr. LYNCH. Okay.

Mr. CORDRAY. There was a suggestion that there was a same pace of firings all along. I think the firings accelerated later in the process because the problem became greater and the awareness of the problem became higher.

But, you know, we do not think that the company came forward in a responsible way to let the regulators know about anything that they were seeing. And as I say, some of it occurred and magnified later on.

Mr. LYNCH. And I do appreciate that it was CFPB that made that a global settlement, you know, and—

Mr. CORDRAY. I would say that working together with our partners. The L.A. city attorney's office brought things to the table that were critical; the OCC brought things to the table that were helpful; and I think the CFPB brought things to the table that were essential in making it, as you say, a national resolution with injunctive relief to make sure they stopped it going forward and didn't just throw some money at it and then go on about their business.

Mr. LYNCH. Okay.

I want to shift attention now to our veterans and to our servicemembers. Ironically, this President, President Trump, when he came into office put a hiring freeze on in the Federal government, and a lot of people don't realize that the Federal government is the largest single employer of veterans in this country.

We have 632,000 veterans that work for the Federal government. And of that 632,000 veterans who work for the Federal government, 145,000 of those veterans have a disability rating of 30 percent or greater. So I am very proud of the Federal government's willingness, eagerness to hire our veterans.

Now, the problem is that with the President's hiring freeze we block these kids coming back from Iraq and Afghanistan from going to work at the V.A. and DOD. DOD is the single largest department, in terms of hiring our veterans.

So with the situation we got right now, with these young veterans coming home after multiple tours of duty—I was in—I think it was Camp Leatherneck in Afghanistan a while back and I had a chance to chat with a rifle company there, and one of the young fellows told me that this was his seventh tour of duty.

So we have got these veterans coming home after multiple tours of duty; we have an elevated suicide rate—highly elevated suicide rate among our returning veterans. Very tough situation. Substance abuse, another.

And so what we do? What we do to welcome our veterans home? We put a hiring freeze at the largest employer of returning veterans so they can't come back and go to work.

And coming back and transitioning to civilian life, that job is critical. That is the difference-maker.

And so when I hear members here talk about you are not doing enough as a Federal agency to take care of our servicemembers, and I know that I had a young veteran in my office last week trying to go to work at the Federal government and he can't get a job because of the hiring freeze, it just—not only is it unfair, but it is so hypocritical of what we are doing today.

I have a bill, H.R. 1001, that would waive the ban on hiring in the Federal government as respects returning veterans. Basically what the bill would do was, as the largest employer of veterans it would exempt any qualified veteran—and one of the veterans I had a couple weeks ago was a radiologist, so they have been trained well within the military—it would allow any qualified veteran to go to work in spite of the fact of having the President's freeze on hiring within the Federal government.

I think it is the right thing to do, but I am still waiting for some Republican cosponsors. I am still waiting for some Republican cosponsors. Got a mess of Democrats on the bill with me, but I would love to get some Republican support because I know my brothers and sisters across the aisle agree with me on this issue. I know they do. I know they do. I am certain of it.

Mr. CORDRAY. Could I—

Mr. LYNCH. What I wanted you to do—and we have got—you have got more than 3 minutes here—I wanted you to talk about what we are doing at the Office of Member Services for our military veterans and our active military and their families. I want you to take your time. I know you have got a 25-year veteran over there, I forget his name, who is running that Veteran Services program.

Mr. CORDRAY. Paul Kantwill.

Mr. LYNCH. That is right, Paul Kantwill. And I get high remarks on it from my veterans. I have three big V.A. hospitals in my district; I got a ton of veterans in my area, and I—and he gets high marks from them.

So I would like you to talk for as long as you would like about what you are doing on behalf of our servicemembers, our veterans, and their families.

Mr. CORDRAY. All right. Thank you.

And by the way, first of all, that is a very powerful point you just made about the Federal government as employer of veterans, and blocking hiring blocks employment of veterans. I had not heard that before. I think it is worth pressing.

The hiring freeze, which we are honoring, is—we have been told is a temporary freeze. They are reconsidering what to do either later this month or next month.

I think that is a powerful point to make in terms of returning veterans having access to jobs, and it is true across the entire Federal government.

So in terms of servicemembers, we do have an Office of Servicemember Affairs. That was a good idea by Congress. It is in the statute, so we were required to do that.

We have embraced it with enthusiasm. As you know, Ms. Holly Petraeus ran that office and set it up for the first 5 years or so, did an extraordinary job, has been—has left a legacy of helping veterans and their—not just servicemembers, but veterans and their families have a better understanding of financial matters and assistance and support.

And she helped us deal with specific problems, such as people who had change-of-duty-station orders that were not able to sell their home during the financial crisis were given different treatment than they otherwise would have been because we intervened and made it clear that they were in a tough situation and they should be treated as hardship cases. That is just an example.

And the ending of the military allotment system, which had been set up back in the 1950s or 1960s as a means of convenience to pay your bills. Now all the banks have bill pay and so you don't necessarily need it for that purpose, but it was being used, especially by predatory lenders, to be able to have leverage over military borrowers, and it was very problematic what was happening there.

I would also say that the new head of the office, Paul Kantwill, the person you referenced, came to us from the Pentagon, where he had worked on some of these issues there. And he is first-rate, and he is having us think about the entire military lifecycle and how it fits.

And we have work that we are doing on—it is called delayed entry, where we help servicemembers as they go into service to understand financial issues. Think about this: It is a lot of 18-, 19-year-old kids, young men and women, leaving home for the first time, going into the military, positioned away from home, have a guaranteed paycheck. They are magnets for predatory lenders and they often can get into trouble, and giving them a sort of foundation before they go into the service is very important.

We are also helping transitioning veterans coming out of the service back to civilian life, which poses enormous challenges as well.

So we are doing a lot of good work. There was testimony from each of the branches of the military in the Senate recently where they talked extensively about how important the CFPB's work was and how important—helpful it was to them because they are not experts in the area themselves.

I am sorry, Mr. Chairman.

Chairman HENSARLING. Time of the gentleman—

Mr. CORDRAY. I have a hard time cutting myself off on this.

Chairman HENSARLING. Time of the gentleman has expired.

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

Mr. POSEY. Thank you very much, Mr. Chairman.

Director Cordray, the last time you were here you testified before the committee. We discussed legislation I introduced the past few Congresses to create an advisory opinion process at the bureau.

Mr. CORDRAY. Yes.

Mr. POSEY. A process which exists at many other executive agencies today, it would allow companies to seek out the CFPB's particular detailed view of a regulation and receive a response to the inquiry to interpret the regulation.

The companies would cover the cost incurred by the bureau by issuing the opinions, and ultimately they would have a better understanding of how to comply with the law and serve consumers. This bipartisan, commonsense idea that would bring certainty, clarity, predictability, whatever you want to call it, to the supervision and enforcement process at the CFPB.

Unfortunately, instead of working with me towards this goal, the bureau has actively sought to undermine the legislation. For example—

Mr. CORDRAY. I don't—

Mr. POSEY. —when asked by the Congressional Budget Office about my proposal you claimed the bureau would be tasked with issuing nearly 50,000 advisory opinions over a year, and that seems not to pass a straight—

Mr. CORDRAY. That doesn't sound right to me, but yes.

Mr. POSEY. And you know, that wildly inflated number is just as absurd as the no-action letter policy you created, which is so restrictive that the CFPB estimated issuing only one to three letters per year.

Now, that is not an effective policy, I don't believe, and it is a pretense to avoid taking meaningful steps to address uncertainty surrounding the agency.

When I questioned you about the limited policy last year you said it was a fair line of questioning and you intended to do more than the expected one to three letters, if you recall. You also said that you created the no-action letter policy to, and I quote, "capture the spirit of the bill you are talking about in terms of people being able to get their questions answered and have some clear space forward."

It has been over a year since the no-action letter policy was finalized, and so the question is, how many of these letters has the bureau issued at this time?

Mr. CORDRAY. So I thank you again for digging in on this issue, and I remember we talked about it last year and here we are this year. And I would say we continue to struggle with it.

But let me set the framework. We actually respond to people's request for advice in three different ways, okay?

One is we get guidance calls all the time from people in the industry wanting to know how they can comply with this, what can they do about that, if they have two ways in mind can they do one rather than the other, et cetera. We field those calls, often hundreds of calls per week, certainly a steady stream of calls, thousands per year, and we do our best to answer those.

That is one way in which we deal with this. And you wouldn't want to write all those into advisory opinions because you would—that would eat up all the time we have.

On the other end, when they raise issues to us and it becomes clear it is a systematic issue—it is not something specific to that institution but it is the kind question others might be wanting to ask and might be wanting to know the answer to—we work through rulemaking processes to amend and clarify our rules. And we have done that numerous times. I mean, it has been not dozens but hundreds of different issues we have addressed in that manner.

But it is clunky. It takes time; it is, you know, it takes resources. We do that and we are willing to do that, but it is not always the best answer, although it sometimes is a good answer. And we have some rulemakings like that pending right now.

The in-between is what you are describing, the advisory opinion or the no-action letter, and we have now instituted that policy. It has been a lot harder than I would have thought to get that done within the bureau, and it has not yet generated a lot of demand. And so maybe it is not working right. I don't know what to make of that as it stands.

I am not hostile to advisory opinions. When I was attorney general in Ohio we issued them under the state law, 80—

Mr. POSEY. Have any—

Mr. CORDRAY. —100 a year.

Mr. POSEY. Have any requests been denied by the agency?

Mr. CORDRAY. No, I don't believe so, although I think there are discussions where sometimes people decide it is not the best approach, or maybe they get their questions answered informally and they are satisfied with that, or maybe it leads to us undertaking a rulemaking to amend our rules, so—



Mr. POSEY. I have been to the Web site and I have tried to search for this—

Mr. CORDRAY. Yes.

Mr. POSEY. —and I can find, you know, nothing at all. So I would think even—

Mr. CORDRAY. Yes. I would say it is—

Mr. POSEY. —if have issues that you wanted to clarify—

Mr. CORDRAY. We haven't—

Mr. POSEY. —you would post them on site to save you from the redundancy—

Mr. CORDRAY. Yes.

Mr. POSEY. —of having to do it again, and also providing easily accessible certainty.

Mr. CORDRAY. Yes. Look, I would say to you we have not yet satisfactorily found that in-between. We do thousands of questions that we answer and we do a lot of issues through rulemaking; the in-between we have not yet—we haven't mastered that yet.

We could perhaps use some help and working back and forth with the Congress to try to figure that one out.

Chairman HENSARLING. Time of the gentleman has expired.

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

Mr. SCOTT. Thank you, Mr. Chairman.

I just want to say, Mr. Cordray, that the first thing I want to say is thank you. Yours is a difficult job. It is probably the most challenging job in Washington, quite honestly.

Mr. CORDRAY. Probably not right, but—

Mr. SCOTT. And I am particularly anxious to say a few words about this job you are doing because people need to know. This is a free enterprise system; it is a free financial system. And when you live in a free system you are free to do good and you are free to do bad, and that is why we need organizations and agencies like yours in the middle there to separate the wheat from the chaff.

Now, Mr. Cordray, I want to thank also your staff who has worked with me in my office. As you know, you and I have had some differences, but these differences have been done in a way to make sure that those elements, particularly of the low-income and poor people, because they are taken advantage of by some of those unsavory characters.

And you know, Mr. Cordray, I just love the book of Psalms. And in that 44th Psalm it says: Blessed is that man, all right, that helps the poor, and the Lord will be with him in his time of trouble. The Lord will deliver him. The Lord will preserve him and keep him alive and he will be blessed in all the Earth.

And since I have been working with you, you and I share that common bond of caring about the poor, and I think it is important because we got to working together and you and the CFP came up with an excellent program, the safe harbor. That needs to be known—the safe harbor for those qualified mortgages, the Q.M.s.

We also came up with the exemption that CFP gave for remittance to those small creditors. And so I want to commend you for that work, and it has been a joy to work with you on it.

And as I said, my deep concern is—and I have found out is yours—that we have to make sure in this immensely complicated and competitive financial system that the poor, that those at the

lower income, are not taken advantage of, that we give them a seat at the table. And I appreciate you for having an open mind as I have pursued that.

So with that in mind, let me ask you, what steps are you taking in your rulemaking now to make sure that we are not putting an unfair burden on those that have to serve the poor, those—because so many of them. We have 70 million who are unbanked and under-banked. So what are you doing to make sure that the credit union, the small banks, the—and the predatory lenders, they serve them, pawn shop operators—what are you doing to make sure that there—that your rulemaking is not putting any unfair burdens on them?

Mr. CORDRAY. So I thank you for those comments and for the question.

It is pretty much a daily concern at the bureau for how our rules apply to community banks and credit unions, and in many cases under our mortgage origination rules, our mortgage servicing rules, our remittance rules, we have created thresholds that have exempted thousands of community banks and credit unions in each instance because we recognize—and I agree with them when they tell me—they can't bear the same burden of rules as larger institutions can, and they may not be as necessary in their cases because they know their customers, they are rooted in the community, they are subject to community norms. Those things are powerful. You and I have talked about that. We know that.

So that is something that we are trying to do all the time, and we are always open to hearing input from any of you, and these oversight hearings are valuable in that respect, about how we can go back and do a better job on that. Because I know what we hear you hear, as well; and when you tell us about it that matters to us.

The prepaid card rule is also very important in this respect because, as I said, many Americans have bank accounts, most Americans have bank accounts, but there many—a growing number of Americans who do not and are shut out of that system, and the prepaid cards can make all the difference in the world to them.

They can transact safely on them; they don't have to carry cash around. And having the basic protections there that bank account holders have feels to me like equal justice and a very important principle.

Chairman HENSARLING. Time of the gentleman has expired.

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

Mr. MCHENRY. Director Cordray, are you aware of any confidential leaks from the CFPB that led to insider trading?

Mr. CORDRAY. Say that again. Am I aware of any what?

Mr. MCHENRY. Are you aware of any confidential leaks from the CFPB that has led to insider trading?

Mr. CORDRAY. I don't believe I am aware of any, but something that I have learned is critical to be careful about all the way back to when I served as a law clerk on the D.C. Circuit and got our very first—

Mr. MCHENRY. Sure, I know you are versed in this, so—

Mr. CORDRAY. Yes.

Mr. MCHENRY. —unfortunately, the committee staff has learned of suspicious trading activity for the Navient Corporation the morning before the announcement of CFPB's enforcement action. Are you aware of this unusual trading activity?

Mr. CORDRAY. I am not, and if there is something I would be very concerned about it, so I would be glad to hear more.

Mr. MCHENRY. Well, I know you take it seriously. And so specifically on this, you are not aware of any suspicious trading activity or market activity connected with any CFPB enforcement actions?

Mr. CORDRAY. As far as I know, this is the first I have heard that there might be any such concerns. But if there are concerns and if there is some basis for it, I would like to know it and like to know what we can do to make sure that none of that is happening.

Mr. MCHENRY. Sure, sure.

Mr. CORDRAY. Look, we just saw the Federal Reserve chair in Richmond had to step down, I think yesterday, of this kind of thing. And it is not the first time these things have happened in the Federal government, and—

Mr. MCHENRY. So has anybody at the CFPB been investigated for insider trading?

Mr. CORDRAY. Not that I am aware of. I am—

Mr. MCHENRY. Okay. And you would be willing to cooperate with an investigation, obviously, if there were?

Mr. CORDRAY. I would. I actually thought you might be getting at a different point, whether maybe some sort of information leaked out somewhere and somebody else did trading, or are you actually suggesting any CFPB employees were engaged in trading because—

Mr. MCHENRY. Well, it is unclear at this point.

Mr. CORDRAY. —they would be barred from doing anything to affect a company that was under their work or their purview. And we have good ethics lawyers who are very zealous in this regard, I can tell you that.

Mr. MCHENRY. And so you would pledge in the CFPB's—with the—I am sorry, with the bureau's full cooperation with the Securities Exchange, Department of Justice, and this committee if there were an investigation of these trades?

Mr. CORDRAY. I would.

Mr. MCHENRY. Okay. And thank you for that.

It is really twofold question: one, insider trading and bureau employees doing that themselves; the other is the sharing of confidential information.

Mr. CORDRAY. I think just any kind of trading in stocks in any company that you were involved in doing work on or had information about would be—that would be illegal regardless of whether you have leaked information—

Mr. MCHENRY. And I would like to yield the balance of my time to the chairman.

Chairman HENSARLING. I thank the gentleman for yielding.

Director Cordray, I want to go—

Mr. CORDRAY. I would be glad to follow up with you offline, sir, if there is something we should know.

Mr. MCHENRY. Sure.

Chairman's time.

Chairman HENSARLING. I would like to go back and follow up on a line of questioning by the gentlemen from Michigan, Mr. Huizenga.

My review of the records show that I think there have been 181 enforcement actions in the history of the bureau. Does that sound about right to you?

Mr. CORDRAY. I think it is closer to 200 now, but maybe depending—

Chairman HENSARLING. Approximately 200.

Mr. CORDRAY. Yes.

Chairman HENSARLING. Our review of this shows that of those enforcement actions four have been adjudicated and the others have ended in settlement agreements or consent orders. Does that sound about right to you?

Mr. CORDRAY. Well, no. That is a partial picture because we have a lot of matters pending in the courts and they don't all get to final resolution very quickly. So there are a lot of matters—

Chairman HENSARLING. Settlement agreements or consent orders, I have yet to find one where the company admitted to wrongdoing. Do you have records in consent orders or settlement agreements where the company that has paid the fine has admitted to wrongdoing?

Mr. CORDRAY. So again, I gave my perspective on this issue earlier but I will state it again. We conduct an investigation. When a matter is resolved—

Chairman HENSARLING. I understand that, but I am just asking a simple question because I have not been able to find in any of the settlement agreements or consent orders where there has been an admission of guilt. And if I am reviewing the records incorrectly, do you have records showing where the parties have admitted guilt?

Mr. CORDRAY. Again, it is not that simple an issue. I would just like to give you little bit of background on it, which is—

Chairman HENSARLING. Well, can we start with either a yes or no and then give the perspective, Mr. Director? Do you have in your possession settlement agreements or consent orders where the party that has paid the fine has admitted to wrongdoing?

Mr. CORDRAY. I would be happy to have my staff follow up with your staff on that, but I will say—

Chairman HENSARLING. So you are unaware—

Mr. CORDRAY. —when we do orders we have completed an investigation—

Chairman HENSARLING. No, I understand that, Mr. Chairman. It is a simple question.

Mr. CORDRAY. —and we specify all the facts.

Chairman HENSARLING. You are avoiding a simple question. Either you don't know the answer or the answer is yes or no. Do you have them in your possession? Because I am unaware of any.

Mr. CORDRAY. I am here at the committee. I don't know in my possession, but I would be glad to follow up with your staff on that and get you answers on that.

But I will say again, when we issue orders that is one of the paragraphs of an order.

Chairman HENSARLING. I understand—

Mr. CORDRAY. The order details exactly—  
Chairman HENSARLING. Time—

Mr. CORDRAY. —what we found in our investigation—could I just for moment—and that is—that stands as the law of what happened.

They can say, "Oh, I didn't do it," but, you know, it speaks for itself.

Chairman HENSARLING. Okay. I understand that, Mr. Director, but that is exactly the same thing you did at accusations of gender discrimination and racial discrimination.

Mr. CORDRAY. No, that is—

Chairman HENSARLING. Time of the gentleman has expired.

The chair now recognizes the gentlemen from Missouri, Mr. Cleaver, ranking member of the Housing and Insurance Subcommittee.

Mr. CLEAVER. Thank you, Mr. Chairman.

Thank you for being here, Mr. Cordray. I also want to express here that the rural definitions were, in fact, changed and Marshall, Missouri, the three Houston banks that were—that came to me complaining, are, of course, very appreciative. I actually have a letter from the president of the bank expressing appreciation for that rule change.

But let me talk about FinTech, the financial technologies. You know, we are not going to be able to hold back progress that is going to happen, and there is nothing that we can do and perhaps there is nothing we should try to do.

The problem, of course, is that with each new technology we have new challenges. And studies are showing that algorithms are not necessarily unbiased, that they can be biased.

And so, you know, as small businesses are trying to get these on-line loans through FinTech, is there something that the Consumer Protection Bureau can do to assure that these algorithms are not used exclusively to the detriment of minorities?

Mr. CORDRAY. So it is an excellent question, and I know we just had an exchange of correspondence on this.

Let me first go to your first point, though, because you made the point that the rural definition issues did get cleared up.

Mr. CLEAVER. Yes.

Mr. CORDRAY. And, you know, maybe it took longer than it should and maybe we were too narrow to begin with, but we listened and we worked with the Congress on it and we got it fixed. And if people are still having any concern about that rural definition, I would be glad to hear it or to deal with any particular institutions, because I think it is now in pretty solid fashion, and I would thank the Congress because your intervention mattered on that.

As to the FinTech issues that you are raising, we have just put out a request for information because we are very interested in these issues around the data that is used to underwrite loans, and there are some new opportunities to look at different data. We are not imprisoned within the narrow lines of the old credit reporting system, which often was kind of clunky and only—like it only counted, you know, your housing if you had a mortgage because then that was a loan and it was, quote, "credit." But if you paid

rent faithfully for 20 years they gave you no credit at all for that on your credit report, so you were like you didn't exist. That doesn't feel like the right answer.

The algorithms that are being used and other methods that are being used now pose risks. They also create opportunity, and we have put out a request for information to hear from all sides. I think that is open until—I think—I can't remember. There are two that are open and this one may be open until May.

We want to hear what the risks are, the same kind of issues you raised with us, how they can be mitigated, and we also want to think about whether this might open up the credit box for more Americans. We did a report—a very notable report that got a lot of interest—on the fact that there are 45 million Americans that are essentially credit-invisible. They either don't have enough in their credit file to offer them any credit or it has maybe been inactive too long—45 million Americans are shut out of the credit system and they can't get loans, and they can't have opportunity from loans. That is a bad thing.

We are in favor of access to credit, access to sound credit, and the issue here is whether there are other ways to look at other data and underwrite these loans so that more people could—and many of them are in minority communities or disadvantaged communities—that they could be really understood more fully to be good credit risks. At the same time, that could pose risk and we want to be careful about that.

So I think we are embarked on an inquiry of exactly the kind that I think you are interested in and we will be glad to keep you posted on that as we go. We either have just heard or are going to hear a lot from people by mid-May, and then that is going to spawn further conversations and possible actions, I would guess, depending on what we hear.

Mr. CLEAVER. You probably won't have time to respond to this, but I am becoming increasingly concerned looking at these young people out here behind you in the green shirts. They look college-age and we are having a problem that I think is going to eventually explode.

Right now there is \$1.3 billion in defaults.

Mr. CORDRAY. Yes, yes.

Mr. CLEAVER. I don't have time to go any further, but it is a big problem. We have over 3,000 student loans defaulting every day. That is 28 an hour—28 seconds. That is one in every 28 seconds. Thank you.

Mr. ROSS. [Presiding.] Gentleman's time has expired.

Would you like to respond?

Mr. CORDRAY. Just 10 seconds.

Mr. ROSS. Absolutely.

Mr. CORDRAY. We hope to work with the new administration's Department of Education, just as we had worked with the prior department's, Department of Education on those issues, and we are open to having further productive dialogue and action around that problem. It is a significant problem.

And it is not just young people. We did a report. Many older Americans actually owe student loans, either for their children or

grandchildren, and it is a broadening concern throughout our society.

I am sorry. Thank you.

Mr. ROSS. Thank you, Director.

The chair now recognizes the gentleman from Illinois, Mr. Hultgren, for 5 minutes.

Mr. HULTGREN. Thank you, Chairman.

Thank you, Director, for being here.

I want to follow up on my friend's comment on work—bipartisan work, just to get your thoughts on student loans and specifically student loan disclosure. To your knowledge, is there any other form of consumer loan other than Federal student loans, a consumer loan that is not required to disclose the annual percentage rate before issuance?

Mr. CORDRAY. So you are asking if there are any other loans—

Mr. HULTGREN. Consumer loans, yes, that don't disclose annual percentage rate before issuance?

Mr. CORDRAY. I think that that is typically required by statute under the Truth in Lending Act for most loans. There may be some exceptions or exemptions here and there so I don't want to be categorical, but that is—

Mr. HULTGREN. Yes. Again, something that we are doing in a bipartisan way is—and I would ask, would you agree that all borrowers of student loans, including those issued by the Federal government, would benefit from the disclosure of the annual percentage rate when making the decision to assume student loan debt?

Mr. CORDRAY. So people have different views on that. I will just say it is typically required by statute. But when we did testing with consumers on the APR on our Know Before You Owe forms, consumers were quite confused by that. So—

Mr. HULTGREN. Let me move on to my next thing. And we agree in a bipartisan way, many of us, that it is helpful. Transparency is important and there is a problem there.

Mr. CORDRAY. Yes, I am just—

Mr. HULTGREN. Let me move onto something else—

Mr. CORDRAY. —not everybody agrees—

Mr. HULTGREN. Mr. Director, in past hearings in the committee staff reports we have alleged that the true purpose of your indirect auto activities was to regulate auto dealer compensation, over which you have no jurisdiction under the Dodd-Frank Act. The Campbell-Brownback amendment could not have been more clear in that.

You have always testified to the effect that of saying that you are only addressing lenders and that you are careful not to step over that line, but we now know that—

Mr. CORDRAY. Yes. That is right.

Mr. HULTGREN. —answer is hogwash.

Mr. CORDRAY. No, no—

Mr. HULTGREN. You may ask, how do we know this? And, well, because we have your documents, Mr. Director.

I want to enter into the record a document dated July 9th, 2012, entitled, and I quote, "Notes from the Auto Finance Discrimination Working Group Attended on Behalf of Non-Bank Supervision by Callie Bracy," end quote. Mr. Director, this document—

[The information follows:]

\*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

Mr. ROSS. Without objection.

Mr. HULTGREN. —this document has not been previously released by this committee. It contains a detailed summary of the second ever meeting of a special working group put together to discuss Direct Auto. According to this document, the working group was chaired by Patrice Ficklin and Rick Hackett.

The document describes the bureau's preliminary research efforts, and then comes the smoking gun. The document says, and I quote, "To figure out what to do to prevent disparate impact the thought is that we should eliminate dealer markup," and I end quote.

So, Mr. Director, there you have it. Notwithstanding your prior testimony, the operating theory behind all your agency's indirect auto efforts from the beginning has been to, quote—and I quote again—"eliminate dealer markup," end quote. Mr. Director, aren't you alarmed that your agency planned to regulate dealer compensation in clear violation of the law?

Mr. CORDRAY. No, no. I think there are several things that aren't correct about that account, okay? First of all, when you are referring to document from 5 years ago I am not familiar with it offhand, but I will say this—

Mr. HULTGREN. We will make sure you get—

Mr. CORDRAY. —we have never—

Mr. HULTGREN. It is from your office.

Mr. CORDRAY. We have never taken any enforcement or supervisory activity against any dealership unless they were buy-here-pay-here, which is within our jurisdiction. We have been very careful to observe that line.

But we do have responsibility over auto lenders, and we had the dilemma of how to deal with that responsibility when, in fact, they and dealers often work together in making the loans.

Mr. HULTGREN. Well, that is not what this document says. Again, it says, the intent here—

Mr. CORDRAY. No, it says—

Mr. HULTGREN. Let me keep moving on. I have only got a minute-and-a-half left.

Mr. CORDRAY. If I could—

Mr. HULTGREN. Other people have 10 minutes; I have got 5.

According to the other bureau documents, on May 20, 2013 you held a meeting with your senior staff in preparation for which a briefing memorandum was circulated stating the meeting's purpose was to, quote, "to continue discussion around a market-tipping settlement that would resolve the discriminatory practices caused by dealer markup by eliminating markup at many major automotive dealers," end quote.

Do you recall this memorandum?

Mr. CORDRAY. I don't offhand, but that would refer to dealer markup as part of lenders lending—

Mr. HULTGREN. Well, again, we will provide that to your staff. And we actually did provide it to your staff ahead of the hearing to help you refresh your recollection. We also released it publicly as part of our staff report in 2015.



Mr. CORDRAY. Yes.

Mr. HULTGREN. At the time your bureau was pursuing a consent order with Ally. Isn't that right?

Mr. CORDRAY. We did pursue and conclude a consent order with Ally. I am not sure exactly what timeframe you are referring to.

Mr. HULTGREN. Well, your own bureau documents say that you were, on October 7, 2013, a draft decision memorandum states that your bureau sent Ally a proposed action response request letter informing the company that an enforcement—

Mr. CORDRAY. I don't dispute that.

Mr. HULTGREN. —action was likely on January 15, 2013.

Director Cordray, your bureau reached its indirect auto lending settlement with Ally at a time when it had an unprecedented leverage over Ally. At the time, Ally had an application pending before the Federal Reserve for status as a financial holding company.

The CFPB sent notice of its intent to bring an enforcement action against Ally on January 15, 2013. Ally would have to divest its insurance and used-car remarketing operations if the Federal Reserve did not approve its application for holding company status by December 24, 2013.

At the same time, the FDC—I am sorry, FDIC was conducting a Community Reinvestment Act review of Ally. Your staff drafted the decision memorandum dated October 7, 2013 showing that your bureau was fully aware of the implications of this.

I think there are real problems here. Again, using authority at a time to force auto dealers and to push an agenda.

My time is about to expire. I yield back.

Mr. CORDRAY. If I could? Can I?

Mr. ROSS. Please.

Mr. CORDRAY. Okay.

Mr. ROSS. Briefly.

Mr. CORDRAY. When we bring an action we always hope to resolve it on appropriate terms. Sometimes the institution is not willing to resolve it and sometimes they are.

That is up to them. That is a choice they make. That was a decision that they make.

It is not a decision that affected—that involved dealerships. We have never brought an action against dealerships that are not buy-here-pay-here; that is not within our jurisdiction. It is the case—it is an unfortunate thing in this market—that lender programs and dealer programs kind of intersect and you can't—

Mr. HULTGREN. What bothers me is that—it is stated—and using power to force—

Mr. ROSS. Gentleman's time has expired.

Mr. CORDRAY. I don't think that is what we did. Not what we did.

Mr. ROSS. Gentleman's time has expired.

The chair recognizes the gentleman from Illinois, Mr. Foster, for 5 minutes.

Mr. FOSTER. Thank you.

And thank you for appearing today, Director Cordray. It has been too long since you have been before this committee.

You know, I was on the Financial Services Committee both during—

Mr. CORDRAY. I missed you, too.

Mr. FOSTER. Thank you. And I was on the Financial Services Committee both during the financial collapse at the end of the Bush administration and the regulatory response, the Dodd-Frank bill, to ensure that families in America never had to undergo this sort of catastrophe again.

The catastrophe was caused by the simultaneous collapse of all three legs of our financial system: the collapse of Republican monetary policy, Republican fiscal policy, and Republican regulatory policy.

And if you look more closely at the regulatory failures that led to this, there were really two parts. The Wall Street collapse was driven by largely inadequate bank capital requirements and huge off-balance sheets, unregulated driven exposures. But more important to the middle class was the part that was driven by inadequate consumer protection that drove a housing bubble that decapitalized the middle class and injected trillions of dollars of questionable mortgages into our financial system and ultimately destabilized it.

As a result of that, the average American family lost over a \$100,000 and millions of Americans lost their jobs.

During the debate over the Dodd-Frank Act we considered whether the agency should be headed by a single director or be a commission, and obviously that debate continues both in the courts and perhaps in legislation.

But no matter how this debate turns out, there should be no debate that the CFPB has been just a tremendous victory for the American consumer and a victory for the long-term financial stability of this country.

And, you know, a previous questioner brought up your work on FinTech, which was—I had intended to make the main line of my questioning. And I just want to comment that, you know, that is government regulation at its best when you are looking around the corner at future threats that will destabilize the financial system in the U.S. and future threats to, you know, consumer safety.

And so the fact that you are looking ahead of the curve on that, I think, is just an indication of the high quality of the operation that you have set up. So I thank you for that.

There has been a lot of discussion in the previous questioning about rural and community banks, and small community banks are under stress. And I think that it is important that we not mistake the financial stress that small-town America has been under for decades and, frankly, is likely to continue. It is due to fundamental, long-term economic trends and it, you know, it breaks my heart, and I don't know an easy solution.

But we should not confuse the stress of small-town American and—with—and the stress of small financial institutions with the need to adequately regulate them, that just as much damage is done to someone in a rural area where—when they are subject to financial abuse.

And I didn't see a big difference when they displayed the number of complaints you have had from rural states to, you know, to urban states. I think that you get a comparable number of com-

plaints per person from either area, and I think that you have to keep your eyes open in both, so thank you for that.

There is a trend that has been important in trying to ensure the survival of small community banks, for which there is a lot of support on both sides of the aisle, and that is because of the economies of scale for things like cyber defense and everything else, small community banks are more and more using third-party data—back-office data systems.

And this provides an opportunity to really lessen the burden of regulation on them when the data can be extracted in a standardized way from the third-party data vendors directly. And there are two things. I have heard, actually, from some of the State-regulated banks that there are difficulties in the data-sharing between Federal and State regulators that cause some duplicity—not duplicity, but duplication of, you know, of inspections.

And so this is, you know, this is something where I think some positive improvement can be made to take advantage of those economies of scale. And I was wondering, you know, have you started to experiment using direct data extraction so that the compliance can be verified using the third-party vendors? And is that a promising avenue for lessening the regulatory burden on us?

Mr. CORDRAY. I think it is. And we have started to put even more emphasis on technology in our examination processes.

We also collaborate closely with the Conference of State Bank Supervisors and we have a very productive relationship with them. They are very helpful to us and we try to be very helpful to them, and we try to share a lot of information.

So to the extent that was true in the past, I think it is less true now that we have any difficulties in sharing information.

I think Federal-State has been a problem area in the past. I know it from the State government side before.

But what I would say is we are also now starting to look directly at some of these large technology service providers to the banks and credit unions, understanding that going to look at the bank or credit union may be less useful than looking at back-office operations that supply the same function for hundreds or even thousands of institutions, and if we can make sure that they get it right then it is that much easier for the bank or credit union to know that they are getting it right, and that becomes a technology issue.

Mr. ROSS. Gentlemen's time has expired.

Mr. CORDRAY. Thank you.

Mr. ROSS. I now recognize myself for 5 minutes.

Mr. Director, one of the things that I think is impressive about financial regulations in our country has been the state-based system of insurance regulation. With regard to capital requirements, with regard to rate-making, and with regard to consumer protections, our state based system of regulation over insurance has been somewhat successful, and I would say probably a model throughout the world.

Would you agree that under Dodd-Frank the CFPB has no jurisdiction over the business of insurance?

Mr. CORDRAY. Correct. As a basic matter, mortgage insurance within the mortgage market can be relevant but—

Mr. ROSS. And specifically with regard to the purposed arbitration rule, which seeks to broaden the scope to take in life insurance policies to require arbitration with regard to the extension of credit on whole life policies, is that not a little bit over-reaching?

Mr. CORDRAY. I think if we were trying to dictate something for the life insurance industry, that would be over-reaching and—

Mr. ROSS. Because actually with the contract of insurance is and of itself the policy. Without the contract there would be no insurance; without the collateral, the cash value, there would be no loan, and any loan taken against it would be really just offset from the proceeds of the insurance. So—

Mr. CORDRAY. Well, I may not be capturing all the nuance, but I do generally agree with you. Insurance is typically regulated at the state level and it is outside the preview of the CFPB by a specific exception.

Mr. ROSS. And so you would agree, then, that the proposed arbitration rule would not apply to the scope of life insurance policies?

Mr. CORDRAY. As a general matter, I think that is right. Whether there is some sort of corner issues here I am not entirely sure, but I think that is right.

Mr. ROSS. And are you aware of anything else going on within the CFPB to regulate insurance products whatsoever?

Mr. CORDRAY. Again, mortgage insurance, when it is caught up as part of the mortgage transaction, there are some issues there around disclosures and the like. I believe, you know, in fact, the PHH case has to do with the captive reinsurance program that we believe violated the RESPA statute. And, of course, the company disagrees, and that is in front of the courts and the courts will decide it.

Mr. ROSS. Let me change—

Mr. CORDRAY. But basic insurance is not part of our—

Mr. ROSS. Right.

Mr. CORDRAY. It is in some countries; it is not in the United States.

Mr. ROSS. Not. And therefore, the CFPB should really not participate in that—

Mr. CORDRAY. And if you have—if there are issues you are hearing about that we should know about, feel—

Mr. ROSS. You got it.

Mr. CORDRAY. Feel free to have—

Mr. ROSS. You will be the first.

Mr. CORDRAY. Yes.

Mr. ROSS. Let me ask you with something with regard to payday lending. This has been quite an industry that has been, again, regulated predominately by some states. Some states regulate it; some states outlaw it.

Mr. CORDRAY. Yes.

Mr. ROSS. Some states just don't have any regulation on it at all. And yet, you have a proposed rule, and I think to date you have received over 1,334,000 comments—

Mr. CORDRAY. Sounds about right.

Mr. ROSS. —and I think 600,000 have come from Florida.

When do you anticipate the rule to be released and implemented?

Mr. CORDRAY. I don't know. I can't tell you.

As you just described it, digesting and analyzing those comments is a big job and they are supposed to influence what we would think about the rulemaking, and they will.

Mr. ROSS. My concern is that if this essentially annihilates this particular supply of credit that is being used by millions of Americans every day, what is the recourse?

And specifically, here is a request—comment made, sent to Monica Jackson, Office of Executive Secretary, from a lady in Florida, a Ms. Pritchard from Leesburg, Florida. And she says, "I am a single parent and lately there have been issues with my child support payments posting to my card on time. Unfortunately, my kids have to still eat and whatever necessities they are in need of.

"The cash advance is a big help to me. I can only borrow what I can pay back and I have a steady job. If these new laws take place this would place in my—place me in a financial hardship, and my credit is poor so I can't get a loan through a bank or other lender. Please don't punish us with these changes."

How would you respond to Ms. Pritchard if the payday lending industry was eliminated by way of rule?

Mr. CORDRAY. Yes. And, by the way, I have had a number of these discussions with your banking supervisor from Florida, Drew Breakspear, who is a very capable—

Mr. ROSS. Very good man, yes. I agree.

Mr. CORDRAY. —a strong regulator. And essentially—

Mr. ROSS. She has got to have a—

Mr. CORDRAY. Yes, I know.

Mr. ROSS. This is a demand-driven industry that requires a supply.

Mr. CORDRAY. Understood. Understood.

The proposal here was an effort—and we may not have gotten it right, and this is something we are thinking about in light of comments—to make sure that people could get access to a loan when they need it, but that they wouldn't get trapped into this cycle of 8, 10, or 12 loans—

Mr. ROSS. And I agree, and I think Florida has been a good example of that. But then again, if the rule effectively eliminates this particular industry, where else do they go?

If they can't go to a bank, do they go online? Do they go overseas? Do they go to a loan shark?

I mean, we are not eliminating the demand, and I think that is what we have to be very compassionate about.

Mr. CORDRAY. You are absolutely right on that. It is an absolutely fair and very good question.

And again, a notable point here is there are 14 states in which these particular kinds of loans are outlawed. That is not something the bureau is proposing to do, but it is true of 14 states, tens of millions of Americans, and there are other credit products that they access, including pawn loans or including credit card loans, advances, or other things. And, you know, there does not seem to be any particular harm to those consumers in those areas and they avoid that prolonged debt trap.

These are the kind of hard issues that have brought us to this—

Mr. ROSS. I agree. And again, I ask you just to take a look..

Mr. CORDRAY. Yes.

Mr. ROSS. —at the state of Florida. I think it has done a very good job as a state regulator in that industry.

My time has expired.

The chair now recognizes the gentlemen from Maryland, Mr. Delaney, for 5 minutes.

Mr. DELANEY. Thank you, Mr. Chairman.

And thank you, Director Cordray for your exceptional public service. The job you have done across the last several years has been a very difficult job, considering some of the opposition you have received, obviously, and considering the scale of the undertaking you had to assume.

But it has been a very important job, and I think you have done it to a remarkably high standard, and I applaud you. I hope you do stay on, but if that doesn't happen I am sure you will be incredibly successful in whatever field of endeavor you choose in the future. So I just wanted to start by thanking you for your service.

Mr. CORDRAY. That is very kind.

Let me just say, the so-called opposition doesn't bother me. I always hope that I can be persuasive and we can see eye to eye and find common ground—

Mr. DELANEY. And you seem run at criticism, which I think is a good—

Mr. CORDRAY. That is all right. That is okay. Criticism is fine because criticism we can learn from, and I try to do that.

Mr. DELANEY. And they—

Mr. CORDRAY. It is a hard job because there are all these markets and all this—all these difficult issues and—

Mr. DELANEY. And you have had to stand up this agency.

Mr. CORDRAY. —many of the—many of your colleagues have raised today, so—

Mr. DELANEY. And you have had to stand up to this agency, which I applaud you, too, because I think the work of the agency has been terrific.

I wanted to kind of ask you about kind of a more of a kind of a pure public policy question, which is one area that I have worked on is trying to create nonprofit financial institutions, nonprofit banks, which are not technically allowed under banking regulations right now because banks—and you can understand why regulators feel this way; they would like to see banks make a profit because that contributes to capital and makes them, you know, safer and more sustainable.

But it seems to me in some of these markets that have been underserved by traditional financial services, where unfortunately consumers or citizens in those markets really do have to turn to some of these financial products that we know really entrap them—very high rates and things that they can't get off of—that if we could create a mechanism for philanthropists, many of which want to invest in these communities, and they do substantially—they do it through investing in low-income housing; they do it through financial literacy programs; they do it through a whole variety of ways where they are trying to actually help some of these people who have largely been left behind.

But at the center of anyone's kind of normal financial life is a bank. And so many of these people are unbanked.

And it seems to me if we could create banking institutions that had a nonprofit charter that had a revenue model—in other words, they charge interest and fees, you know, normal kind of levels—but that their operations were further supported by philanthropic dollars probably coming from that community so that they could add that layer of financial literacy, so that they could go into markets where the cross-sell opportunities aren't available to make the business model work, that that would actually create an alternative for these citizens in some of these markets.

But they can't do it right now. They have to work around it.

There have been some efforts to do it. It has been very, very hard.

So I am just interested in your thoughts on, as a matter of public policy, do you think this is an interesting direction for us to be thinking about? Because I want to not only think about appropriate regulations to rein in, but also stimulating more appropriate, prudent, fair financial services in some of these communities that are so desperate—desperately need them.

Mr. CORDRAY. Yes, it is an interesting question. And I know you—I know from your background you have an unusually sophisticated perspective on these kinds of issues, and we do not deal with the setting up or the licensing or the structure of banks—

Mr. DELANEY. Right. That is why it is more of a question of policy.

Mr. CORDRAY. But we do deal with the credit unions, which are nonprofit financial institutions, and they do tremendous good work across this country on behalf of their members and often in rural communities. And then we have the CDFIs, which have a peculiar focus more along the lines of what you describe, and they do tremendous good work if they get support and have the support that they need. And I would say that those things are very helpful.

We also have been trying to think about in these markets—and it goes to the questions Congressman Scott was asking earlier about what about those who are shut out of the banking system or shut out of the credit system? How can we provide access for them? Is it possible to do that on a responsible basis?

And the prepaid cards and accounts are one way if they have the right protections. That is important.

And also, I would say that safe accounts at banks and credit unions that don't necessarily involve overdraft or that kind of risk. Many banks and credit unions are offering those accounts and they are getting a lot of take-up, especially among millennials who are worried about these kinds of fees and things that surprise them.

So anyway, it is an ongoing problem in America: How do you open more opportunity in more places where people don't necessarily share in the same opportunities as others? We don't like to think our lives are bounded by our zip code that we come from, whether in education or anything else.

And if there are ways that we can help on that, we want to do so. We are glad to work on both sides of the aisle on those kinds of issues.

And your idea might be a good one. I just don't know enough to say one way or the other.

Chairman HENSARLING. [Presiding.] Time—

Mr. DELANEY. Thank you again, Director.

Chairman HENSARLING. Time of the gentleman has expired.

The chair now recognizes the gentlemen from North Carolina, Mr. Pittenger.

Mr. PITTENGER. Thank you, Mr. Chairman.

Director Cordray, good afternoon.

Director Cordray, I come as one who is here to—

Mr. CORDRAY. Congratulations on the national championship, by the way.

Mr. PITTENGER. Yes, sir. Thank you. Had my Carolina towel on yesterday. It was a great day.

But I come one who has his responsibilities in oversight through Article One. I have my responsibilities to the taxpayers of my district and this country. And knowing that, I realize that your appointment as director, given through the Dodd Frank bill, gives you really unlimited power and basically unchecked. You are not responsible to us except to come twice a year for a few hours to—

Mr. CORDRAY. I take that very seriously.

Mr. PITTENGER. Well, thank you. And I—

Mr. CORDRAY. And hope you see that.

Mr. PITTENGER. —I am glad that you do. But essentially, you get your budget from the Fed—your funding. There is really no budget.

And there is essentially no accountability. The President can't fire you except for some egregious fraud or abuse.

So in that context, what I would like to—I would like to ask you a few questions.

Mr. CORDRAY. Okay.

Mr. PITTENGER. You know, the GAO conducted a study recently of the advertising, public relations funds that were spent by the various agencies in the government. Maybe it is known by you, but the CFPB won. You were the big winner in terms of percentage overall spent from your budget. And—

Mr. CORDRAY. I am sorry, spending on what?

Mr. PITTENGER. On advertising and public relations.

Mr. CORDRAY. Okay. All right.

Mr. PITTENGER. Yes, sir.

And, you know, this is an amount that equaled about 2.5 percent, a very significant amount of money. And yet, at the—there was no other agency that came close to you. In fact, you were greater than the Department of Defense.

I guess I would like to ask you, do you feel like the mission of your agency is more important than the Department of Defense, whose objective, of course, is to recruit—

Mr. CORDRAY. No, I certainly don't. I certainly don't think so.

Mr. PITTENGER. So you would—

Mr. CORDRAY. And by the way, we read that report differently. It pointed out that there are 10 agencies of the Federal government that do 95 percent of the advertising of the Federal government, and we are not one of those.

We do devote a small percentage of our budget—

Mr. PITTENGER. The ones studied, sir—

Mr. CORDRAY. —to marketing.



Mr. PITTENGER. —I must say—let me claim my time. The ones that were studied showed that you spent more than any other agency. Now, point of fact there.

Mr. CORDRAY. Depending on how you—

Mr. PITTENGER. Your budget had \$20 million for advertising that went to one firm, GMMB. This is a well-know, you know, progressive advertising firm with close ties to the Obama administration, and then Clinton came—

Mr. CORDRAY. I don't know anything about that.

Mr. PITTENGER. —Jim Margolis. He was a senior partner for the GMMB and served as senior advisor for President Obama and senior immediate advisor for the Clinton campaign in 2016.

Mr. CORDRAY. So—

Mr. PITTENGER. In that context, do you—

Mr. CORDRAY. I don't—

Mr. PITTENGER. —do you feel like—

Mr. CORDRAY. I don't have anything to do with making those awards. That is done through competitive bidding and through the proper processes—

Mr. PITTENGER. It just happened that the—

Mr. CORDRAY. —and we get scrubbed regularly by the I.G. and GAO on those processes.

Mr. PITTENGER. That is about 3 percent of your budget. Your advertising budget was \$20 million. It is a huge amount that just happened to be—

Mr. CORDRAY. No, it was less than that.

Mr. PITTENGER. —that you were aligned with a very progressive, known group. Does this reflect that you are biased, or do you—does it really mean that your message is fundamentally progressive and Democrat activists are really the best ones to carry the message?

Mr. CORDRAY. I didn't know anything about that until I read articles making that point. Again, these are awarded competitively. I don't even know who these people are.

You know, I am not trying to make an award to some crony or something, if that is the implication. I mean, I just think, you know, if you look around, almost all the contracts of the Federal government may have—they helped someone or other. I don't know who they are.

We do competitive bidding. I—

Mr. PITTENGER. Sir, there are a lot of things—

Mr. CORDRAY. —pretty much stay out of those things.

Mr. PITTENGER. —today that you have not been familiar with that we have brought to your attention many times, so I guess we have to take that in balance.

So your budget, you spend double of what any other agency spends on advertising. This is a record that we have. And a substantial portion of this, of course, goes, as I said, to one firm.

Do you feel like that there is any impropriety in this?

Mr. CORDRAY. I think that marketing is consistent with our statutory mandate to make tools and resources available to Americans, which can only happen if they are aware of them. We do precious little of it compared to what the private sector does—

Mr. PITTENGER. Do you understand the perception that is out there—

Mr. CORDRAY. —in terms of advertising products.

Mr. PITTENGER. —in the marketplace and the concerns that we have in terms of the alignments with progressive groups that are very outspoken progressive groups that would be—

Mr. CORDRAY. Look—

Mr. PITTENGER. —your support for—

Mr. CORDRAY. What I would say it, you know, the—we actually are—

Mr. PITTENGER. It is consistent with—

Mr. CORDRAY. —we are a smaller contracting agency than most, but you could look across all of our contracts and you could look and see who they are, and you might get—I don't know what the picture would be. I honestly don't know what the picture would be.

We are just trying to do our job as best we can. We are not trying to reward people—

Mr. PITTENGER. I hear that more times—

Mr. CORDRAY. —or do favors for people.

Chairman HENSARLING. Time of the—

Mr. CORDRAY. It is just not what we are about.

Chairman HENSARLING. Time of the gentleman has expired.

The chair now recognizes the gentleman from Texas, Mr. Green.

Mr. GREEN. Thank you, Mr. Chairman.

Thank you for appearing, Mr. Cordray. And I would remind persons that you are the first and only agency with a single mission of protecting consumers.

You are it. There is nothing like you in the United States. When I say "you" I mean the agency itself.

Mr. CORDRAY. I think both sides of the aisle could agree that there is nothing like us in the United States perhaps, yes.

Mr. GREEN. And some of us would be grateful that you exist. There may be others who would differ.

But you are the only agency with this purpose, and you have succeeded. The empirical evidence indicates that you have succeeded: billions of dollars returned to consumers—by one estimate, \$12 billion or more; millions of complaints having been filed, but you have had over a million complaints that you have processed one way or another.

And as I listen to my colleagues, one might think that you are the culprit, that you are the entity that ought to be persecuted and possibly prosecuted.

Let's talk about Wells Fargo, for example. It was Wells Fargo that opened up approximately 2 million—depending on who is counting and how you count—2 million accounts without authorization, not the Consumer Protection Bureau.

Mr. CORDRAY. You are right. I didn't do that.

Mr. GREEN. You didn't do that; it was Wells Fargo. It was Wells Fargo that has been fined and penalized about \$185 million, not the CFPB.

But listening to my colleagues, one would think that it was the Consumer Protection Bureau, the agency that is there to protect consumers, that is the culprit.

It is Wells Fargo, quite frankly, that ought to have somebody prosecuted. To date, has anybody been prosecuted for what happened over at Wells, Mr. Cordray?

Mr. CORDRAY. I am not aware of any charges, although I believe that a number of different agencies and prosecutors at different levels of the government have said that they have opened investigations, so I don't know where those stand.

Mr. GREEN. Well, I think that investigations ought to be opened and I think somebody ought to be prosecuted. We can't have a circumstance where you open up millions of accounts without authorization and the guy at the top gets a golden parachute and he is out.

People at the bottom, the entry-level employees, may end up holding the bag. They may be prosecuted.

My hope is that some of these people in upper management will be prosecuted. The evidence is there at least for a prosecution.

There may not be a conviction but there is probable cause, and I am going to write the Justice Department. I am going to ask the Justice Department to investigate for the purposes of prosecuting persons who committed crimes at Wells.

Wells Fargo is a good company, otherwise. I am not a guy who thinks that Wells Fargo ought to go out of business because they have made some mistakes, just as I think my colleagues ought not want to put the CFPB out of business because of a few mistakes that may have been made there.

The judiciary makes mistakes. If you would listen to some of my constituents and their complaints about the judiciary, you would think that the whole judiciary is a fiasco of some sort. But nobody wants to put the judiciary out of business.

We want to see a judiciary continue to function. We want it to function efficaciously, but we want to see it continue to function.

So I can't understand, to be quite honest with you, why people would want to eliminate the first and only agency with the mission of protecting consumers. That is your soul mission: protecting consumers.

And, Mr. Cordray, I want to compliment you for standing your ground—standing your ground against the odds.

What kind of odds? \$2.3 million per day being spent against the CFPB. \$2.3 million per day, and you still stand. Sixty-plus hearings where you have had to come and testify, and you still stand. People are trying to sue you to get you out of office, and you still stand.

I compliment you for standing for consumers, Mr. Cordray. And I want to give you just a few seconds, if you would, to say a few things about why you are standing.

Mr. CORDRAY. Stubbornness, I guess.

But, look, we saw what things were like in the—led up to the financial crisis. And by the way, when we are talking about community banks and credit unions, nothing kills them off faster than a financial crisis that blows up the economy and a bunch of them go out of business. And that happened in 2008, 2009, and 2010, and it happens every time we have a crisis going all the way back to the Depression, so—

Chairman HENSARLING. Time of the gentleman has expired.

The chair now recognizes—

Mr. GREEN. Thank you, Mr. Cordray.

Chairman HENSARLING. —the gentlemen from Pennsylvania, Mr. Rothfus.

Mr. ROTHFUS. Good afternoon, Director Cordray. Over here.

Mr. CORDRAY. Yes.

Mr. ROTHFUS. I would like to ask a few questions about the CFPB's Civil Penalty Fund. This committee has been trying to understand how the CFPB goes about identifying uncompensated victims eligible for payment and assessing the extent of damages for which the victims should be compensated.

As far as I can tell, this is an incredibly opaque process and the CFPB has been less than forthcoming in response to committee inquiries. The Global Client Solutions case is a good example of this.

The CFPB settled with GCS, a debt settlement payment processor, over its alleged involvement in facilitating the collection of illegal upfront service fees. It is important to note that GCS is a service provider for debt settlement companies and not a debt settlement company itself that would have a direct relationship with consumers.

Nonetheless, CFPB reached an agreement with GCS in August 2014 requiring the firm to pay \$6 million in relief to consumers and a \$1 million civil penalty. In the consent order GCS did not admit nor deny allegations in the complaint.

The CFPB then allocated \$107.9 million from the Civil Penalty Fund to compensate eligible victims of the debt settlement firms that contracted with GCS for eligible uncompensated harm.

Again, the CFPB took in \$1 million from GCS, the backend service provider for debt settlement companies, and disbursed over \$100 million to alleged victims of the actual debt settlement companies that would have had the relationship with the consumers.

Mr. Cordray, who is responsible for allegedly charging the illegal upfront fees to consumers?

Mr. CORDRAY. So there were a number of companies that used Global Client Solutions as essentially its—their mechanism for succeeding in ripping off thousands and thousands of consumers across the country. We believed and—

Mr. ROTHFUS. Is GCS—

Mr. CORDRAY. —we found—

Mr. ROTHFUS. —responsible for those upfront fees?

Mr. CORDRAY. It depends on how much awareness and conscience disregard GCS would have had. Let's say it this way—

Mr. ROTHFUS. Okay. I have a document that the bureau provided to this community that lists 208 of those debt relief companies that used GCS and allegedly charged unlawful advance fees to more than 66,000 consumers. Of these 208 companies, how many of them did the CFPB hold accountable?

Mr. CORDRAY. So, look, what I am saying is—

Mr. ROTHFUS. How many of the 208 companies that were charging the upfront fees did the CFPB hold accountable?

Mr. CORDRAY. So in some instances we go after both the facilitator and the—

Mr. ROTHFUS. Were any of the 208 companies held accountable?

Mr. CORDRAY. So most of them are fly-by-night and they go in and out of business, okay? So—

Mr. ROTHFUS. How many of the 208 companies were held accountable?

Mr. CORDRAY. But here is the problem that we had, okay? You have these companies that are fraudulent companies, they go in and out of business, but they are all using in this case Global Client Solutions—

Mr. ROTHFUS. Are all of these 208 companies out of business?

Mr. CORDRAY. —to be able to effectuate their ill-gotten deeds.

Mr. ROTHFUS. Are all of the 208 companies out of business?

Mr. CORDRAY. I don't know.

Mr. ROTHFUS. Okay. On what basis did the CFPB determine that there were \$107.9 million in uncompensated damages for customers of these 208 firms?

Mr. CORDRAY. So that would be through records from Global Client Solutions because they were the middle man, if you will, in these transactions, and they are the ones who had certain records that could be looked at.

One of the problems with many fraudulent schemes is the record-keeping is poor because they are not trying to keep records; they are just trying to rip people off. And it is often difficult later to identify who the victims are and know how much they lost, all right?

But in this case, you had a payment processing company that essentially was making all of this happen for these sketchy, fraudulent entities.

Mr. ROTHFUS. Well, how do you get from a fairly small settle amount with GCS of \$1 million dollars to more than a \$100 million allocation to alleged victims?

Mr. CORDRAY. That is the beauty of the scheme, isn't it? So I am—

Mr. ROTHFUS. That is the beauty of whose scheme? I mean, you took \$1 million from GCS but you gave a whole \$100 million to consumers.

Mr. CORDRAY. Could I lay it out? So you got a lot of rip-off artists, and they probably all talk to each other and they all realize they can use Global Client Solutions to sort of be their back office for them essentially, okay?

Global Client Solutions doesn't have a lot of a lot of money—

Mr. ROTHFUS. But you got \$1 million dollars from GCS.

Mr. CORDRAY. —necessarily.

Mr. ROTHFUS. You got \$1 million dollars from GCS.

Mr. CORDRAY. Yes, I understand.

Mr. ROTHFUS. Is the CFPB a piggy bank?

Mr. CORDRAY. This is a good news story, if you give me a chance to tell it.

Mr. ROTHFUS. Is the CFPB a piggy bank?

Mr. CORDRAY. No. Global—

Mr. ROTHFUS. Would you be offended by a characterization of the CFPB as a piggy bank?

Mr. CORDRAY. No. What I would say is—

Mr. ROTHFUS. You would not be offended by the characterization of CFPB as a piggy bank?

Mr. CORDRAY. That is not a relevant question.

Mr. ROTHFUS. Well, it is. For the record, they are—the opponents are depicting the CFPB as a piggy bank.

Mr. CORDRAY. What I would say is this: All these people who were ripped off by these fraudulent artists never get their money back, expect that we can use the Civil Penalty Fund to get their money back—

Mr. ROTHFUS. Okay.

Mr. CORDRAY. —and we are getting it back for them.

Mr. ROTHFUS. We have requested records—

Mr. CORDRAY. That is a really good thing. Don't you want us to do that?

Mr. ROTHFUS. No, here. We have requested records relating to GCS from you months ago. Why has the CFPB been so reluctant to provide records to Congress about a major allocation, \$100 million dollars in funds?

Mr. CORDRAY. I don't know that we are reluctant to give records. I don't think we are. I would be happy to work with you to give you all the records you want.

Mr. ROTHFUS. We will continue to follow up with that because we haven't gotten the records we have requested.

Mr. CORDRAY. But this is a good news story. All these people who were ripped off—

Chairman HENSARLING. Time of the gentlemen has expired.

The chair now recognizes the gentlemen from Minnesota, Mr. Ellison.

Mr. ELLISON. Please continue, Mr. Cordray.

Mr. CORDRAY. Okay. So you have people who were ripped off to the tune of \$109 million. Global Client Solutions was the mechanism for making that happen.

They never had \$109 million on hand. The only way to compensate these victims is to go to our Civil Penalty fund, and that is what we are doing.

That is good. That means people in your district may get money back that they got cheated out of. Isn't that a good thing? I think it is.

Thank you.

Mr. ELLISON. You know, Mr. Cordray, there is a chart that has been flipping around up behind you and on the sides that says for every dollar that your agency gets there is \$4 returned to consumers. I think that Americans would say this is awesome, and a lot of members of Congress would even say it is a great thing.

But I can see how some people wouldn't see that as good news because they might be looking at that money as money that could have been returned to some big financial interest and they are really upset because they are not getting that money that they could be getting.

So far I think you might have—your agencies returned what, \$11 billion-plus to consumers. Is that right?

Mr. CORDRAY. That is my understanding, yes.

Mr. ELLISON. So that is the—what I am talking about. For every \$1 spent funding the Consumer Bureau more than \$4 are put back into consumers' pockets. And I think what we are really fighting about today is some people think, "Well, why should that money go back to regular Americans when it could be going into huge finan-

cial firms and be divided up in stock options or dividends or bonuses or whatever else?"

And I really believe that is what we are fighting about because I can't get 2008 out of my mind. I remember we had bedlam and pandemonium around here. There was a week when it looked as though the whole financial system might collapse.

I think that we had unemployment spiking in some areas as high as 15, 16 percent; maybe—I have heard as much as \$17 trillion in household wealth lost; banks going out of business; businesses going out of business. All types of trouble going on all over the place, neighborhoods being hollowed out.

And yet, man, we didn't have—the level of outrage expressed against you is way higher than any derision that some of these companies that have ripped off people have ever had to experience.

I mean, you know, I wish we would have had at least half of this umbrage and outrage directed at CitiMortgage, Wells Fargo, Experian, Navient, Equifax, TransUnion, MasterCard, the list goes on.

But, I mean, I just think that for people watching this we need to know that much of what is happening is theater. It is not really about any of this stuff. It is about the CFPB helping regular people and diverting money into the pockets of ordinary working Americans rather than huge financial interests.

And I am just honored to be on your side, because I am with the people, because as members of Congress we are supposed to be working in the public interest, not the private gain. That is not what Congress is supposed to do.

I mean, it is really shocking, you know, to read—someone from this committee say, "The CFPB has acted unlawfully, routinely denied market participants due produce, and abused powers." Well, I am going to tell you there are a whole lot of companies that have acted unlawfully and routinely denied market access to regular working Americans. I don't see any hate being thrown on them.

And yet, here we go, an agency designed to really sort of correct injustice done to Americans being heaped with scorn left, right, and center.

Let me ask you this, sir: Do you believe that the CFPB is helping regular Americans? Is it rebalancing some of the imbalance that we have seen accruing in this economy?

Mr. CORDRAY. I know we are because that is what they tell us, and people who get helped on our compliant line and get problems resolved often come back and tell us about it and thank us for it. And I know that congressional offices are sending us—referring us complaints, and we are helping work through those, and that is all a good thing.

The other thing I would say, when you say that the return on the investment is that we have gotten \$4 back to consumers, people out in the public, for every dollar spent on us, it is far more than that because that is what we got back to them for things that happened to them in the past. But in each of those instances we don't just look at what happened in the past; we stop them from doing it in the future.

So that means over the next period of time they are going to save that \$4 they otherwise would have lost and it is going to be on into

perpetuity. That is a great return on investment. And I would hope that people who think in those terms would recognize the value the Consumer Bureau and would look to support it, and I would hope to change minds. I always hope to change minds.

Mr. ELLISON. Mr. Cordray, I want to thank you for the work you are doing. I want to urge you not to be discouraged by the misbehavior you have seen, and I want to let you know you are doing a great service for the American people.

Chairman HENSARLING. Time of the gentleman has expired.

The chair now recognizes the gentleman from Texas, Mr. Williams.

Mr. WILLIAMS. Thank you, Chairman Hensarling, Director Cordray.

I am going to forego any opening remarks that I might have this afternoon and get right down to business.

Mr. CORDRAY. Okay.

Mr. WILLIAMS. I think you know by now that I am still a car dealer in Texas.

Mr. CORDRAY. I didn't know you still were, but I knew you had that extensive background, yes.

Mr. WILLIAMS. There you go.

Mr. CORDRAY. A very successful one is what I hear.

Mr. WILLIAMS. Thank you. We have talked about this numerous times.

After listening to some of my—of the testimony today I am kind of starting to think you don't have much respect for my profession. I will get back to that.

Mr. CORDRAY. I would be glad to—

Mr. WILLIAMS. Let me make two quick comments on statements you previously made today real quick.

You said there are no protection on prepaid cards. Well, that is false. All funds are stored at bank partner institutions and all major prepaid providers are Reg E—have Reg E protections.

And then you said the rule is about leveling the playing field. Well, then why create a different regulatory regime on overdraft for prepaid cards than checking accounts?

So I don't need a comment. That was a statement from me.

Mr. CORDRAY. Well, I would like to make one if I could, just briefly.

Mr. WILLIAMS. Well, let me move on, if we have time.

Mr. CORDRAY. Okay.

Mr. WILLIAMS. Let me start by sharing with you some complaints on prepaid cards. Kimberly in Austin, Texas says, "I chose my prepaid card and I believe I should have the right to decide to use services like overdraft protection for a purchase cushion. Please make sure the final CFPB rules allow me to choose features that are best for me."

Kathy in Burnet, Texas: "My prepaid card is just that. It is mine. The government needs to stop trying to control everything and everybody. Our country sure is turning its back on its people."

And then there is Christine in Joshua, Texas: "Overdraft is needed to help me get through paycheck to paycheck."

And then Sharon in Lampasas, Texas says, "Why is the Federal government getting involved in my personal banking decisions?"



And finally, Randall in Cleburne, Texas, who simply says, "Leave my card alone."

So actually, these are, you know, not complaints about what you are—about what the card does; it is about what you are doing.

And so I believe—

Mr. CORDRAY. Could I—

Mr. WILLIAMS. No, let me say this, and we have got a lot of comments from those kind of people. In fact, let me just show you right here. I have got all these are comments just like the ones you just heard from, from hardworking Americans who have actually benefited from prepaid cards, and they should sound familiar to you. These comments were filed during the rulemaking process.

But apparently you didn't listen to them when you created your one-size-fits-all rule on prepaid accounts, or the 67 million Americans who have turned to prepaid cards or accounts to manage their day-to-day financial needs. This rule doesn't solve a problem; it just creates a big problem.

But let's for a second go back to those—

Mr. CORDRAY. Could I have a word or not?

Mr. WILLIAMS. Let me finish and then you can.

Mr. CORDRAY. Okay.

Mr. WILLIAMS. I have got some questions for you.

But let's for a second go back to those complaints. From 2011 to 2016 in October, before this massive 1,700-page rule was issued, approximately 1 million complaints—we talked about that—were received by the CFPB.

Of those 1 million complaints 6,000 had to do with prepaid cards. So that is just 0.6 percent. Of those 6,000 complaints just 1 percent of those received were related to overdraft, which represents 0.006 percent. Additionally, only 3 percent of prepaid complaints were related to advertising, marketing, or disclosures, which represent just 0.018 percent of all complaints.

So you can see from this chart we have got up here—or maybe you can't see it, we have up on the screen—disclosure complaints and overdraft complaints are almost invisible.

I have a few questions, if you may. And ask these yes or—or answer these yes or no.

Mr. CORDRAY. I would like to have a chance just to have a word on a few of the things that—

Mr. WILLIAMS. Okay. Let me start here by asking yes or no.

Did the CFPB base the prepaid rule off complaints received?

Mr. CORDRAY. The CFPB based it off—

Mr. WILLIAMS. Was that yes or no?

Mr. CORDRAY. Well, you said before that prepaid issues are already covered by Reg E. They are not. Banks are covered by Reg E, but prepaid issues are not—

Mr. WILLIAMS. So is that a yes or no?

Mr. CORDRAY. —and a big part of this rulemaking was putting them on a level playing field.

Mr. WILLIAMS. Yes or no?

Mr. CORDRAY. So that is what it was responding to.

Mr. WILLIAMS. Okay.

Did you consider the thousands of positive comments you received from prepaid customers around the country?

Mr. CORDRAY. Absolutely we did, yes.

Mr. WILLIAMS. Yes or no, did the CFPB conduct a field study? Did you study consumer attitudes on overdraft, specifically those that actually use that feature?

Mr. CORDRAY. I don't recall offhand all the things that were covered in any field study, but we would be glad to get back to you on that.

Mr. WILLIAMS. All right. All right.

And I am sure that you noticed, Director Cordray, I have introduced a CRA that would pull back on this disastrous rule. And I notice as Congressman Tipton will say, the bureau has attempted to distract Congress from doing their work by delaying the rule by 6 months. You talked about that.

Mr. CORDRAY. No. That is not—

Mr. WILLIAMS. Well, I am here today to tell you that I am not going to be distracted. This is wrong. I will continue to fight for those who live on a thin economic margin. I will fight for the mother who needs an extra \$25 a day to buy food for the week and the family who needs \$100 for a simple car repair.

In the end, one way or another, those consumers will be heard.

So going back to auto lending real quick, I have the form—I have a form right here the CFPB and the DOJ sent out to customers they felt were discriminated against when purchasing a car, so I want to ask you a quick question here about that.

Yes or no, can the bureau decide if someone has been discriminated against based on an account number?

Mr. CORDRAY. Based on account number?

Mr. WILLIAMS. Yes.

Mr. CORDRAY. No.

Mr. WILLIAMS. Okay. Can the bureau decide—okay.

Mr. Chairman, my time is out. I yield back.

Mr. CORDRAY. Could I just have a word, please. Kind of a point of privilege, if I could, just because the suggestion was that I don't have respect for car dealers. That is wrong, and if you talk to my friends and the Ohio auto dealers—

Chairman HENSARLING. Sorry. There is no point of privilege for the witness, but there is—

Mr. CORDRAY. Okay. That is fine.

Chairman HENSARLING. Mr. Director, there is another member on this side of the aisle who I suspect may be willing to give you time.

The chair now recognizes the gentleman from Florida, Mr. Crist.

Mr. CRIST. Thank you, Mr. Chairman.

Did you need some time?

Mr. CORDRAY. Thirty seconds?

Mr. CRIST. Go right ahead.

Mr. CORDRAY. Congressman Williams, I have a lot of respect for auto dealers. I worked with them closely in Ohio when I was Ohio attorney general.

We went through the financial crisis and a lot of them were teetering; we went through the GM bankruptcy; we went through the Chrysler bankruptcy. There were a lot of dealers who were going to lose their dealerships and I fought for extra arbitration to get a lot of them saved.

The auto dealers know the work I did on their behalf. I worked closer to them in handling complaints, gave them a chance to handle them before we took any actions against them.

So you can talk to my friends in Ohio and they would tell you that I do have respect for you and your profession and all of them. That doesn't mean we don't have a job to do here, and I try to do it faithfully.

And the final point, on the prepaid rule it is often misdescribed as a 1,700-page rule. That is not correct.

Look in the Federal Register. It is 26 pages of rule. Six of those pages are forms that are model forms to follow. So, you know, it is just—I don't want that to be misdescribed.

Thank you.

Mr. CRIST. Thank you.

First I want to thank you, Mr. Chairman. I appreciate you kindness.

I want to thank the Ranking Member for bringing us together for this important hearing today.

And I want to thank you, Director. I have only been a member of Congress for about 3 months now, and my observation is that you might be one of the most disliked people in Washington, D.C., by the majority, the new administration, lobbyists, money-changers, foreclosure artists, and anyone who is in the business of taking a buck from the poor and working families, the people who can least afford it.

I hope that you wear that with pride, sir, because I am proud of you and your hard work and your moral compass. People of this country are continuing to go through a difficult time and what you and your department do is very important to them.

As a former attorney general myself I understand being a consumer advocate and fighting for them. And but for somebody like you in the position you have, that doesn't happen.

When I was governor of Florida, Tallahassee didn't like me whole lot either. But that is okay because the Constitution says that we are a government of the people, by the people, and for the people.

And so when I would meet people at a Publix department store in my state, or at the local CVS, or at a McDonalds, which I really don't go to, but more so a Subway—turkey on whole wheat—they talk to you because you are in their comfort zone. And it is important, I think, to do that to stay in touch with them and understand what is of importance to them and their families.

I was curious, all of us would do well to remember that Jesus threw the money-changers out of the temple, not the other way around.

On that note, I want to talk about small businesses, particularly minority-and women-owned small businesses in my district, which is my home town of St. Petersburg, Florida but also includes Clearwater and Pinellas Park and Redington Shores and about 26 municipalities, believe it or not.

Traveling around where I grew up in south St. Petersburg in particular, it is a predominately minority area. Last fall I heard a similar refrain every day: Mom-and-pop businesses could not get access to traditional capital.

If small business lending is restricted in the primarily black neighborhood in my district, that is a problem and it needs to be fixed. Its impact in a community that is very important to me, it is a disparate impact.

And by the grace of God I got on this committee, and this committee has the opportunity in one way or another to give those people, who I love and I work for—they pay me to represent them. And that is one thing I love about this job, that, you know, your title is also what you do. You represent.

And this is not just an economic issue. It is an economically developing area and it is an issue of fairness, frankly. And I know you know that.

A black barber shop couldn't have to go to a—shouldn't have to go, rather, to a payday lender to finance payroll and operations. But over and over again during the course of last fall I heard stories from people like a black barber shop owner. He wanted to expand, and every institution he went to told him no.

And the same thing happened to a small restaurant owner in the African-American part of St. Petersburg, Florida. They wanted to expand and grow and provide more jobs and be entrepreneurial, and every time they went to a bank they said no.

So I guess my question is—

Chairman HENSARLING. The time of the gentleman from Florida has expired.

For what purpose does the gentleman from Georgia seek recognition?

Mr. SCOTT. Mr. Chairman, I have a unanimous consent request that these two letters I have here be made a part of the hearing record: one from the Main Street Alliance on the ways that Dodd-Frank and the CFPB—

[The information follows:]

\*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

Chairman HENSARLING. Without objection.

Mr. SCOTT. Thank you.

Chairman HENSARLING. The chair now recognizes the gentleman from Maine, Mr. Poliquin.

Mr. POLIQUIN. Thank you very much, Mr. Chair.

Thank you, Mr. Cordray, for being here. Over here, sir, if you don't mind.

Mr. Cordray, your Acting Deputy Director, David Silberman, has had direct coordination with special interest groups outside your bureau to develop the payday lending rule. I am very concerned about any kind of cozy relationship that your people have with outside special interest groups to make rules that you folks are supposed to make. I am sure you probably share that same concern.

Mr. CORDRAY. Yes. That is not right. That is not a fair description.

Mr. POLIQUIN. No, that is not what the e-mails show us, sir. There is a direct coordination between your staff—in particular Mr. Silberman—and outside groups.

Mr. CORDRAY. We are broadly accessible to all sides.

Mr. POLIQUIN. I want to move on, sir. I want to move on, sir. I want to move on, sir.

That is what the record shows. That is what the e-mails show from the FOIA request that we have here at the committee.

Mr. CORDRAY. All right.

Mr. POLIQUIN. Now, you have a law degree, sir. You are an attorney, correct?

Mr. CORDRAY. Say that again?

Mr. POLIQUIN. You are an attorney, correct? You have a law degree.

Mr. CORDRAY. I am. Haven't practiced law in some time.

Mr. POLIQUIN. Okay. So I am sure you are aware of the Federal Records Act that bars any Federal government employee from using a private electronic device, a communication device like a cell phone or e-mail or a text, to conduct official business unless within 20 days the reporting of that communication is then housed in an official platform.

You aware of that law, sir?

Mr. CORDRAY. I am aware of that law.

Mr. POLIQUIN. Okay, good. All right.

Now let's talk a little bit about this. Through freedom of information requests we know that you and about a dozen of your senior managers at the CFPB have, in fact, conducted private—or rather communication on private devices to conduct official business, which circumvents the law unless, again, sir, unless you have reported this and it is on—filed on an official government platform.

Can you guarantee to us right now that, in fact, you have complied with the law and you have done everything you said you can—

Mr. CORDRAY. Yes, this is a trumped-up issue brought about by some special interest groups that made a request. You can look at the records of the bureau and find that our government business is conducted on the bureau's—

Mr. POLIQUIN. Can you guarantee—

Mr. CORDRAY. Just let me, if I would—this is a personal issue you are raising—

Mr. POLIQUIN. I want a yes or no answer, Mr. Cordray.

Mr. CORDRAY. —and I would like to have a chance to respond.

Mr. POLIQUIN. Yes or no, can you guarantee that neither you nor anybody at the CFPB has used personal communication devices—text, e-mail, cell phones—and fully complied with the Federal Records Act? Yes or no?

Mr. CORDRAY. So again, this is a trumped-up issue—

Mr. POLIQUIN. Yes or no? Yes or—

Mr. CORDRAY. —and if you look at the records you will find that if there were ever incidental—if there were incidental—

Mr. POLIQUIN. Reclaiming my time, sir—

Mr. CORDRAY. I would like to have a—you know, you are making accusations and I think I have a chance to respond to them.

Mr. Chairman?

Chairman HENSARLING. The time belongs—

Mr. CORDRAY. Do I have a chance to respond to these personal accusations?

Chairman HENSARLING. The time belongs to the gentleman from Maine.

Mr. POLIQUIN. Thank you, Mr. Chairman.

If this accusation is false, can you guarantee us that you have complied with the law and the folks that work for you complied with the law with respect to the issue I just mentioned? Yes or no?

Mr. CORDRAY. Again, this is a totally trumped-up issue.

Mr. POLIQUIN. Can you—

Mr. CORDRAY. If there were ever incidental instances—

Mr. POLIQUIN. I am going to assume—

Mr. CORDRAY. —where a device was used because maybe the government Blackberry was—the battery was dead or something of that kind—

Mr. POLIQUIN. Reclaiming my time, Mr. Chairman.

Mr. CORDRAY. —and not to conduct government business in any substantive way. That is a—

Chairman HENSARLING. The time belongs to the gentleman from Maine.

Mr. POLIQUIN. Mr. Chairman, if you could reset the clock, please, for another minute or so, because the—

Chairman HENSARLING. The gentleman from Maine may proceed.

Mr. POLIQUIN. Mr. Cordray, do you still use a private cell phone or e-mail to conduct business—outside business?

Mr. CORDRAY. I think it is unfair and inaccurate to say that—

Mr. POLIQUIN. Sir—

Mr. CORDRAY. —using a private device to conduct government business.

Mr. POLIQUIN. Do you still use—

Mr. CORDRAY. There have been incidental instances were perhaps the government Blackberry was—the battery was dead or it was unavailable for some reason—

Mr. POLIQUIN. So you confirm that, in fact—

Mr. CORDRAY. And it is not to conduct—

Mr. POLIQUIN. —you were using private e-mail communication devices—

Mr. CORDRAY. What government business was conducted? Tell me what government business was conducted.

Mr. POLIQUIN. Thank you for—

Mr. CORDRAY. Tell me what government business was conducted.

Mr. POLIQUIN. Now, my next question is you are probably aware that this committee and also folks on the Oversight and Investigation Subcommittee here, and Jim Jordan and Jason Chaffetz, who work in another part of government, have sent you a letter asking you for all of the e-mails and phone messages that you have used—and you just confirmed, thank you—that you have used on a—

Mr. CORDRAY. No, I didn't confirm that.

Mr. POLIQUIN. —on a private—

Mr. CORDRAY. This is a—

Mr. POLIQUIN. —on a private communication device. Are you fully in compliance with this letter? Are you going to comply to this letter?

Mr. CORDRAY. We—

Mr. POLIQUIN. The request in this letter?

Mr. CORDRAY. We respond to all requests, and we will.

Mr. POLIQUIN. Well, when will you—

Mr. CORDRAY. But this is a trumped-up issue. I have been in this job for more than 5 years, and I conduct all kinds of government business all the time. It is all on the system.

There may be incidental instances where—

Mr. POLIQUIN. Okay, so you are—

Mr. CORDRAY. —where a Blackberry was dead so a communication was made, but it wasn't to conduct government business. And I would like to know from you what government business was conducted. You seem to think that you have something.

Mr. POLIQUIN. —all the private communication you have had—

Mr. CORDRAY. What was it?

Mr. POLIQUIN. —for government business based on the answer you have given us today sir so you are on the record that you have made sure that all this communication is fully housed on a government, official platform. I am considering that as a yes.

Mr. CORDRAY. We understand the Government Records Act and we make every effort to fully comply with it.

Mr. POLIQUIN. You know, Mr. Chairman, what problem is? We have—

Mr. CORDRAY. —and that anything else is just a character assassination, and that is what it is.

Mr. POLIQUIN. Mr. Chairman, here is the problem. Here is the problem. There is no character assassination here.

Mr. CORDRAY. Yes, it is.

Mr. POLIQUIN. Here is the problem though, Mr. Cordray: You have a 5-year—

Chairman HENSARLING. Time—

Mr. POLIQUIN. —appointment from the President.

Chairman HENSARLING. Time of the gentlemen—

Mr. POLIQUIN. You don't report to anybody. We don't appropriate any money to you.

We come here and ask questions and you tell us to go pound sand.

Mr. CORDRAY. No, I don't tell you to pound sand.

Chairman HENSARLING. Time to the gentlemen has expired. Time of the gentleman has expired.

The chair now recognizes the gentlemen from New Jersey, Mr. Gottheimer.

Mr. GOTTHEIMER. Thank you, Mr. Chairman.

Director, in February the Consumer Bureau filed a lawsuit against RD Legal Funding for allegedly scamming 9/11 heroes out of money intending to cover medical costs, lost income, and other critical needs. Can you please elaborate on the consumer fraud the bureau found in this instance?

Thank you.

Mr. CORDRAY. So it is kind of disgusting just as you told the story that briefly, isn't it?

So you have a company that engages in structured settlements that targeted responders—first responders to the 9/11 attack, who ended up getting money from the Federal government. And the structured settlement company went after them and offered them loans that we feel were misleading and deceptive and unfair and violated the law.

They did the same with NFL players who were concussion victims and got some sort of a settlement or some sort of pot of money available to them, so that attracts—it is like honey; it attracts the flies.

And we have brought an action to pursue relief for those consumers to make sure that they are restored the money that was, we think, wrongfully taken from them and that these practices are cleaned up and stopped for good.

And in that case—some cases we work on our own; some cases we work with partners. We have heard about the Wells Fargo case where we worked with partners. Here we are working with the New York Attorney General's Office and having a very productive investigation of those issues.

Mr. GOTTHEIMER. Thank you very much.

Mr. Chairman, I yield my time.

Chairman HENSARLING. Gentlemen yields back.

Chair now recognizes the gentlemen from Colorado, Mr. Tipton.

Mr. TIPTON. Thank you, Mr. Chairman.

Director Cordray, I agree with the decision to be able to delay by 6 months the prepaid card rule. And in fact, we have introduced legislation to be able to delay that actually for a year moving forward—

Mr. CORDRAY. Yes.

Mr. TIPTON. —because of the potential problems with the rule.

But in dealing with this, as part of the announcement the bureau said that it will be evaluating concerns with substantive aspects to it. You had mentioned in earlier questioning in regards to digital wallets as substantive aspects of it. Were there any others?

Mr. CORDRAY. So these are illustrative. What happens when we finalize a rule is, you know, the market doesn't stay still and things—

Mr. TIPTON. Right. I am just seeking, what are the other aspects that you—

Mr. CORDRAY. I am just saying things can change, and we stay in close touch with the industry because we are helping them implement the rule, okay? So we hear a lot even after a rule is finalized.

Here, the linking of credit cards into digital wallets is one of the things we have heard enough about to recognize that we should consider proposing an invention.

The other one that I mentioned had to do with error resolution for prepaid cards that have not been registered, which is causing some concern, and I think some of the companies that didn't fully realize it beforehand are realizing now that—

Mr. TIPTON. I am sorry, I have got limited time.

Mr. CORDRAY. I am sorry.

Mr. TIPTON. What other one—aspects—

Mr. CORDRAY. And there could be others, depending on what we are hearing and seeing as we go.

Mr. TIPTON. Okay.

You know, earlier when you were talking to Congressman Sherman in regards to the rulemaking process you had mentioned and we wrote it down, "I want to be able to move as fast as possible."



Director Cordray, the American Action Forum said that the average CFPB rule takes 197 days to be able to complete. The median rulemaking pace, that is three-and-a-half times faster than other executive agencies.

Do you believe that the bureau can complete a thorough analysis of public comments and concerns in that timeframe, given that you are accelerating it?

Mr. CORDRAY. So, no. So it depends on the rule. Some rules are fairly straightforward and can be done very quickly; many of them are not straightforward at all.

And I heard the chairman loud and clear earlier saying he wants us to move faster on the 1071 small business lending rule, which he thinks that we haven't gone fast enough on.

So, you know, sometimes we are too fast, sometimes we are too slow. Some rules are harder, some rules are easier. You know, those are the kind of considerations that affect this. Averages tell you something, but they don't really capture all the—

Mr. TIPTON. But you are comfortable that you are doing it in a sensible way?

Mr. CORDRAY. I know we are trying to do all of our rulemaking in a sensible way. I will say that we have finalized—

Mr. TIPTON. All right.

Mr. CORDRAY. —a number of rules and sometimes had to go back and rework them, and the rural was an example and we had to rework it twice, so—

Mr. TIPTON. You know, I find it interesting, you know, because you hold—and there are certainly an appropriate areas to be able to do that accountability, transparency—

Mr. CORDRAY. Yes.

Mr. TIPTON. —in terms of the process. However, American Action Forum also noted that you have issued 13 corrections on 49 rules that they have sampled. This is a 25 percent error rate effectively, and going.

You know, in the private sector, would you be happy with a 25 percent error rate when you were moving forward with rules and trying to be able to enforce them?

Mr. CORDRAY. Again, I think "error rate" is too strong a term because, as I said, there are things that can change even after rule-making is finalized. Should we refuse to recognize that we need to make a change just to be stubborn and just to have pride of authorship?

I think it is a good thing that when we learn more that we are willing to go back in and change things to try to get it right. If we had stubbornly stood on the first definition of "rural" people would still be complaining about it and we would be hurting people and it wouldn't have come out right.

To fix that once and then twice is a good thing, but that would sound like an error rate.

Mr. TIPTON. We now actually have court cases to where you have been overruled. Just had a North Dakota case. I think you are well aware that the courts have ruled against your standing on a variety of cases that have been moving—

Mr. CORDRAY. I know we have two cases where—two or three cases now where courts have ruled against us on various things,

and a couple of those are on appeal. But, you know, we don't get everything right. We are not going to get everything right—but we do—we try to be very careful. Sometimes, you know, you have the hard issues and courts disagree with you. That happens.

Mr. TIPTON. I am kind of curious. You have had, as you had noted, over I think it was 1.3 million public comments on the—on the proposed rule on small-dollar loans.

Mr. CORDRAY. That is pretty much a record, I think, yes.

Mr. TIPTON. It is. And you said on both sides of it. How are you weighting those?

Mr. CORDRAY. How are we weighting those?

Mr. TIPTON. Or are they weighted?

Yes.

Mr. CORDRAY. Well, no, I think we always—it is not just numbers of comments; it is what they have to say.

We are supposed to take them on the merits and think about what they say on the merits, although I do think numbers of comments can show intensity around an issue, which is a little different from just what is said about the issue. So I think all of that comes into play.

And if you have other thoughts about how we should handle it, I would be glad to hear them because it is a hard issue. I mean, you get constituent calls, right? And you get them on both sides of issues and then you try to weigh them and figure out what is the right thing—

Chairman HENSARLING. Time of the gentlemen has expired.

The chair now recognizes the gentlelady from Utah, Mrs. Love.

Mrs. LOVE. Thank you, Mr. Chairman.

And thank you, Director Cordray, for being here today.

I would like to talk a little bit about checks and balances. I believe, especially in today's environment, we need to do everything we possibly can to make sure we have checks and balances so that the American people aren't subject to the political environment.

So what I would like to explore is the extent to which the bureau is subject to them or not subject to them. So it is often noted that one of the few checks and balances on the bureau is in the hands of the Financial Stability Oversight Council. And FSOC can, in fact, veto final regulations promulgated by the bureau, is that correct?

Mr. CORDRAY. That is my understanding of the statute. There are grounds on which they are supposed to do that—

Mrs. LOVE. I have a couple of things. I will go through that. Okay.

Mr. CORDRAY. That is fine, yes.

Mrs. LOVE. Can FSOC veto enforcement actions? Yes or no?

Mr. CORDRAY. I don't believe the statute provides for that—

Mrs. LOVE. Okay. Can FSOC veto supervisory actions even if they find them invasive, harassing, or unnecessary?

Mr. CORDRAY. Again, maybe we can short circuit this. I believe FSOC, under their statute—

Mrs. LOVE. No.

Mr. CORDRAY. —has the ability to veto—

Mrs. LOVE. No. Yes or no?

Mr. CORDRAY. —regulations on specific—

Mrs. LOVE. Yes or no, can they super—can they veto supervise—we are just going to go through this. Can FSOC veto investigations even if they find those investigations to be arbitrary, harassing, or unnecessary? Can they veto your investigations? Yes or no?

Mr. CORDRAY. They can't do a lot of things. They can do—

Mrs. LOVE. Okay. Can FSOC veto the bureau's guidance? If they find those guidance to be repetitive, unnecessary, can they veto those?

Mr. CORDRAY. You know, we can keep going through this if you want.

Mrs. LOVE. No, okay. Thank you. Thank you. That is okay.

Mr. CORDRAY. I am not sure where this—

Mrs. LOVE. Is there anything that FSOC could veto, other than your final regulations?

Mr. CORDRAY. So the FSOC has the ability under the statute, as I said—it is repetitive here, but—

Mrs. LOVE. I am about to get there—

Mr. CORDRAY. —to veto rules on specific statutory grounds—

Mrs. LOVE. Can they veto—

Sir, you know, you might find that you agree with me later. We will get there. And if you—okay?

So the only thing FSOC can veto are final regulations, and FSOC can't veto—issue a veto unless the regulations would put the safety and the soundness of the United States banking system or the stability of the financial system of the United States at risk?

Mr. CORDRAY. That is what Congress did in the law.

Mrs. LOVE. I understand.

Mr. CORDRAY. I didn't do it. Congress did it.

Mrs. LOVE. Yes. I got it. I got you. Don't worry.

So that sets the bar extraordinarily high for FSOC to take action. Has FSOC ever vetoed any action the bureau has taken?

Mr. CORDRAY. I would like to think that we would never put the FSOC in the—

Mrs. LOVE. Have they done it?

Mr. CORDRAY. —position of having to do that.

Mrs. LOVE. Have they done it?

Mr. CORDRAY. So they have not—

Mrs. LOVE. Okay. That is it.

Mr. CORDRAY. —they have not had to do that because we haven't gone afoul of it.

Mrs. LOVE. So let me get me this straight. Let me get this straight.

So if any, for instance, if any of these young men and women behind you decide that they are going to, you know, be part of an institution, a banking institution in their community, or better yet, they decide that they are going to—they have their own business that they have put all of their money into, that they have exhausted all of their savings and they want to be able to go to a banking institution to expand or get credit, whether it is to get a car or whether it is to expand their business or whether it is to get a mortgage. And their institution is being investigated, supervised, fined by the CFPB, they have nowhere to turn unless the final rules find that they are taking down the entire financial system of the United States government.

Mr. CORDRAY. I am not really—

Mrs. LOVE. What is their recourse? What is their recourse?

Mr. CORDRAY. I am not really following you. First of all, we don't have—

Mrs. LOVE. What is their recourse?

Mr. CORDRAY. —the ability to fine or enforce against any community banks or credit unions.

Mrs. LOVE. Okay, so you have no ability to fine or investigate any financial institutions in—

Mr. CORDRAY. Community banks or credit unions, that is correct. Community banks or credit unions of under \$10 million dollars.

Mrs. LOVE. So what you do does not affect the American people and their ability to get credit?

Mr. CORDRAY. No, that wasn't—doesn't follow from that question.

Mrs. LOVE. Okay.

Mr. CORDRAY. But what I was saying is we don't have the ability to fine or enforce against thousands of community banks and credit unions.

Mrs. LOVE. What I am trying to say is that the ability—you have to understand that what the bureau does actually affects the ability for the American people to get access to credit to be able to go out and achieve their dreams.

Here is what I am trying to say. The American people should be concerned—

Mr. CORDRAY. And to be able to access responsible credit so that they aren't being victimized by predatory lenders.

Mrs. LOVE. —should be concerned, Director Cordray—

Mr. CORDRAY. Yes.

Mrs. LOVE. Just take you out of the picture, for instance. Just take you out of the picture and make—let's think about this current President actually putting somebody else in your position. Think about that.

And I think everybody else should think about that also, whether they are happy or not, right?

Mr. CORDRAY. I have thought about that.

Mrs. LOVE. Listen, should the American people not be concerned that your agency can spend hundreds of millions of dollars each year, employ 1,500 federal bureaucrats that have the power to directly impact the personal finances of every single American, and yet, unlike any other federal agency, is not accountable to anyone?

Mr. CORDRAY. I don't we are unlike other federal agencies.

Mrs. LOVE. Well—

Mr. CORDRAY. Everything people have said about us—

Mrs. LOVE. No, you even mentioned that you are able—you enjoy more unilateral authority—

Mr. CORDRAY. Not true.

Mrs. LOVE. —than other offices and you—

Mr. CORDRAY. Not true.

Mrs. LOVE. —take that responsibility very seriously.

Mr. CORDRAY. It is not true.

Mrs. LOVE. Who is to protect the consumer from the director of the Consumer Finance Protection Bureau?

Mr. CORDRAY. That is just not true. I am no different from the Federal Reserve or the FDIC—

Chairman HENSARLING. Time of the gentlelady—

Mr. CORDRAY. Tell me how I am different.

Chairman HENSARLING. Time of the gentlelady has expired.

The chair wishes to inform members that there is currently a vote pending on the floor. We will call upon one more member, Mr. Hill of Arkansas, and recess, and after which we will immediately reconvene and next in the queue will be Mr. Zeldin and Mr. Trott.

Chair now yields to the gentleman from Arkansas, Mr. Hill.

Mr. HILL. Thank the chairman.

Thank the director for being with us today.

Mr. Cordray, I have heard from a number of community banks across my state of Arkansas that no single mortgage regulation has been more vexing than complying with TRID, also known as the "know before you owe" disclosures regulation.

The regulation included 1,888 pages. In your testimony this morning you assert that the bureau writes clear rules of the road, and in your report you also noted that—

Mr. CORDRAY. I would say we try to write clear rules of the road. We may not always succeed, yes.

Mr. HILL. Your report also—that you released today also says that you, under the revised "know before you owe" rule, attempt to ensure smooth and on-time closings. But in addition to hearing from the community bankers, I have also heard from consumers that it has been delays, frustration, and increased costs.

And one issue I noted is this issue of the disclosures themselves. So a basic disclosure regulation of this sort might have a question that the bureau attempts to ask, "Does the rule require both the consumer and the seller to receive a closing disclosure?"

And to receive an answer to this question a community bank must go to the bureau's Web site, which I have on the screen, click the question index link, which leads you to a webpage that says, "Thank you for visiting the ConsumerFinance.gov. You are now leaving the CFPB Web server."

The user then downloads an 11-page document called the TILA-RESPA Integrated Disclosure Rule Webinar Index. I will note that this document does not appear to be on the CFPB letterhead and uses an entirely different font and scheme.

Having done this, the user must find the heading on page six that says, "Closing disclosure general questions." Click another link, apparently, and then find question 12, which is 38 minutes and 37 seconds into a recording of a webinar that was conducted on April 12, 2016.

But before the user can get the answer to this most basic question and view the recording on the webinar, they must enter their name, company, city, state, telephone number, and e-mail. If the user is a bank, savings, loan, or credit union, they must answer three questions about their institution in order to get the answer to this basic question, "Does the rule require both the consumer and the seller to receive a closing statement?"

So you see where I am going here. Would you say this sounds like clear rules of the road?

Mr. CORDRAY. I would say that if what you just said is all correct, I would say that that doesn't sound as user-friendly as either you or I would like it to be, does it?

Mr. HILL. I agree, Mr. Director.

And, you know, I really think why can't the CFPB just issue written guidance and rule interpretations like the Internal Revenue Service or the SEC does? The IRS GAO has an excellent report on how to seek written answers and get written guidance from the agency, and to me that is a more clear way to this.

Webinars are not legally binding. They are not really that helpful to compliance departments or general counsels.

But let me move on. I think I have—

Mr. CORDRAY. Although, I would just to say—

Mr. HILL. Yes.

Mr. CORDRAY. —you know, if we write things down more people criticize how many pages of stuff there is and—

Mr. HILL. No, but it is a—I got that, but you know through the commission and over at the IRS—

Mr. CORDRAY. But everybody wants something to be written down, and once you total it all up it is a lot of stuff for people to read. It is just a comment—

Mr. HILL. Yes. I understand.

When did the TRID rule become effective, Mr. Director?

Mr. CORDRAY. I believe it became effective in—I am confusing this a bit, maybe October of 2015?

Mr. HILL. And do you know—do you remember what the original effective date was to be?

Mr. CORDRAY. I think it was going to be June, maybe, of 2015, and we backed it up a little?

Mr. HILL. It was August 1, 2015.

Mr. CORDRAY. Okay.

Mr. HILL. But do you know the reason why it was delayed those 2 months to October 3, 2015?

Mr. CORDRAY. Yes, I know why it was delayed. It would have had to be delayed about 10 days because the bureau didn't file one—a piece of paperwork it should have filed with the Congress, and we then decided if we were going to back it up anyway we might as well back it up a ways into the school year because that would help the industry on their compliance, and I understand that it did.

Mr. HILL. You are correct that it was delayed 2 months because you failed to file the Congressional Review Act.

Mr. CORDRAY. It didn't have to be 2 months. It would have had to have been like 2 weeks, but we made it 2 months to give people a little more time, which they—

Mr. HILL. What would be the consequences of a banker or a title agency that didn't follow the disclosure process?

Mr. CORDRAY. Well, we said for the first prolonged period that we were only going to be interested in efforts—substantial efforts in good faith to comply with the rule. And so in an individual instance or even a few instances of noncompliance, we talked to the other agencies and thought that the right answer would be just to help them correct that and not to make a big deal out of it.

Mr. HILL. My time has expired, Mr. Chairman. Thank you.

Chairman HENSARLING. Time of the gentleman has expired.

Once again, votes are pending on the floor. The committee will now recess. Pending completion of votes on the floor, the committee stands in recess.

[Recess.]

Mr. LUETKEMEYER. [Presiding.] Okay, we will call the hearing back to order. We will be respectful of the director's time here, and we do have a number of members that have returned.

So again, we appreciate the indulgence of the director as well as other members here.

At this point we are going to recognize the gentleman from Washington, Mr. Heck, for 5 minutes.

Mr. HECK. I thank you, Mr. Chairman, very much.

Mr. Cordray, thanks so much for being here.

Mr. CORDRAY. Sure.

Mr. HECK. The testimony earlier in the day reminded me of a conclusion I had come to quite some time ago about what the best thing that could conceivably happen to Congress would be, and it would be this: fewer adjectives, more nouns; fewer decibels, more listening. So I am going to endeavor to listen.

I want to first provide you an opportunity maybe to follow up on Mr. Lynch's line of questioning. Members of this committee represent in the aggregate an incredible number of servicemembers, the following bases: White Sands, Fort Hood, Patrick Air Force Base, Nellis Air Force Base, and of course my very favorite, Joint Base Lewis-McChord, which I have the privilege to represent.

So I did, because you seemed pretty rushed at the end of that discussion about what it is that the Service Members Affairs Office is doing, provide you with an opportunity to expand, if you have anything at all to add to it. And I just have one other question.

Mr. CORDRAY. Yes. Thank you. And I am appreciative of the chance to talk about this.

And I think there were high-ranking officials from each of the services that testified recently in the Senate about how helpful it has been for them, since they are really focused on how to do the job the military, to have the CFBP work with them to make sure that in terms of readiness the servicemembers feel supported and protected on that front so that they are not consumed with that kind of anxiety, and so that is quite important.

And we are looking at the entire life cycle for the military, from going into the service to begin with, to coming back out, transitioning into society, and issues involving families, as well. So these are all part of our focus.

Some of the curriculum that we have worked on with the Department of Defense is now being incorporated as a standard matter into some of the training and readiness work that they are doing, and it is just a great thing.

And I am quite confident that Paul Kantwill, who has now taken over this position, is a great person to show the leadership in succeeding—Ms. Petraeus, who was a truly great leader, and that we won't miss a beat on that front, so—

Mr. HECK. Thank you.

And my acknowledgment to Holly, who did, I thought, a spectacular job.

So one of the aspects of the standing of the Consumer Financial Protection Bureau that I always found appealing was its effort in effect to level the playing field between financial institutions and nonbank institutions so that theoretically they could compete on a

more even footing in the marketplace on the basis of their innovation and their efficiency and the like. We don't ever seem to talk about that in here, and I am just interested in your reflections several years later about the degree in which you think we are making progress in that regard.

Mr. CORDRAY. Yes. Actually it is a great point and it is—it gets lost a little bit, but one of the things that was done with the CFPB was we are supposed to try to put the banks on a level with the nonbank financial companies that often compete against them in same markets, such as mortgage lending, mortgage servicing, auto lending, you know, a number of others. And we have been working to do that from the beginning.

And that is unique to this agency. Nobody was in a position to do this before because the banking agencies deal with the banks, and the NCUA with credit unions, and then other agencies, including the Department of Justice, have dealt with everybody else.

And you want them to be supervised in the same way, subject to the same standards and the same expectations. If not, some of that falls back to the state level where there is some very good work done but it can be uneven depending on different state laws or different state authorities or state resources.

And so we work closely with the States, but for us to try to make that playing field level is an important thing. And the way I say it is if you only regulate part of a marketplace and leave part of it unregulated it is going to be a recipe for failure because a lot of things are going to gravitate to that end that is not under the same microscope.

Plus, it is unfair to these financial companies. They should be competing on the level, and we are trying to make that happen more and more.

Mr. HECK. Thank you, sir.

Mr. Chair, with that I yield back the balance of my time.

Mr. LUETKEMEYER. Gentleman yields back.

Next we go to the gentleman from New York, Mr. Zeldin, who is recognized for 5 minutes.

Mr. ZELDIN. Thank you, Mr. Chairman.

Director Corday, we have asked you before about the bureau's \$200 million expenditure on wasteful renovations to a headquarters building it does not own. But one fundamental remains: Who is responsible? In other words, who authorized the renovations?

Getting an answer to this simple question has been surprisingly difficult. At one of your prior appearances before this committee Representative Wagner—now Oversight and Investigation Subcommittee Chair Wagner—asked you to identify the individual responsible for giving the official go-ahead to renovate the headquarters building. You responded, and I will quote you directly, "And why does it matter to you?"

I cannot recall a more dismissive answer by an agency witness, especially one who goes to great lengths to stress his agency's accountability and transparency.

And yet, we did adduce several facts from your testimony. You claimed that the decision was made before your tenure as director, which began January 4, 2012. You also said that it was someone



at Treasury, that, quote, "There are people in Treasury who contributed to that decision."

Well, we asked Treasury and they only pointed us to the bill of contract, which was signed on your watch but which tells us nothing of who committed the CFPB to renovation in the first place.

But here is another fact: In 2011, Elizabeth Warren, while serving at Treasury and while responsible for standing up the CFFB, announced that she had selected 1700 G Street as the location of the bureau's headquarters.

We also know from documents provided to us by the Office of the Comptroller of the Currency at the time this location was selected it was known that renovations would be needed.

So now logic would dictate that the one person who, A, selected the location, B, knew of the need for renovations and, C, had the power at Treasury to authorize the renovations is, in fact, the person who authorized the renovations.

Yet strangely, the Federal I.G. inspector general of the Federal Reserve, in its investigation found no documents to substantiate the decision, and you have not provided any such documents to this committee either.

So let me ask plainly: Did Elizabeth Warren authorize the renovations to the CFPB headquarters building at 1700 G Street even though she was never give this authority through the advice and the consent of the Senate or appointed to run the CFPB?

Mr. CORDRAY. So that was about 2 minutes of narrative. I had several points about it.

Mr. ZELDIN. Well, first answer my question.

Mr. CORDRAY. Okay. So I don't know who made that decision initially, as I have answered before.

I feel that I was misquoted or taken out of context by some—not by you, but by others who have made it sound like I thought that inquiring into the expenditures for the building was, "Why does that matter to you?" I know why that matters to you. It is a lot of money and it does matter to you.

It was the issue of who originally authorized that decision that after the question was asked three or four times I think I got a little impatient in answering it. But I don't know who made that decision.

But I have also said since that I have reaffirmed the decision. So I treat it, it is basically my decision, so if people have a problem with it I am quite happy to be here and answer the questions about it.

Mr. ZELDIN. Reclaiming my time, I have a limited amount of time. Just to be clear, Elizabeth Warren—did Elizabeth Warren authorize the renovations?

Mr. CORDRAY. As I said, I don't know. I don't have any way of knowing that. I wasn't in the leadership of the bureau at the time. I wasn't privy to those decisions.

But I will say it is—

Mr. ZELDIN. Reclaiming my time—

Mr. CORDRAY. —it is also an increasingly good news story about the building. It is coming in on time and under budget—or on budget, and—

Mr. ZELDIN. I am sorry, it is—

Mr. CORDRAY. —and will be—

Mr. ZELDIN. That is a different line of questioning.

Reclaiming my time, Mr. Director, a cynic would say that you are carrying water for Senator Warren to prevent her political embarrassment and you don't want the American people to know the truth about who was behind the throne both before or after you took over the CFPB.

Are you answering this question, as far as who authorized the renovations, under any duress, coercion, or compulsion at all, any type of threat?

Mr. CORDRAY. From whom? I don't even know what you are talking about here. I—

Mr. ZELDIN. Have you every discussed the CFPB renovations with Senator Warren?

Mr. CORDRAY. Have I ever discussed the renovations with Senator Warren? I don't know if I have or haven't. I have discussed it with many of you. Maybe I have.

But in terms of who made that decision, I don't know. I have never seen any records on that, whether someone else at Treasury was the one who had to authorize that. I honestly don't know.

Mr. ZELDIN. So you are unable to tell this committee—

Mr. CORDRAY. But I ratified the decision, and I believe it has been a good decision and the project has gone well and GSA has done an exemplary job.

Mr. ZELDIN. Reclaiming my time, you do not recall whether or not you had any conversations with Senator Warren with regards to CFPB renovations?

Mr. CORDRAY. I may have. That is different from the issue of who made the decision about the building.

Mr. ZELDIN. I have 20 seconds left. I have one quick question.

Director Cordray, 2 weeks ago Chairman Hensarling sent you a letter asking a very simple question: Absent action by the administration, will you fulfill your term as CFPB director?

You replied saying, quote, "Have no insights to provide."

Mr. Director, there has been a lot of speculation about your future so you owe it to the public and this committee to state your intentions. I will ask you, absent action by the administration, will you fulfill your term as CFPB director?

Mr. CORDRAY. I have no insights to provide on that.

Mr. ZELDIN. You are unable to give your assurance right now that you will fulfill your term as director?

Mr. CORDRAY. The whole issue isn't even within my control. We have this court case pending; we are all watching to see what happens with that. So, you know, your speculation about that is as good as mine.

Mr. ZELDIN. No, no, no. I asked you—

Mr. LUETKEMEYER. Time has expired.

Gentleman from Michigan, Mr. Kildee, is recognized for 5 minutes.

Mr. KILDEE. Thank you, Mr. Chairman.

And thank you, Mr. Cordray. I will have a couple of questions for you and I will apologize in advance if this is redundant because I have not been able to participate in the entire hearing, although I have been able to catch a good deal of it—

Mr. CORDRAY. I may be the only who has—

Mr. KILDEE. —on the closed circuit. It is—

Mr. CORDRAY. —been able to participate in the entire hearing.

Mr. KILDEE. It is must-see TV, I will tell you.

But I want to express to me—express to you something that I mentioned earlier, and that is your public service. As I said earlier, I have known you for a long time in a variety of roles, and one of the things that you bring both to this position and especially to this hearing is a seriousness and a calm that would serve this town really well if people adopted your approach.

Some of the tone that I witnessed, both when I was here and on television, is not becoming of this committee. And that is not on you to respond to, but I will say that I am very pleased that you continue to take the position and the work that you do very seriously and answer questions fully to the extent that you can and in a manner that is quite becoming of public service. So thank you for that.

Mr. CORDRAY. Could I just say—

Mr. KILDEE. Sure.

Mr. CORDRAY. I am not bothered by any of the tone. I know that people on both sides of the aisle have strong feelings on some of these subjects and they care a lot about it, and so there is going to be a certain amount of tone. And I do hope that I can remain calm amidst all of that, but I am listening hard and what they have to say substantively is why I am here, and that is important oversight.

And I just want to stress again to everybody that I take that very seriously. Our bureau takes it seriously. There are many things that we have changed or done differently as result of discussions we have had in these committee hearings and in your offices, and I am sure that will continue in the future.

Mr. KILDEE. Thank you. I appreciate that.

The one editorial comment that I will make is that what frustrates me in watching some of the questions is the attempt to confuse what is policy difference, which is legitimate and actually something that we ought to accept as a—as part of a normal process of democratic governance, but to confuse policy differences with questions that are raised about integrity, while on the other hand this body, and particularly the majority, seems to ignore legitimate questions of integrity in the executive branch as if they were only differences of policy. And I appreciate the tone that you take.

I wonder if you—and when I opened I raised a reference to what the bureau did in the case of Bridgeport Education, which is a for-profit college chain that deceived students into taking out high-cost private loans. And you may have already answered this question in previous—

Mr. CORDRAY. No, I haven't.

Mr. KILDEE. I wonder if you could just describe to us that case or what you can recall from that case and what the outcomes have been as a result of the CFPB's intervention?

Mr. CORDRAY. Yes. There have actually been three such cases, and so I may sometimes have some of the facts confused among them, but they are of the same genre.

One involved ITT, one—a chain of schools; one involved Corinthian, which was also a chain of schools; and Bridgepoint, which I believe is a chain of a number of schools, as well. And the concerns we have are that loans are being made to prospective students and their families where everything that is supposed to be disclosed is not disclosed and some facts are hidden on the back end, and so there is misleading marketing of the loans.

Also, the loan may be marketed against a backdrop of graduation rates and job placement rates which are being misrepresented to the students and their families so that they end up paying a lot and not getting very much out of the education, but the loan is premised on those predicates.

That is a real problem, and we have pursued several of these cases and we have done well in the courts on them, and they have led to significant relief for students and their families and to significant disruption of what were very bad business practices at some of those places.

Bridgepoint is not the same as ITT and Corinthian, and I don't have all the nuanced distinctions in mind here, but that is the general concern that we have had, and we continue to look for those kinds of problems and we will continue to address them as they arise.

Mr. KILDEE. In the last few seconds—

Mr. CORDRAY. And if the rest of the for-profit college marketplace is cleaning up as a result, that is a very good thing.

Mr. KILDEE. I suppose—you can just answer yes or no if you would like—had it not been for CFPB's intervention, the practices that caused your intervention would still be ongoing, people would still be basically being ripped off by those sorts of loans, and it would just continue and be encouraged by inaction by any other agencies.

Mr. CORDRAY. It is hard to know for sure, you know, the road not taken. But I think what we can know for sure is what happened because of our actions here, and I think that it was in the public interest.

Mr. KILDEE. Thank you very much.

Mr. LUETKEMEYER. Gentleman's time has expired.

We will recognize next Mr. Trott, from Michigan, for 5 minutes.

Mr. TROTT. Thank the chairman.

And thank you, Director, for your time today.

And I want to go back to a line of questioning that was pursued by Mr. Huizenga and the chairman of the committee. And in defending some of your press releases regarding the resolution of enforcement actions you said a couple of times, "I know the facts."

It kind of reminded me of Jack Nicholson's line from "A Few Good Men." You know, he said, "You can't handle the truth." And suffice it to say, your statement suggests to me that you are quite comfortable being judge and jury.

So let's look at one of the press releases. It was issued August 26, 2016. It regarded the resolution of First National Bank of Omaha.

Mr. CORDRAY. That isn't how I intended the statement, but I will go with your question.

Mr. TROTT. You can somewhat see my point, perhaps.

But anyway, in your press release you said, "First National Bank of Omaha violated the trust of its customers by illegally signing them up for credit card add-on products." Let's look at the actual agreement, section two: "Respondent agrees to the issuance of the consent order without admitting or denying any of the findings of fact or conclusions of law except that the respondent admits the facts necessary to establish subject matter jurisdiction over this matter."

So do you think that is an accurate press release? They didn't make an admission of guilt, but your press release sure sounded like they did some bad things. Wouldn't you agree?

Mr. CORDRAY. Absolutely, it did. And they did do some bad things.

Again, distinctions between what I know—and I don't know it because I am just dreaming it up. What I know is that we conducted an investigation. We uncovered the facts, documentary evidence; talked to employees; talked to people. And this is what it showed.

Mr. TROTT. Got you. Reclaiming my time—

Mr. CORDRAY. And they don't really dispute that—

Mr. TROTT. I have heard that answer before. I am going to reclaim my time.

Let me suggest a different scenario for you.

So you have settled a number of actions with employees who have been treated unfairly by the CFPB. How would you feel if I issued a press release and said, "Director Cordray today apologized and admitted responsibility for sex and racial discrimination against the employees and the rampant retaliation against his employees. He will not change the behavior because none of the folks that were guilty of this conduct are going to be fired, but this is my press statement."

Is that an accurate press statement? What would you think—if you read that you would say Trott did a good job on that?

Mr. CORDRAY. Well, if it were an inaccurate press statement I would not like it because it is inaccurate. And if it were an accurate press statement, I wouldn't like it because—

Mr. TROTT. In your admission, though—in your settlement you never admitted guilt to these employees, so it is analogous to the First National Bank of Omaha.

Let's talk about—

Mr. CORDRAY. No, I don't think it is.

Mr. TROTT. Let me continue. So let's continue to talk about another incidence of hypocrisy.

Mr. CORDRAY. Be happy to explain.

Mr. TROTT. So I want to continue. Last summer the Supreme Court decided the Sheriff v. Gillie case. Maybe you are familiar with it. The CFPB joined in an amicus brief.

Mr. CORDRAY. Yes. It came out of Ohio, I believe.

Mr. TROTT. It sure did. And it involves an Ohio attorney general who was able to appoint a special contractor for the purposes of collecting debt owed to the State of Ohio. And you filed an amicus brief on behalf of the CFPB supporting the government's position that the use of attorney general letterhead by the special contractor violated section 1692(e) of the Fair Debt Collection Practices Act. Isn't that correct?

Mr. CORDRAY. Actually, the Justice Department filed that brief. We worked with them on it, but the Justice Department controlled—

Mr. TROTT. The CFPB joined in the amicus brief. Isn't that correct?

And isn't it also true as attorney general of Ohio you used special contractors to collect debts owed the state in the same exact fashion?

Mr. CORDRAY. I did. And I know that you have a lot of background in this area and know it well. So, yes.

Mr. TROTT. Okay. Well, so I think the—so your amicus brief wouldn't have been something you would have been supportive of when you were attorney general of Ohio. Is that fair to say?

Mr. CORDRAY. Some of the details of that particular case may or may not have come to my attention during my time as attorney general. I am not entirely sure about that. Yes.

Mr. TROTT. So let's continue on. You said earlier in response to one of the Democratic questions, "No one can complain that they can't get their voices heard at the CFPB." I go home every weekend and I hear from realtors, mortgage brokers, community bankers, title agents, small business owners, attorneys—they are terrified by the CFPB.

One person a couple of weeks ago—you are not going to be at all pleased with this comment—he made an analogy and said the CFPB is like the mafia. They show up at your business and say, "This is a nice place; hope nothing happens to it."

So how do those people get their voices heard? Do you think you have given proper guidance to those small business owners that are honest people trying to do right by the consumer?

Certainly Mr. Hill's question referencing the Web site that is this convoluted web to get an answer to a simple question, that is indicative of how people feel about getting answers out of the CFPB. Is that a fair statement on my part?

Mr. CORDRAY. I don't think so, but, you know, I am sure that it depends very much on who we are talking about and different reactions in different places around the country by different people—320 million Americans, after all, not all the same experiences, I am sure.

Mr. TROTT. I appreciate your time, sir.

And I yield back to the chair.

Mr. LUETKEMEYER. Gentleman yields back.

Next I will recognize the gentleman from Georgia, Mr. Loudermilk, for 5 minutes.

Mr. LOUDERMILK. Thank you, Mr. Chairman.

And thank you, Mr. Cordray. It has been a long day. It looks like a little more intimate setting here now, so maybe we can get through a few things.

I have got another line of questioning but I wanted to continue on with something Mr. Trott said. I work a lot with what is left of the community banks in the State of Georgia. We lost more banks than any other state. And as we are working on repealing some of the onerous regulations brought in by Dodd-Frank and other—what in my opinion and most people is bad law that has closed off the economy from the average American, provided protec-

tion for those who are on the inside, I have learned one thing: The people out there are more afraid of you and the CFPB than any other element of our Federal government.

I am getting that from the banks, the bankers, every financial institution. And it just reminds me of something that Thomas Jefferson—I believe it was Thomas Jefferson—was quoted as saying is that “when the government fears the people there is liberty, but when people fear the government there is tyranny.”

And it almost feels like in this financial services sector that is where we are. But I just wanted to throw that out there. You don’t have to respond to that.

I actually want to talk about the reports that we have received. I actually have some honest to goodness questions.

I have been reading over the report that was left on our desk and the latest numbers that we received from your office this week, and in the most recent report that we received your numbers show that in 2016 the CFPB handled 291,000 consumer complaints, I believe. Does that sound about right, the 291,000 in 2016?

Mr. CORDRAY. Yes, running about 25,000, 30,000 a month. Yes, something like that.

Mr. LOUDERMILK. Okay. Thank you.

And of that, according to your report, 17,000 of those were resolved with monetary relief for the consumer, which is about 16 percent—or 6—I am sorry, 6 percent of all the complaints have monetary relief for the consumer and 94 percent resulted in no monetary relief. And that is what I believe was in the report.

Mr. CORDRAY. So what I would say is they can—there can be monetary relief; there can be non-monetary relief, which is often quite significant.

Mr. LOUDERMILK. Understand.

Mr. CORDRAY. If something comes off your credit report, suddenly you can get a mortgage you couldn’t have gotten. That is—

Mr. LOUDERMILK. I understand that.

Mr. CORDRAY. Or a debt collector who is harassing you, you get them to stop. You know, those things matter a lot to people.

Mr. LOUDERMILK. One thing I didn’t see in the report that I was looking for is what percentage of those had civil penalties? I didn’t see that in the report anywhere.

Mr. CORDRAY. We can’t impose civil penalties—

Mr. LOUDERMILK. Well, in your report here you outline several civil penalties on actual cases.

Mr. CORDRAY. In enforcement actions, yes.

Mr. LOUDERMILK. But in your report you never show what percentage was civil penalties or a penalty that was imposed upon the business. Do you have those percentages of those 291,000 cases?

Mr. CORDRAY. I am getting a little lost here. We don’t impose civil penalties on consumer complaints at all. We don’t have the authority to do that. We would not do that. If we did that it would be—we would be, you know, we would be struck down by a court or something.

We can only do it in cases where we file an enforcement action and it is potentially reviewable by a court or—and that is when—

Mr. LOUDERMILK. So in a judicial or administrative action.

Mr. CORDRAY. Could be either, but it is all subject—it is either in a court or it can be reviewed by a court.

Mr. LOUDERMILK. What happens to those penalties—the monetary value? I am wondering. I am asking. I know that you are allowed to keep some of that.

Mr. CORDRAY. Yes. No, they go in—it is all whatever—

Mr. LOUDERMILK. I am not trying to get at anything. I am trying to ask an honest question.

Mr. CORDRAY. I am just fumbling a little on the answer.

It is all specified by law, and Congress provided for it. Those penalties go into a penalty fund, and they either be used to compensate victims in other cases who were unable to receive compensation because, say, a fraudulent company went out of business so they never go their money back, or they can be used for—the statute says two things—the other is financial education programs.

In our instance more than 90 percent of the money has gone to victims from other cases, and a small amount has gone to one financial education program which is helping veterans transitioning back into—servicemembers transitioning back—

Mr. LOUDERMILK. Let me reclaim my time, because I am quickly running out of time and I want to follow up on the previous question I had.

Mr. CORDRAY. That is fine. Okay.

Mr. LOUDERMILK. Are you indicating that only 6 percent of the cases you can actually have consumer relief? I mean, or is it just you are unable to do it—

Mr. CORDRAY. No, we have got two different things here that are getting—

Mr. LOUDERMILK. That seems like an awfully low number to—

Mr. CORDRAY. No, no. These are two different things.

We have complaints that people file with us that we try to get those resolved and get relief where we can. Then there are matters where we bring a case, which is an entirely different thing, on behalf typically of thousands or even millions of consumers. and in those cases that are subject to review by a court we can impose penalties and we can get money back for people.

So in those matters almost always we are getting money back for people, and if we—if they don't get paid we can go to the Civil Penalty Fund and get their money back that way if it is available.

Mr. LOUDERMILK. I yield back, Mr. Chair.

Mr. CORDRAY. Sorry. Sorry about that.

Mr. LUETKEMEYER. Gentleman's time has expired.

Next we go to Mr. MacArthur, gentleman from New Jersey, recognized for 5 minutes.

Mr. MACARTHUR. Well, thank you.

Good afternoon, Director Cordray.

Mr. CORDRAY. Good afternoon.

Mr. MACARTHUR. I think everyone in this hearing wants to protect consumers. I don't know anyone who wants to see bad actors run roughshod over the people that we represent.

Mr. CORDRAY. All right. That is a good start.

Mr. MACARTHUR. Getting it right, obviously, I think is critical. I just want to explore a little bit about who pays the penalties that



are imposed on the companies that you go after—the enforcement penalty. Who pays those penalties?

Mr. CORDRAY. The companies do, or the individuals if it is individuals at fault.

Mr. MACARTHUR. Is it fair to say that most of those companies are publicly held companies?

Mr. CORDRAY. There is a mix, but a lot of them are, yes.

Mr. MACARTHUR. And those companies typically, like all public companies, are owned by shareholders, pension funds, 401(k) funds—just ordinary Americans who invest in the stock market and try to put money away for a rainy day.

Is it fair to say that these penalties erode, decrease, have some impact—whether it is fair or not, that is not the point, but they have some negative effect on the value on those companies?

Mr. CORDRAY. Look, it depends on a lot of things, I imagine, but I think logically, you know, they have to be paid by the company. And that is the accountability.

Mr. MACARTHUR. In the public markets historically earnings times about 15 is the value of the company. It is running a little higher now. But if you reduce your earnings by a \$1 million you have probably affected the value of that company by about \$18 million dollars. Typically that is the case. Not looking for a response, but—

Mr. CORDRAY. Could I—

Mr. MACARTHUR. —the reason this matters—we will come back to it and you will have a chance to respond, but the reason this matters is we can't have conflicting guidance from different parts of the Federal government. And I want to talk about captive mortgage insurance in particular.

In 1996 and 1997 the Office of the Comptroller of the Currency and HUD both issued guidance to the mortgage industry about providing mortgage insurance. And both of them—OCC's interpretive letter number 743 and then HUD gave later guidance—they laid out where companies could get involved in providing captive mortgage insurance. And dozens of companies got involved.

You took a different approach. In 2013 you decided that you didn't think that was appropriate and you went after a number of companies. I won't list them all because I want to focus on one, but I have a list in front of me of a half a dozen companies that you imposed fines of \$50.6 million. Times 18 that is about \$300 million of market value that evaporated because of those—

Mr. CORDRAY. For captive mortgage insurance?

Mr. MACARTHUR. For captive mortgage insurance.

Mr. CORDRAY. Reinsurance? I am only familiar with one case, which is the PHH case.

Mr. MACARTHUR. Well, there are others: Republic Mortgage, Genworth Mortgage, Mortgage Guaranty Insurance, Radian Guaranty, United Guaranty—

Mr. CORDRAY. Oh, that is right. They were an aspect of the PHH case. Fair enough. Okay, got it.

Mr. MACARTHUR. Okay. But all of these fines have a negative value on these companies.

I want to focus on PHH for a moment. They are domiciled in my district, southern New Jersey; 3,500 employees, and you set up a

process where basically they were tried inside CFPB, a court of your making. You didn't go to the Federal court to do it. And that resulted—

Mr. CORDRAY. Congress provided for that.

Mr. MACARTHUR. —that resulted in a penalty of \$6.4 million.

Mr. CORDRAY. Yes.

Mr. MACARTHUR. You then overruled that penalty and you imposed a penalty of \$109 million on a company that entered the market with guidance from the Office of the Comptroller of the Currency and the National Bank Act, I am forgetting who that came—oh HUD. HUD was the other agency.

I understand you disagreed with that guidance, but you then went back 10 years—

Mr. CORDRAY. No.

Mr. MACARTHUR. Let me finish—went back 10 years, applied no statute of limitations, took a judgement of \$6.4 million and turned it into \$109 million. Do you know what the market value of that company was on the day you opened that investigation?

Mr. CORDRAY. I do not.

Mr. MACARTHUR. It was \$7 billion. Do you know what it is today?

Mr. CORDRAY. I do not.

Mr. MACARTHUR. It is \$1 billion. Now, I am not suggesting that all of that is due to this action. Frankly, I don't know.

Mr. CORDRAY. That would be quite erroneous, yes.

Mr. MACARTHUR. I don't know. But I do know this, that how you go after companies in the name of the consumer is vitally important. You are not just exacting a price from some ethereal entity out there; you are exacting a price—

Mr. CORDRAY. I understand that.

Mr. MACARTHUR. —that affects 401(k) plans, pension funds, ordinary Americans. You say you are collecting in their name—

Mr. CORDRAY. Am I going to have a chance to come back on this?

Mr. MACARTHUR. —and they are the ones—if I am out of time. If the chairman allows you to respond that will be fine.

Mr. CORDRAY. So if that company violates the law, how do you hold them accountable?

Mr. MACARTHUR. My time has expired.

Mr. CORDRAY. Should we never hold them accountable?

Mr. MACARTHUR. What I am asking you, sir—

Mr. CORDRAY. Can they violate the law with impunity?

Mr. MACARTHUR. —is in your remaining time as director I am asking you to be extraordinarily careful about punishing companies who relied on other Federal agencies for guidance, and you had a different opinion and you cost real people real money.

Mr. CORDRAY. Could I speak to that? Could I speak to that?

Mr. LUETKEMEYER. Let him answer the question. No more questions. Let him answer the question.

Mr. CORDRAY. I didn't just sort of make something up because I don't like the company or I thought it should be more money. There was a specific legal point in the case that had to be decided one way or the other, and the issue was whether, since they violated the law, which is what the administrative law judgment had held on the factual record and what I agreed with—and others may dis-

agree, and it is in the courts and the courts will ultimately decide it; we will all abide by their decision.

Either the right amount that they had to pay was what they got on contracts after a specific date—contracts that were entered into after a specific date, or everything they were paid on contracts after a specific date even though the contracts might have been entered into earlier.

It was a tough—it is a tough legal issue. It is not obvious one way or the other. I made the judgment that it was the other issue. It could either be \$6 million or \$109 million, one or the other.

Mr. LUETKEMEYER. Gentleman's time has expired.

Mr. CORDRAY. There can't be anything in between. And if a court thinks differently then we will abide by that.

Mr. LUETKEMEYER. Gentleman's time has expired.

Mr. MACARTHUR. Court overruled you.

Mr. CORDRAY. Wasn't done cavalierly, though, yes.

Mr. LUETKEMEYER. Okay. Time is expired, gentlemen.

Next we will go to the gentleman from North Carolina, Mr. Budd, recognized for 5 minutes.

I am sorry?

Mr. BUDD. Thank you, Mr. Chairman.

Mr. LUETKEMEYER. My mistake. My mistake. It is Mr. Davidson is recognized—from Ohio, is next for 5 minutes.

Mr. DAVIDSON. Thank you, Mr. Chairman.

Director Cordray, you were attorney general in the State of Ohio. Is that correct?

Mr. CORDRAY. I was, yes.

Mr. DAVIDSON. Did you ever have a case that the—as attorney general that the State prosecuted where the defendant was found not guilty?

Mr. CORDRAY. I don't recall specific cases, but I am sure we did.

Mr. DAVIDSON. You didn't win all of them.

Mr. CORDRAY. Correct.

Mr. DAVIDSON. So in your role as Director Cordray, in this new role, when you do these settlements you are doing press releases that say effectively you have won every case. You have got a perfect record in your case. Then the courts come over and in the case of PHH, as my colleague just referred, you are overturned because due process is finally given the opportunity to prevail.

Mr. CORDRAY. Actually—

Mr. DAVIDSON. Director Cordray, does the CFPB have the authority to conduct informal or formal investigations without court order?

Mr. CORDRAY. We can commence an investigation without court order, yes, but ultimately to bring an enforcement action—

Mr. DAVIDSON. Does CFPB give notice to the target when an investigation is initiated?

Mr. CORDRAY. Could I answer the question?

Mr. DAVIDSON. No, I just—you answered it. You said yes.

And I said, so now the question is, does the CFPB give notice to the target when an investigation is initiated?

Mr. CORDRAY. Typically we commence an investigation by issuing CIDs to the subject, not the target—we don't use that language.

Mr. DAVIDSON. So the target of the investigation is not advised that you are initiating an investigation once you commence, and then—

Mr. CORDRAY. No, no, they typically are—

Mr. DAVIDSON. —to determine which investigation to pursue?

Mr. CORDRAY. They typically are because they get a civil investigative demand, which is—and that is when we start to engage back and forth.

Mr. DAVIDSON. So when you send a civil investigative demand, or a CID, one of the criticisms has been that you have this unlimited power of discovery and the person is never—or the entity is never advised as to whether they are the target of the investigation or merely answering a question where they could have data related to it.

Mr. CORDRAY. So, again, couple times now, we don't have unlimited power discovery. If they don't agree with what we are doing they can take us to court. That has happened a number of times.

Mr. DAVIDSON. Well, in the case of PHH, when they followed the procedure, the next case i they disagree with the proceedings and then they appeal to the administrative judge. Do you appoint the administrative judges?

Mr. CORDRAY. I do, but they can also—

Mr. DAVIDSON. And then when they disagree with that and then they—

Mr. CORDRAY. They can also—

Mr. DAVIDSON. —then they bring it to the director. And in the case of PHH, they—that proved to be very high risk. Did that—

Mr. CORDRAY. They can also appeal to the court, and they have done so and this matter is in the courts. And by the way—

Mr. DAVIDSON. So let me understand this is the path. I just want to understand the path here because you are saying, "Well, but let me explain."

So I have got it down. I say the director, you, sign off to investigate the target; the director assesses the case and issues a penalty; the target will either sign a consent order or appeal to an administrative judge that you appointed, and if the target loses the appeal the case is brought back to you where you will no doubt reject and, as we have seen, perhaps even increase the penalty.

The target can then appeal to the Federal court, but not before its reputation has been tarnished and legal fees in the millions of dollars or, in the case—sometimes over \$100 million. And you present it as if you have already won, not that there has been a verdict issued, not that full due process this case, but simply that it is alleged—you present it as if you have achieved a victory.

Is that an accurate description of what goes on here?

Mr. CORDRAY. No, I think not accurate in a number of ways, but if you want me to I will spell them out. But among other things, Congress has provided for different ways to take an enforcement action.

A company at any time can take us to court. They can take us to court over the civil investigative demand, as a number have done. They can take us to court and refuse to settle a case, if they think that they have grounds to do so.

Mr. DAVIDSON. Okay, so reclaiming my time, they do have a path to the courts, but long after their reputation has been severely damaged.

Mr. CORDRAY. Not—

Mr. DAVIDSON. —and you have served as judge, jury, and executioner. You have already said that when we have determined the facts, we are right.

Well, clearly you don't have a perfect track record, so you are not always right. But you present it in the media as if it is, and then when the same exact set of facts has been stated over and over again by my colleagues, you refuse to concede the point that you are guilty as charged when you are on the exact opposite side of the same settlement.

Mr. CORDRAY. That is not correct. We don't present it in the press until a matter is final and it is concluded and we have concluded investigation, we know what the facts are, all right?

Mr. DAVIDSON. You present it as if they have—

Mr. CORDRAY. If anybody wants to challenge us—

Mr. DAVIDSON. —been found guilty when, in fact, the consent orders clearly say that they have not admitted guilt. And—

Mr. CORDRAY. We know—

Mr. DAVIDSON. —I do look forward to you producing one that says something other than that.

Mr. CORDRAY. There is no guilt. There is no guilt in a consent order. It is not a criminal matter; it is a civil matter. And we know what the facts are and we set the facts, all right?

But they can always—

Mr. DAVIDSON. But always your facts are right.

Mr. CORDRAY. Like every other part of the—

Mr. DAVIDSON. That is your assertion, that you facts are always right.

Mr. CORDRAY. Like every other part of the Federal government, and it is no different for us, what we do can be challenged in the courts and—

Mr. DAVIDSON. Reclaiming my time, I need to mention that all agencies really need a better appeals process, and I think what we—what I have seen concluding as a new member, we really need to address due process, particularly in your agency.

I yield back.

Mr. CORDRAY. Okay.

Mr. LUETKEMEYER. Gentleman's time has expired.

Now we go to the gentleman from North Carolina. Mr. Budd is recognized for 5 minutes.

Mr. BUDD. Thank you, Mr. Chairman.

And thank you, Mr. Director. I want to talk a little bit about what appears to be a, for lack of better terms, a revolving door.

So in 2013 Politico reported that dozens of CFPB policymakers, rulemakers, attorneys, have left in recent months, lured by opportunities in the private sector. Many have landed at law firms, compliance shops, and banks, where their insider knowledge of how the agency works is coveted.

The Washington Examiner and Breitbart reported similar issues, with staff transitioning in your agency to take lucrative jobs in the

private sector. Other articles just last year noted that more senior staff had departed for major banks like Capital One.

A representative of Public Citizen called this pattern of departures alarming and said that the revolving door is one of the most pernicious influence-peddling tools that can undermine the integrity of government agencies.

President Trump recently signed an executive order imposing an unprecedented 5-year lobbying ban on certain officials who leave the executive branch. This is it. Do you support this executive order?

Mr. CORDRAY. The Presidents always set the—set ethics requirements that go beyond the requirements of the law, and they are free to do so. I don't have any criticism of that order, if that is what you are saying.

Mr. BUDD. Do you support it?

Mr. CORDRAY. I don't have any criticism of that order. It is not my jurisdiction to do the President's job.

Mr. BUDD. Do you think it might be good in your agency, in the CFPB, to use something similar to prevent the revolving door?

Mr. CORDRAY. So what we do is we abide by all of the government ethics rules, and we take them very seriously and we follow them very carefully.

It is a free country. I do not control what employees do when they no longer work for me, beyond the fact that they have to abide by ethics rules, and I assume they are doing so, and if not they are subject to prosecution if they fail to do that.

So I don't know what else to tell you.

Mr. BUDD. Sure.

Do you think to give the appearance of a highly ethical organization that you would want to commit to require all CFPB employees to sign an agreement that prohibits them from lobbying and representing clients in matters before the CFPB once they have left?

Mr. CORDRAY. They do have to do so for a period of time, and it is specified in the government ethics rules, and we abide by those very carefully and follow them closely.

Mr. BUDD. Do you know what that—Director, do you what that period of time is?

Mr. CORDRAY. I am not entirely sure. I have never left the agency myself. But it is either a year or 18 months or 2 years, depending—maybe depending upon the circumstances. But I would be happy to have my staff fill your staff in on what those requirements are.

Mr. BUDD. Sure. It still gives the appearance of a highly complicated, highly regulated organization that has highly marketable skills once they leave CFPB.

Mr. CORDRAY. So, I mean, what do you want these people to do? Just retire? I mean, they have to follow the ethics rules. They do follow the ethics rules. If the ethics rules should be changed I would be happy to have them be changed, and we will abide by them. But they are Federal government ethics rules for the Federal government.

Mr. BUDD. I am going to reclaim my time. It really strikes me that the lack of a lobbying vantage agency has real cost in—

Mr. CORDRAY. There is a restriction. They cannot do certain things for some period of time. I don't know all the details of it, but be glad to fill you in.

It is not as though there is no restriction. They have the same restrictions that everybody else in the Federal government.

People have set those rules thinking that they are the right rules. If they are not the right rules I am sure they can review them and change them. We abide by them.

Mr. BUDD. Director, this is a pattern that we have seen prior to the existence of CFPB. I mean, this is something that we have seen with creation of complex regulations, and then people that created those going into the private sector to interpret those.

And I really hope you are right. I hope it is not a problem, but it certainly appears to go—to be a problem.

I want to yield back my time.

Mr. LUETKEMEYER. Gentleman yields back.

Next we want to recognize the gentleman from Tennessee, Mr. Kustoff, for 5 minutes.

Mr. KUSTOFF. Thank you, Mr. Chairman.

Thank you, Director Cordray, for being here this morning and this afternoon.

I am a, as the chairman would say, a recovering lawyer and a former United States attorney, and I would like to talk to you if I can, some of these questions. lawyer-to-lawyer, if you will.

Mr. CORDRAY. Okay.

Mr. KUSTOFF. Talk to you about district court if I can for a moment.

In the United States district court you would agree that in order for the court to consider a claim or a lawsuit that a party must submit a pleading that contains a short and plain statement which shows that the complainant is entitled to relief. You would agree, wouldn't you?

Mr. CORDRAY. That is a requirement and it is policed by the courts, yes.

Mr. KUSTOFF. Thank you.

And in order to meet the pleading standard that is required under the Federal rules of civil procedure, this relief must be plausible. It must be credible. You would agree with that as well, that that is an accurate statement?

Mr. CORDRAY. I believe that is—I have no reason to contest your statement, although I am a little rusty on some of the procedural issues. But again, courts will decide whether we did that or didn't do that, and we abide by it.

Mr. KUSTOFF. Sounds right, though, doesn't it?

Mr. CORDRAY. Sounds like a sensible rule. I hope it is the rule, yes.

Mr. KUSTOFF. And you would also agree that the Supreme Court, our Supreme Court, has made a point to distinguish what is called "likely harm" from "conceivable harm," the latter of which would not allowed—be allowed to proceed. Is that correct? Likely harm from conceivable harm.

Mr. CORDRAY. Starting to wish I would have had you as a law school professor, but that sounds sensible to me, yes.

Mr. KUSTOFF. Fair enough. In other words, the threshold to get into Federal court is a fairly low standard. You would agree with that as well.

Mr. CORDRAY. To bring a case, yes.

Mr. KUSTOFF. Okay.

Mr. CORDRAY. Of course, it has to survive motion to dismiss or motion—summary judgment everything else. But that is my understanding of how the rules have been drilled, yes.

Mr. KUSTOFF. And I would agree with what you just said.

I do want to talk to you about the matter that the CFPB brought in the Eastern District in North Dakota, which I think Mr. Tipton touched on briefly. The—

Mr. CORDRAY. Yes.

Mr. KUSTOFF. —UDAAP order against Intercept Corporation—

Mr. CORDRAY. Yes, and I am generally familiar with the case, yes.

Mr. KUSTOFF. As I understand it, Intercept Corporation is a third-party payment processor company.

Mr. CORDRAY. Yes.

Mr. KUSTOFF. And the allegation was against the—against violations by its consumers, is that correct?

Mr. CORDRAY. Well, it was against the payment processor as I think aiding and abetting, facilitating violations against consumers with enough knowledge to be held responsible. And to kind of maybe get to where you are going, the court found that we did not plead enough facts to make out a case and granted a motion to dismiss in that case.

So it goes to show, we do not—as we have said, we do not win every case, and we are right now still digesting that opinion and trying to figure out what it means for the investigation we were conducting there.

Mr. KUSTOFF. In my remaining time I want to ask you about that because—

Mr. CORDRAY. Yes.

Mr. KUSTOFF. —because Judge Ralph Erickson made some fairly sharp remarks. He said although the complaint—and I am quoting—does not contain detailed factual allegations, it must contain—need not contain detailed factual allegations, it must contain more than an unadorned “the defendant unlawfully harmed me” accusation. That is a quote-unquote. You would agree that that was what he said in the opinion, correct?

Mr. CORDRAY. Yes. I mean, I think our compliant said much more than that, but if that is what—that is the way the judge viewed then the judge certainly decides accordingly and we have to then absorb that, understand it, and figure out how to deal with it.

Mr. KUSTOFF. In fact, he said that the facts in the complaint must be plausible, not merely conceivable.

Mr. CORDRAY. Yes, and he found that they were not plausible and merely conceivable, I guess.

Mr. KUSTOFF. And he further cited or stated in his opinion—his opinion—quote—that the complaint, quote, “never pleads facts sufficient to support the legal conclusion that consumers were injured or likely to be injured,” close quote, and that, quote, “it does not



contain sufficient factual allegations to back up conclusory statements regarding Intercept's allegedly unlawful acts or admissions."

Mr. CORDRAY. So to this point in that case we got it wrong to that degree. We have had many, many other cases that we have filed where motions to dismiss were filed against us and we have prevailed on the motion.

So, you know, when you were U.S. attorney in Tennessee I assume you didn't win every case even though you tried.

Mr. KUSTOFF. Well, the difference is I wouldn't have brought a case unless I thought that I—number one, that somebody broke the law; and two, that I could absolutely prove—

Mr. CORDRAY. I understand, but I—we didn't bring a case where we thought nobody broke the law. We thought they did. The judge disagreed with us and okay then. Fair enough.

Mr. KUSTOFF. In fact, this court found that there was no nexus to the consumer, no—

Mr. CORDRAY. Agreed. That is what the court found. And I am sure you brought cases where you thought you were going to get a guilty verdict and you didn't, or maybe there were even nolle prosequi or whatever.

I mean, I am sure that—it happens. It is not a big mark of honor for us that we had a case dismissed on a motion to dismiss, but usually the vast majority of our cases that survive that threshold, and this time this judge felt we misjudged it. Fair enough.

Mr. LUETKEMEYER. Gentlemen's time has expired.

Mr. CORDRAY. Learn from that and figure out how to—

Mr. LUETKEMEYER. Gentlemen's time has expired.

We move next to the gentlelady from New York, Ms. Tenney, is recognized for 5 minutes.

Ms. TENNEY. Thank you, Mr. Chairman.

Thank you, Director Cordray for being here today throughout the morning and afternoon.

Mr. CORDRAY. Maybe the evening, who knows.

Ms. TENNEY. You are getting to the end of the line here.

I just would like to just refocus a little bit. I am a small business owner. I come from a community that has been devastated by a poor economy. In fact, in many areas of my district we are ranked dead last in the national economy.

And my concern is over, obviously, regulations and a lot of the regulations dealing with the auto industry.

And I noticed in your comments from last winter that the bureau dropped its Equal Credit Opportunity Act lending enforcement for fair lending priorities list this year. These enforcements, in my opinion, were flawed auto financing guidance process issued by the CFPB and that also barred consumers from participating in this process and commenting on it, and created a lot of uncertainty in the \$905 billion auto lending market.

You know, my question is going to be why did the bureau pull out of this type of financing guidance, and why—you know, at some point, why was that a decision made by the CFPB in your—

Mr. CORDRAY. So we didn't pull out of the guidance. That guidance merely, as we understood it, restated existing law and didn't add anything to it.

What we did say is, we have a fair lending program; we have limited resources. We set up priorities every year and at this point in time we were determining priorities for 2017 and we specified that they would be redlining mortgage and student loan servicing and small business lending, and that we—

Ms. TENNEY. Let me reclaim my time and get back into the auto industry because that is really—

Mr. CORDRAY. Sure.

Ms. TENNEY. —where I would like to refocus.

Mr. CORDRAY. Yes.

Ms. TENNEY. You know, in effect what you are doing is, in my view, it looks like you are taking the financing industry and trying to, you know, circumvent the Constitution and go at the auto dealers without having really—

Mr. CORDRAY. Not trying to do that.

Ms. TENNEY. —the authority to do that is coming in on the financing side of the—I mean, I don't see how you can justify that. And so I—

Mr. CORDRAY. Well, look—

Ms. TENNEY. I am just surmising that you pulled out because you realized there was an overreach constitutionally on this issue.

Mr. CORDRAY. No, no. First of all, that is not what we are trying to do and that is not what we did here.

The statute—Congress drew it, not me—says that we have no jurisdiction over auto dealers. But it says we do have jurisdiction and therefore a responsibility to deal with auto lenders.

So how do you do that? It doesn't work very well, I will agree, and they kind of get into each other's way.

Ms. TENNEY. Let me reclaim my time and ask you, aren't there other agencies in government that are regulating the auto industry, including on the state level, such as New York state, which has a very—

Mr. CORDRAY. So the—

Ms. TENNEY. —aggressive regulatory scheme to help consumers with the auto dealers?

So to me it looks like—wouldn't you agree that it is an overreach for the Federal government to use the lending process to go in and go after an already regulated field?

Mr. CORDRAY. We haven't gone after any auto dealers, other than buy-here-pay-here. The FTC has that authority and they will exercise it or not as they see fit.

I don't have that authority. But I do have the authority, and therefore the responsibility and the duty, to deal with auto lenders, and the two get in each other's way. That is an unfortunate way the statute was drawn.

But in terms of—

Ms. TENNEY. Hold on a second.

Mr. CORDRAY. In terms of our decision now—

Ms. TENNEY. Let me reclaim my time and say it is an unfortunate way the statute was drawn, so are you outside the statute in trying to pursue your lending against auto dealers?

Mr. CORDRAY. No. If we pursue auto lenders—

Ms. TENNEY. It wasn't drawn the way that you wanted it drawn, so you created your own—

Mr. CORDRAY. No, not at all.

Ms. TENNEY. All right.

Mr. CORDRAY. We have a responsibility to pursue auto lenders. That is going to affect auto dealers. I can't help that. That is the way the market is.

You know, either we should have had both or we should have had neither would have been a better way to do it, but—

Ms. TENNEY. Right. So you are conceding, then, that the statute wasn't really the way it should have been, so instead you used the lending mechanism to get into the dealers.

Mr. CORDRAY. Not at all. It means that as we do our job people are going to be able to criticize us because it has consequences and ramifications down the line.

But in terms of specifying our priorities for this year, as you noted, auto is not among them, and we indicated that we have proceeded with different supervisory enforcement actions against 20 of the largest auto lenders. We will continue to supervise around this, but that we needed to look at other priorities, as well.

So that, I think, was a sound judgment that we had to make, and that is where we are.

Ms. TENNEY. So couldn't you—let me reclaim my time and say wouldn't you concede that—I mean, you withdrew from having this as a priority program, so now you are using the regulatory process with lenders to try to reach into the auto industry.

Mr. CORDRAY. Well, I am not trying to reach into anything. I am just trying to do the job Congress gave us, and if Congress—

Ms. TENNEY. Right. But you just said the job Congress gave you, but you just said a moment ago that Congress didn't have that in the statute the way you needed it, so now you are kind of—

Mr. CORDRAY. No, no, not the way I needed it. Just Congress did it. I don't think it is very logical, frankly, to give somebody responsibility for auto lenders but not auto dealers or vice versa.

Ms. TENNEY. Right. So you are conceding that the statute really doesn't cover the dealers. So—

Mr. CORDRAY. We have never taken an action against dealers. We have never done that.

But it doesn't mean that things we do might not affect dealers, just like if the Federal Reserve raises interest rates that is going to affect dealers but they are not regulating dealers.

Chairman HENSARLING. [Presiding.] Time of the gentlelady has expired.

The chair now recognizes the gentleman from Indiana, Mr. Hollingsworth.

Mr. HOLLINGSWORTH. Thank you, Mr. Chairman.

Thank you, Director Cordray, for being here this afternoon. I know it has been wearisome so far, but I can assure you are reaching the end quickly.

Mr. CORDRAY. Actually, quite invigorating.

Mr. HOLLINGSWORTH. Fair enough.

Well, actually something you said earlier really sparks me and I really liked it. You said you are responsible and accountable to the public. I really like that turn of phrase.

Tell me how—

Mr. CORDRAY. I try to be, yes.

Mr. HOLLINGSWORTH. —how do you divine what the public wants?

Mr. CORDRAY. I suppose no differently from you. I get a lot of input from the public. That is why we set up the consumer complaint line. Actually, we are required to do that by Congress, but we have set it up to be broadly inclusive.

I try to get a lot of input from stakeholders on all sides of these issues, and often there are kind of two sides to the issue, but maybe there are more.

Mr. HOLLINGSWORTH. Like you said, like—just like me. I do go to the public every 2 years, right, and an election. And I think generally we believe elections represent the will of the public, right, in ascertaining their will and their desire and activities. So would you—

Mr. CORDRAY. A big part of our government, yes.

Mr. HOLLINGSWORTH. Yes.

Mr. CORDRAY. And as you know, I have a background of that sort myself, so—

Mr. HOLLINGSWORTH. Exactly. No doubt.

And if you serve and are accountable to the public, and the public duly elected officials, and those duly elected officials decided that it was in their best interests—in the public's best interest—for you to no longer direct the CFPB, is that something that you would submit to, given that that is how the public expressed their will last November?

Mr. CORDRAY. I think that if people follow the lawful channels and apply the law, then that is the way things should be.

Mr. HOLLINGSWORTH. So if you serve the public and the public decided to elect an official that asked for your resignation, is that something that you would comply with, given that is what the public wanted?

Mr. CORDRAY. I think that the law has to be followed. Congress set up this agency, not me. And Congress set this up to be an independent consumer watchdog, as they have set up many Federal agencies—the Federal Reserve, the FDIC, and others.

Mr. HOLLINGSWORTH. I don't doubt the way it was set up. I mean, reading the statute, you can clearly see. I guess I would push back against the statement that you are accountable and responsible to the public if you are unwilling to follow when a publicly elected official decided—

Mr. CORDRAY. Well, let me say this. I am accountable to the public. I am also accountable to follow the law. I shouldn't be violating the law just because they have something in mind of what I should do for the public.

Mr. HOLLINGSWORTH. It is not a violation of the law for him to ask for your resignation, is it?

Mr. CORDRAY. Not at all.

Mr. HOLLINGSWORTH. Okay. So the only question remains is as to whether you would tender it willfully or not, right?

Mr. CORDRAY. I think that is correct, yes.

Mr. HOLLINGSWORTH. Okay. And I guess in honoring the public's will or wishes, it would seem that if an elected official who was duly elected here decided to ask for your resignation, it would seem

in the public's interest, given their election, for you to willfully tender that, right?

Mr. CORDRAY. I think the public elected—elects the Congress every 2 years. You are now part of it. And it had prior Congresses, and those Congresses passed laws under our Constitution that are law of the land and have to be followed, okay?

And so the authority to remove me would have to follow the law of the land, and that could then be reviewed in the courts. So that is what I am understanding is the right framework.

Mr. HOLLINGSWORTH. Okay.

So I guess turning our attention to having to divine other things, this regulation by enforcement troubles me. And it really troubles me because I think as I continue to hear from others around here that you rarely take a course—a court—excuse me—a case to court—it is getting late, isn't it—a case to court. And so rarely—

Mr. CORDRAY. Not true that we rarely do. We have many cases pending in the courts right now.

Mr. HOLLINGSWORTH. What percentage of those taken to court versus those settled outside of court?

Mr. CORDRAY. I don't know exactly, but we could get you those numbers.

Mr. HOLLINGSWORTH. I understand the far greater proportion were settled outside of court, so how is it that—

Mr. CORDRAY. No. That is up to the opposing party. I mean, they can contest it. Any case they can contest and go through the courts. If they prefer not to, they don't have to. I don't dictate that to them.

Mr. HOLLINGSWORTH. Are there any constraints on your budget?

Mr. CORDRAY. Yes.

Mr. HOLLINGSWORTH. Okay. What are those constraints?

Mr. CORDRAY. The constraints that Congress set by law. They have a fixed budget cap for us, which is not true of any other independent agency.

Mr. HOLLINGSWORTH. What is the size of that?

Mr. CORDRAY. It is approximately \$600 million before the sequester.

Mr. HOLLINGSWORTH. \$600 million—you know, one of the things my grandfather once told me is the Golden Rule, right? He who has the gold makes the rules.

And I worry about that in your instance, that there is a great inclination for them to settle because of the immense amount of resources you can bring to bear not only in the ability to fight cases but in their reputational harm that they would suffer from pushing back against it, even on principle.

And so I guess what I want to better understand on this enforcement—or this regulation by enforcement—is how other parties are supposed to determine whether the facts that you allege are true and whether those facts indeed apply to them or not, and whether it is left to them to try to divine the tea leaves and figure out what is in their best interests.

Mr. CORDRAY. I don't know that it is divining the tea leaves. They should read the orders and they should think carefully about what they are doing and judge accordingly.

That is the same way they read every law and try to decide whether it applies to them.

Mr. HOLLINGSWORTH. Even if the facts aren't alleged—even if the facts aren't proven to be true.

Mr. CORDRAY. The facts are true in our order as a result of our investigation.

Mr. HOLLINGSWORTH. That they have agreed to them doesn't make them true.

Mr. CORDRAY. Whether they have agreed to them or not, they are true because they are facts. They are fact. Investigative facts.

Chairman HENSARLING. Time of the gentleman has expired.

The chair now recognizes the gentleman from Minnesota, Mr. Emmer.

Mr. EMMER. Thank you, Mr. Chair.

Mr. Cordray, for the past 5 years you have been the director of the Consumer Financial Protection Bureau. And this right here that you delivered to us today is your ninth semiannual report to Congress on behalf of that agency, correct?

Mr. CORDRAY. We are actually doing two of them today, covering two of them for the past year.

Mr. EMMER. This is your ninth semiannual report to Congress. That is what it says.

Mr. CORDRAY. Okay, fair enough.

Mr. EMMER. I mean, I am not making—it says in this "our ninth semiannual report to Congress and the President."

Mr. CORDRAY. I am not disputing this. I am not trying to give you any trouble on that.

Mr. EMMER. All right. Well, I didn't think so. I am just trying to give you what your words are.

In this report, it says that—I think it is—you have provided on page—it is 188 pages, this book, all right? And in the book it says you are providing your agency's, quote, "statutory responsibility and commitment to accountability and transparency." So this whole process is about accountability and transparency on behalf of the CFPB, correct?

Mr. CORDRAY. Well, the more transparent we are the more full the report becomes, yes.

Mr. EMMER. Okay. So that was a yes. Thank you.

Now, the Consumer Financial Protection Bureau gets its funds from the Federal Reserve, correct?

Mr. CORDRAY. Correct.

Mr. EMMER. Several hundred—

Mr. CORDRAY. Actually, we get them from—Congress initially sets up the framework, but they specify that they would come from the Federal Reserve, yes.

Mr. EMMER. Yes. You get it from the Federal Reserve. You fill out a request that the Congress has put in the Dodd-Frank law that created this, a limit that you can collect based on what the earnings are, and the Federal Reserve can send I think this year something north of \$600 million.

But you generally take about \$350 million to \$400 million for your operating expenses in the CFPB, correct?

Mr. CORDRAY. No. It has changed over time because in 2011 when we were created there was nothing, and the bureau has built up over time, so—

Mr. EMMER. The last couple of years, sir. I am going to try to get through this as quickly as possible.

Your general operating budget is about—for the last couple of years is somewhere between \$350 million and \$400 million. That is what is documented in—

Mr. CORDRAY. It is actually higher than that, but yes.

Mr. EMMER. All right. Maybe it is higher than that.

In addition, through these consent decrees that we have been talking about at length here the last hour and settlements that the CFPB does with—I think Representative Davidson identified them as targets—you collect hundreds of millions more. And of the dollars that you collect, you put monies into an account called the Civil Penalty Fund, correct?

Mr. CORDRAY. Correct. Yes.

Mr. EMMER. And you also allocate monies into a separate account called the Consumer Education and Financial Literary Programs account.

Mr. CORDRAY. No. No. It goes into the Civil Penalty Fund, and Congress specified it could be used for either or two purposes.

Mr. EMMER. I am sorry. So it is one account and you allocate it—

Mr. CORDRAY. Either to compensate uncompensated victims, which is where the vast majority of it has gone, or for—

Mr. EMMER. Yes, it is one account, so you allocate between victims and education, correct?

Mr. CORDRAY. Fair enough. Yes.

Mr. EMMER. Now, in this you have laid it out again in this book. Chapter nine, starting on page 131, you give a general summary of the monies that you have collected and where you have put them. If you look at it, it is right in front of you, I think, the book.

Mr. CORDRAY. Yes.

Mr. EMMER. It is interesting that you put in there that you have allocated money, but there is no audit in this book. There is no audit that shows us detail of these monies.

Mr. CORDRAY. We are audited every year by the GAO.

Mr. EMMER. Do you have an audit? Do you have an audit that you can provide to my office?

Mr. CORDRAY. Absolutely. We have—

Mr. EMMER. Fantastic.

Mr. CORDRAY. We have an audit—we have two audits every year and—

Mr. EMMER. Have you looked at that recently?

Mr. CORDRAY. —the inspector general reviews the fund.

Mr. EMMER. Have you looked at the audit recently?

Mr. CORDRAY. I look at it every year.

Mr. EMMER. Can you tell me how many checks have been written to actual victims out of this Civil Penalty Fund?

Mr. CORDRAY. I think there have been millions of checks to victims.

Mr. EMMER. No, no, no. What you do when I read your report is you lump all the money together—

Mr. CORDRAY. No, no, no.

Mr. EMMER. —and you say you have helped millions of people. But what I would like to know is specific checks, rather than seeing, like I do in this report after page 131, that you gave a huge chunk of money to some law firm for uncompensated victims. I would like to know exactly who you are writing checks to.

Mr. CORDRAY. We didn't give any chunk of money to a law firm.

Mr. EMMER. Well then who is the firm that is identified on page 132 or 133?

Mr. CORDRAY. So it is victims of the—of those practices—

Mr. EMMER. So there were four—

Mr. CORDRAY. —that are individual consumers. Nobody gets some big chunk of money from us.

Mr. EMMER. Page—

Mr. CORDRAY. It goes to individual consumers who were victims.

Mr. EMMER. Where is it here? Page 139, The Hoffman Law Group, formally known as The Residential Litigation Group.

Mr. CORDRAY. Yes?

Mr. EMMER. That is what I am talking about.

Mr. CORDRAY. Yes, they are a—

Mr. EMMER. So if there is an audit and if this is about transparency, I would like to get the audit.

Mr. CORDRAY. They are a firm that we found—I believe that we found that they violated the law and this money is going to the victims that they harmed.

Mr. EMMER. Again, I will renew it. If there is an audit and you can show us exactly who the money has been given to, I would like to see it.

Mr. CORDRAY. You know, I am always stunned at people disbelieving that this consumer bureau gets money back to real people—

Chairman HENSARLING. Time of the gentleman has expired.

Mr. CORDRAY. —and that is what we have done. And if you want to see the evidence of that because you don't believe us, we will show you the evidence.

Mr. EMMER. I would also like to see who educated where, how, with what money—

Chairman HENSARLING. Time of the gentleman has expired.

The chair now recognizes the gentleman from West Virginia, Mr. Mooney.

Mr. MOONEY. Thank you, Mr. Chairman.

Different questions I have for you, Director Cordray. You had a former deputy named Steven Antonakes who left the CFPB abruptly under unknown circumstances and apparently did so just months shy of his pension vesting.

Now, for all I know, his service was entirely honorable, and we appreciate the toll public service takes on family sometimes, so I may—I understand his desire to return home. But I must ask this question: Was Mr. Antonakes ever the subject of an inquiry or investigation by the Fed inspector general?

Mr. CORDRAY. So this is kind of outrageous. Steve left the bureau because he remarried and in remarrying he had three small children. And although he had been commuting from Boston to Washington for a number of years he no longer could do so.



Those are the circumstances of his departure, and if you want to make something of that you can, but I think that is a little beyond the pale.

Mr. MOONEY. Okay. So then are you saying affirmatively that no investigation occurred, or that you are just unaware of details of investigation?

Mr. CORDRAY. I am not aware of what you think you are alleging.

Mr. MOONEY. Okay, so you can't—I mean, can you answer affirmatively no investigation occurred?

Mr. CORDRAY. Of what? Investigation of what? I am not sure what you are talking about.

Mr. MOONEY. Of Mr. Antonakes when he left. Was there an investigation?

Mr. CORDRAY. He got remarried. He had three small children. He could no longer commute from Boston to Washington.

He was very apologetic about it because he thought it was important to continue the work of the bureau, but his personal situation meant that he needed to make a change. And I think you should—

Mr. MOONEY. And as I said—

Mr. CORDRAY. —you should leave that alone.

Mr. MOONEY. —as I said in my question, we understand the toll public takes on family. But that is not my question.

My question is, was he ever the subject of an inquiry or investigation by the Federal inspector general?

Mr. CORDRAY. I am not aware of what you are talking about, so—

Mr. MOONEY. So you are not aware of any investigation that may have occurred?

Mr. CORDRAY. I don't know what you are talking about. I really don't.

Mr. MOONEY. Well, I am asking you a question.

Mr. CORDRAY. Yes, I am saying I don't know what you are talking about.

Mr. MOONEY. So you are unaware of any investigation of your own deputy that may or may not have occurred?

Mr. CORDRAY. Again, I am not aware of what you are talking about. If you ask it again I still won't be aware of what you are talking about.

Mr. MOONEY. Okay.

Mr. Chairman, I would like to yield time to the gentleman from Tennessee, Mr. Kustoff.

Mr. KUSTOFF. Thank you, Mr. Chairman.

Director Cordray, if I could, I would like to go back, if I could, briefly to that Intercept Corp—

Mr. CORDRAY. Sure.

Mr. KUSTOFF. —action that we talked about out of the Eastern District of North Dakota. I am correct that the claim was dismissed, your action was dismissed, the CFPB's action was dismissed because the court found that there was no nexus to consumer harm, correct?

Mr. CORDRAY. That was the court's judgment. That is—

Mr. KUSTOFF. I am not asking whether you agree with it. That is what the—that is the court's judgment.

Mr. CORDRAY. I believe that is what the court said, yes.

Mr. KUSTOFF. All right.

Mr. CORDRAY. I don't have it in front of me, but if you are saying so, I don't doubt you.

Mr. KUSTOFF. And what the court was also saying, if I am correct also, was that the CFPB needs to more clearly define the parameters of UDAAP and how you enforce it, correct?

Mr. CORDRAY. I don't recall whether the court said that but, you know, the court apparently found that our pleadings were not specific enough or convincing enough to survive the motion to dismiss and granted the motion to dismiss. So that is a setback and it is something we will take to heart and figure out what to do in response.

Mr. KUSTOFF. Thank you very much.

Director Cordray, I have heard from a number of my constituents who live in west Tennessee who told me about their struggles to a get small-dollar, short-term loan, whether it is for medical expenses, whether it is to make a car payment, for whatever reason. The rule that the CFPB—and you have testified a little bit about this during the hearing today—from last year that effectively reduces consumers' ability to get those small-dollar loans, we talked about the number of comments that have been posted—a million or a million three—

Mr. CORDRAY. A lot.

Mr. KUSTOFF. It is a large number.

Mr. CORDRAY. Yes.

Mr. KUSTOFF. One comment specifically was a letter signed by 18 state attorney generals, your former colleagues—importantly for me, my attorney general from Tennessee, the honorable Herbert Slatery. Their letter to you states, and I quote that the proposed rule is, quote, "unnecessary and unlawful and will do more harm than good and ought to be withdrawn."

My question to you is that, as far as I can tell, you have not yet responded to that letter. Am I correct?

Mr. CORDRAY. Well, these are comment letters and we don't do a response to all of the comments. We are supposed to take them and figure out what to do in thinking about our rule.

And by the way, there were other attorneys general from other parts of the country who filed a comment letter on the other side. We have not responded to that one either. It is not meant to be responded to; it is meant to be telling us their thoughts for the rule-making purposes.

Mr. KUSTOFF. Great. So you have no intention of responding to those 18 attorney generals?

Mr. CORDRAY. Well, if attorneys generals communicate with me I respond to the attorney generals. But in the notice and comment process the 1,300,000 people who submitted comments, we are not going to respond to all of them. That is not required by law and it is not reasonable.

So I don't know what to tell you. They are allowed to comment into this process like anyone else, but they—

Chairman HENSARLING. Time—

Mr. CORDRAY. —don't have a different status.

Chairman HENSARLING. Time of the gentleman has expired.

There are no other members in the queue.

The chair wishes—

Mr. CORDRAY. Could I just correct the record?

Chairman HENSARLING. —to alert members—

Mr. CORDRAY. Mr. Chairman?

Chairman HENSARLING. Chair wishes to alert members that there is a vote pending on the floor.

I do wish to thank the witness for his testimony today. It has been a very long day.

Without objection, all members will have 5 legislative days within which to submit additional written questions for the witness to the chair, which will be forwarded to the witness for his response.

And I would ask Director Cordray to respond promptly as you are able.

This hearing stands adjourned.

Mr. CORDRAY. Could I just have 1 minute—30 seconds? Because I wanted to correct the record on—couple times you asked about the neither admit nor deny. I am now informed that we have admissions in several cases.

I am aware of Payday Loan Debt Solutions case, American Debt Settlement Solutions case, International Land Consultants case, First Alliance Lending case. There may be others, but that is what—

Chairman HENSARLING. I thank the director for his answer. This hearing stands adjourned.

[Whereupon, at 3:24 p.m., the committee was adjourned.]

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

3 - - -

4 TUESDAY, SEPTEMBER 20, 2016

5 United States Senate,  
6 Committee on Banking, Housing, and Urban Affairs,  
7 Washington, D.C.

8 The Committee met, pursuant to notice, at 10:00 a.m.,  
9 in Room SD-538, Dirksen Senate Office Building, Hon. Richard  
10 Shelby (Chairman of the Committee) presiding.

11 Present: Senators Shelby, Crapo, Corker, Vitter,  
12 Toomey, Heller, Scott, Moran, Brown, Reed, Schumer,  
13 Menendez, Tester, Merkley, Warren, Heitkamp, and Donnelly.

14 OPENING STATEMENT OF CHAIRMAN SHELBY

15 Chairman Shelby. The Committee will come to order.

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

22 We will then hear from the Los Angeles City Attorney's  
23 deputy chief whose office was the first to commence an  
24 action against Wells Fargo on this issue and, finally, from  
25 the OCC and the CFPB. We look forward to hearing from both

1 panels because much remains unclear about what transpired at  
2 Wells Fargo and the regulators' response.

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

6 Subsequently, Wells Fargo terminated approximately  
7 5,300 employees and has agreed to pay \$185 million in fines  
8 and \$5 million in customer remediation.

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

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

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

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

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

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

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

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

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

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

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

14 The 2013 Los Angeles Times articles led to the L.A.  
15 City Attorney's Office investigation into Wells Fargo's  
16 sales practices.

17 Thousands of man-hours by a dozen dedicated L.A. city  
18 attorneys culminated in a lawsuit filed against Wells Fargo  
19 in May of 2015.

20 This timeline begs the question: Where were the  
21 Federal regulators during those years? If the OCC and the  
22 CFPB were aware of these issues before the L.A. City  
23 Attorney's lawsuit, why did they wait until 2016 to bring an  
24 enforcement action? Why did it take an L.A. Times reporter  
25 to uncover what should have been uncovered by Wells Fargo's

1 regulators?

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

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

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

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

18           Senator Brown.

19                           OPENING STATEMENT OF SENATOR BROWN

20           Senator Brown. Mr. Chairman, thank you for calling  
21 this hearing. I want to commend the City of Los Angeles,  
22 the OCC, and the CFPB for their actions, and the Los Angeles  
23 Times for bringing this to light. I was stunned when I  
24 learned of the breadth and the duration of the fraud  
25 committed by Wells Fargo. I hope today we can begin to

1 understand what went wrong and what needs to be done.

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

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

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

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

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

24 Wells Fargo claims to have made things right with its  
25 customers, but its efforts have been incomplete. For



1 example, it is not clear that PwC calculated the cost of a  
2 lower credit score, which might be paid every month for 30  
3 years.

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

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

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

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

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

25 By contrast, Ms. Carrie Tolstedt, the senior executive

1 vice president for community banking, has done quite well.  
2 She knew of this problem at least 5 years ago and is  
3 retiring with a package that may be worth more than the  
4 CFPB's record fine of \$100 million.

5         So 5,300 team members, earning perhaps \$25,000,  
6 \$30,000, \$35,000 a year, have lost their jobs, while Ms.  
7 Tolstedt walks away with up to \$150 million.

8         Despite firing thousands of team members, Ms. Tolstedt  
9 apparently decided it was not important enough to alert the  
10 head of the company, Mr. Stumpf, or the board of directors  
11 or anyone else for 2 years, if ever, even though you both  
12 sat on that bank's board.

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

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

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

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

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

6           Third, in the wake of the rampant robo-signing fraud  
7 that we saw at Wells Fargo and other places, banks need  
8 better controls.

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

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

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

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

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

1           This April, Wells settled a False Claims Act suit for  
2 \$1.2 billion, in part because it had used bonuses to get  
3 staff to "churn out and approve an ever-increasing quantity  
4 of FHA loans...and applying pressure on loan officers and  
5 underwriters to originate and approve more and more FHA  
6 loans as quickly as possible." Thousands of Americans, as  
7 we know so well--although, unfortunately, far too few of us  
8 know any of these people personally. Thousands of Americans  
9 lost their homes through mortgage foreclosures as a result.

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

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

21           Thank you,

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

1           Mr. Stumpf. I do.

2           Chairman Shelby. You may be seated.

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

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

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

6 I am chairman and chief executive officer of Wells  
7 Fargo, where I have worked for nearly 35 years. It is my  
8 privilege to lead this company, which was founded 164 years  
9 ago and has played a vital role in the financial history and  
10 development of our country. We employ more than 268,000  
11 team members, 95 percent of whom are in the United States.  
12 One in every 600 working adults is a member of the Wells  
13 Fargo family, and we have a presence in all 50 States.

14 I am deeply sorry that we failed to fulfill our  
15 responsibility to our customers, to our team members, and to  
16 the American public. I have been through many challenges  
17 with Wells Fargo, but none of which pains me more than the  
18 one we will discuss this morning.

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

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

1 to move forward.

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

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

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

18 And, Senators, let me tell you here today, the Wells  
19 Fargo board is actively engaged in this issue. The board  
20 has the tools to hold senior management accountable,  
21 including me and Carrie Tolstedt, the former head of our  
22 retail banking business. Any board actions taken with our  
23 named executive officers will be appropriately disclosed.  
24 And I want to be clear on this: I will respect and accept  
25 the decision of the board.

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

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

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

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

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

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

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



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

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

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

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

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

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

20           Throughout this 5-year period, we identified potential  
21 inappropriate sales practices. We investigated those, and  
22 we took disciplinary actions that included terminations of  
23 managers and team members for sales policy violations--the  
24 5,300 terminations over the 5 years that have been widely  
25 reported.

1           Despite all of these efforts, we did not get it right.  
2 We should have realized much sooner than the best way to  
3 solve the problems in the retail banking business was to  
4 completely eliminate retail bank products sales goals. And  
5 one of the areas that we missed was the possibility that  
6 customer could be charged fees in connection with accounts  
7 opened without their authorization. Because deposit  
8 accounts that are not used are automatically closed, we  
9 assumed this could not happen. We were wrong. And we took  
10 steps to refund fees that were charged and made changes so  
11 this could not happen again.

12           In August 2015, we began working with a third-party  
13 consulting firm, PricewaterhouseCoopers, which conducted  
14 extensive, large-scale data analyses of all 82 million  
15 accounts, deposit accounts, and nearly 11 million credit  
16 card accounts that we had opened from 2011 through 2015. Of  
17 the 93 million accounts reviewed, approximately 2 percent,  
18 1.5 million deposit accounts and 565,000 consumers credit  
19 card accounts, were identified as accounts that may have  
20 been unauthorized.

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

25           PwC calculated that approximately 1150,000 of these

1 accounts has incurred \$2.6 million of fees which had been  
2 refunded to those customers. Even one unauthorized account  
3 is one to many. This type of activity has no place in our  
4 culture.

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

9 I will close by saying again I am deeply sorry that we  
10 have not lived up to our values in this way. I also want to  
11 take this opportunity to thank our 268,000 team members who  
12 come to work every day to serve our customers. Today I am  
13 making a personal commitment to rebuilding our customers'  
14 and investors' trust, the faith of our team members, and the  
15 confidence of the American people.

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

17 [The prepared statement of Mr. Stumpf follows:]

1 Chairman Shelby. Thank you, Mr. Stumpf.

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

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

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

23 Mr. Stumpf. Yes, so, Senator, thank you for that  
24 question, and it is a good one. We have a number of  
25 triangulations around how to understand when there might be

1 improper behavior. If some customer, for example, all of a  
2 sudden shows up with three savings accounts, they probably  
3 do not need that. Or we have ethics lines. We have a  
4 culture in the company, if you see something that you do not  
5 think is proper, raise your hand, talk to a manager.

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

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

18 Mr. Stumpf. Thank you again, Senator. The business  
19 has their own audit and investigations and sales practices,  
20 efficacy and so forth, contained within the regional bank or  
21 the retail bank. After they had been working on this issue  
22 for a couple of years--and, again, this was way too many  
23 people, but it was 1 percent of our people. There are at  
24 any one time 100,000 team members in our banks, and after we  
25 noticed--after the business was dealing with this for a

1 couple years, it was then brought to the holding company and  
2 corporate assets, corporate audit, corporate compliance, the  
3 so-called second line of defense, got very active, and that  
4 is when I became much more aware of the issue.

5 Chairman Shelby. Does it both you as the CEO of such a  
6 large bank that systemic fraud was not brought to your  
7 attention sooner by your employees?

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

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

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

23 Chairman Shelby. Mr. Stumpf, the board of directors of  
24 Wells Fargo has awarded the then head of community banking,  
25 Carrie Tolstedt, millions of dollars--it could be \$100

1 million, as Senator Brown says, or more--in incentive  
2 compensation for "success in furthering the company's  
3 objective of cross-selling products" and "reinforcing a  
4 strong risk culture," according to the 2015 proxy statement  
5 issued by your bank. Explain to the American public today  
6 here what accountability at a large bank looks like when an  
7 executive departs with millions of dollars in compensation  
8 after thousands of their employees defrauded customers? The  
9 question was raised by Senator Brown.

10 Mr. Stumpf. I will try to get to all of those, and if  
11 I do not, please--but it is a good question. Carrie  
12 Tolstedt, as leader of the community banking business, had a  
13 lot of requirements and things that her performance was  
14 measured on, putting the Wachovia and Wells business  
15 together, doing common branding, making sure customers were  
16 treated properly. And throughout that entire period from  
17 2011 until 2016, customer loyalty scores continued to  
18 improve. Today they are top of class, even by independent  
19 studies of large banks.

20 Our team member engagement, we do a study every year--  
21 and today we have 15 people who are engaged in that  
22 business--of every one that is disengaged. Balances and  
23 customers had grown.

24 Now, in this particular area, she did not do enough,  
25 and we decided--the chief operating officer, who she was

1 reporting to at the time, with my consultation, decided that  
2 we would go in a different direction.

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

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

14 Mr. Stumpf. You know, I am not an expert in  
15 compensation, but I will get you whatever--

16 Chairman Shelby. You are the CEO of the company,  
17 right?

18 Mr. Stumpf. I am the CEO--

19 Chairman Shelby. And so are you the chairman of the  
20 board?

21 Mr. Stumpf. I am the chairman of the board.

22 Chairman Shelby. Okay. Then--

23 Mr. Stumpf. But I do not--excuse me.

24 Chairman Shelby. And the buck stops here, so to speak.

25 Mr. Stumpf. It stops--I am the senior officer.



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

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

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

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

24 Chairman Shelby. Do you believe you have violated that  
25 trust?

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

4           Chairman Shelby. Senator Brown.

5           Senator Brown. Thank you, Mr. Chairman.

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

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

16          Senator Brown. And when did you become aware more  
17 precisely?

18          Mr. Stumpf. It was later in--

19          Senator Brown. Was it the L.A. Times article that you  
20 became--

21          Mr. Stumpf. Yes. It was later in 2013. Well, I had--  
22 actually, I do not remember the exact time frame. I can get  
23 back to you and staff, but it was sometime in 2013.

24          [The information follows:]

25          / COMMITTEE INSERT

1 Senator Brown. Okay. Thank you for that.

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

8 Mr. Stumpf. It was two thousand--well, it was  
9 announced--you are talking about--

10 Senator Brown. The Norwest merger with Wells.

11 Mr. Stumpf. That was 1998.

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

18 Mr. Stumpf. Well, Senator, I would tell you this: We  
19 want to make it right by any customer, and we already--we  
20 agreed with our regulators in our agreements to go back to  
21 2011. We made a decision to go back to 2010 and 2009, and  
22 we want to make it right by any customer.

23 Senator Brown. Does that mean you are willing to go  
24 back earlier than 2009?

25 Mr. Stumpf. Well, I do not--I cannot tell you that

1 today. I would have to talk to our folks. I do not know  
2 about records and so forth. But I want to make sure any  
3 customer who has had harm of any kind, that we will do right  
4 by them.

5 Senator Brown. Well, you have records before 2009. is  
6 that a pledge from you to go back earlier than that if, in  
7 fact, there are customers that were harmed by unauthorized  
8 accounts?

9 Mr. Stumpf. Senator, I will take that under  
10 advisement, and I will get back to you--

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

18 Mr. Stumpf. And, Senator, again, I think that is--you  
19 know, we will consider that. I am--we will take that under  
20 advisement, and I will get back--

21 Senator Brown. Well, I hope you will more than  
22 consider it. Thank you.

23 Talk about Senator Shelby's, Chairman Shelby's  
24 discussion on the clawback. Understanding I think you  
25 minimize your influence--to us at least you minimize your

1 influence with the board. You are the chairman of the  
2 board. I understand that the board goes through a process,  
3 and I respect that. But you as the chairman, are you going  
4 to recommend to the board--well, let me back up. You, I  
5 would assume, are more familiar with both the pros and the  
6 cons of performance from Ms. Tolstedt. You are aware that  
7 she is getting--she is slated to get, some news reports say,  
8 up to \$120 million. You are also aware that most of the  
9 5,300 people, team members that were fired, were low-income  
10 workers, as low as \$11-something an hour, maybe up to \$16 or  
11 \$17 an hour, but were generally low-income workers, low-paid  
12 workers. So you are more familiar with that than probably  
13 any board member, at least as familiar. So will you with  
14 your knowledge and your stature and your position in the  
15 board make a recommendation to this board that they should  
16 claw back a significant amount of her compensation?

17 Mr. Stumpf. Senator, I will answer that question, but  
18 I just want to put something in perspective. The lowest-  
19 paid worker we have, our entry level in our least-cost area  
20 is \$12 an hour. Our lowest-paid worker in our high-cost  
21 area is \$16.50 an hour. In addition to that, about \$6 per  
22 hour is also--that does not include the benefits around  
23 health care, which we pay virtually all of it for low-paid  
24 people. But most of the people who lost their jobs because  
25 they violated our code of ethics, they were dishonest, were

1 not--those were good-paying jobs. People lost their jobs  
2 who were bankers, bank managers, managers of managers, and  
3 even an area president. These were good-paying jobs, jobs  
4 that were--the averages I think were in the, you know,  
5 \$35,000 to \$60,000 area, if you just want to take an  
6 average.

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

13 Senator Brown. Thank you for saying that. So you are  
14 not willing to make a recommendation based on how this looks  
15 to the public that--call them "good-paying jobs" at \$16 or  
16 \$17 an hour or not, compared to what, but I will put that  
17 aside. But whatever these workers were making, they were in  
18 the bottom some percentage of the workforce, whatever. They  
19 made mistakes, they were dishonest, they apparently deserved  
20 to be fired. I will not dispute that.

21 You are not willing, as the CEO of this bank, to make a  
22 public recommendation that you think--to make a public  
23 statement that you think Ms. Stumpf--I am sorry, Ms. Teffle--  
24 -I am sorry.

25 Mr. Stumpf. Tolstedt.

1           Senator Brown. Tolstedt, that Carrie Tolstedt did--you  
2 are not willing to say publicly to this Committee or to  
3 anyone that some of her compensation, over \$100 million when  
4 she announced her retirement in the last several weeks, that  
5 any of it should be clawed back?

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

9           Senator Brown. Okay. That is unfortunate.

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

14          Mr. Stumpf. That was in consultation with regulators  
15 and with the city attorney's office.

16          Senator Brown. So you did not on your own, after  
17 finding out in late 2013 of these problems, through the rest  
18 of 2013, a month, 2 to 3 months in 2013, through all of  
19 2014, and then into the first 7 months of 2015, it never  
20 occurred to you that you should bring in somebody, without  
21 the regulators suggesting it or pushing or in consultation,  
22 it never occurred to you to bring in somebody to really find  
23 out who was hurt, what kinds of issues were going on? How  
24 do we find these customers to reimburse them?

25          Mr. Stumpf. Senator, that is a good question, and I

1 have thought about that, a lot about why, and it was--it was  
2 early in 2015, about the time that we were considering or  
3 talked about who we would bring in, that we finally  
4 connected a dot. And there is no excuse why we did not  
5 connect it before.

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

15 Senator Brown. I appreciate your candor about this,  
16 but in 2011, 1,000 employees were fired; in 2012, a similar  
17 number; 2013 was the peak number. In 2013 was the L.A.  
18 Times Article. In 2015, throughout the year, nothing  
19 happened. It seemed to never occur to management to do any  
20 of this when it is just--and then today--and I do not  
21 question your integrity, but then today you come in and make  
22 all these announcements. It has been 5 years since--at  
23 least 5 years since all of this has been happening. Today  
24 you make announcements that you are doing--you apologize.  
25 We appreciate that. You make announcements you are doing



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

13 Thank you, Mr. Chairman.

14 Chairman Shelby. Senator Corker.

15 Senator Corker. Thank you, Mr. Chairman. Mr. Stumpf,  
16 thank you for being here.

17 Just as an observation, I know that you have a whole  
18 host of people here with you, and I am sure one of those  
19 people is a communications person. I would just make the  
20 observation, look, I know you talk daily with board members,  
21 and, you know, I have been on boards before myself. I would  
22 suggest, just again as an observation, that to not invoke  
23 some degree of clawback for yourself and others involved  
24 would be committee malpractice from the standpoint of just  
25 public relations. So at a minimum, I am sure that is going

1 to take place. I would be surprised if it does not.

2 You found out about this through reading the L.A.  
3 Times. Is that correct?

4 Mr. Stumpf. No, I do not recall back in 2013 exactly  
5 the time frame, but I learned about it later in 2013.  
6 Remember, the--

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

11 Mr. Stumpf. No, and I--the only thing I want to make,  
12 Senator Corker, is that we had dismissed a number of people,  
13 and that is what caused the L.A. Times--

14 Senator Corker. The story, I see.

15 Mr. Stumpf. Yeah, because--

16 Senator Corker. So you all had taken some actions,  
17 they wrote a story, and it--

18 Mr. Stumpf. Exactly, yes.

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

25 Mr. Stumpf. Yes, and I just want to say these team

1 members--you are absolutely right--they did not do what was  
2 right. It was--

3 Senator Corker. I did not ask that. I am asking you--

4 Mr. Stumpf. Okay. It--

5 Senator Corker. --when the board became aware that you  
6 had a unit that was involved in committing fraud.

7 Mr. Stumpf. Yeah, it would have been later 2013 and  
8 then 2014 and on.

9 Senator Corker. So they were not even aware of the  
10 L.A. Times story.

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

15 Senator Corker. I read a story about Ms. Tolstedt  
16 today. I do not know her. It actually, you know, sounds  
17 like she was an incredibly hard worker, got to work early,  
18 rode a bus, you know, micromanaged, signed leases herself.  
19 I do not know if any of this was true. But when you have  
20 somebody that is that involved in sort of micro details, is  
21 this a case of not raising their head up to 5,000 or 10,000  
22 feet and understanding the kind of culture that was being  
23 created by slogans like "Eight is great" and those kinds of  
24 things? I mean, it is just hard to--you know, it seems to  
25 me that within a bank, with all the data you use to contact

1 customers--I mean, you can--with algorithms, I mean, you  
2 guys can pick this stuff up so quickly. It is hard to  
3 believe that there is not some report within the bank that  
4 would cause this to jump out at people and say something  
5 really bad is happening here.

6 Mr. Stumpf. Yeah, Senator Corker, I think that is--  
7 that is a good question, and in the retail business, where  
8 you have 100,000 people in seats at any one time in our  
9 6,200 branches, there is a lot of turnover. And I am not  
10 justifying in--

11 Senator Corker. Well, no, no. There is an officer,  
12 there is a compliance officer.

13 Mr. Stumpf. Absolutely.

14 Senator Corker. And all banks have these.

15 Mr. Stumpf. Sure.

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

20 Mr. Stumpf. Thank you, and that is what I was trying  
21 to explain, that in her business, surely she was, I believe,  
22 in reporting situations where there was ethical breakdowns,  
23 and--

24 Senator Corker. But not to the board.

25 Mr. Stumpf. And it got to the board level--it got to

1 the corporate level in 2013 because progress was not being  
2 made, and the board level in 2014, as the corporate  
3 researchers started to--and we have been actually seeing  
4 improvement since that time, but not enough.

5 Senator Corker. It does seem like there was--just in  
6 fairness, again, there does seem like a big disconnect  
7 there.

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

14 Mr. Stumpf. It was based on a number of issues. This  
15 was one of them. We wanted to take the business in a  
16 different direction, and we--

17 Senator Corker. But she in essence was terminated over  
18 this issue.

19 Mr. Stumpf. No. Carrie chose to retire. Tim Sloan,  
20 our chief operating officer, with my consultation, had a  
21 discussion with her--I think it was sometime in June or  
22 July--and said, "We want to go in a different direction. We  
23 want to put an end"--"we want to put more focus on this  
24 issue." But it was a variety of things. And she was  
25 eligible for retirement, and she decided to retire.

1           Senator Corker. Well, my time is up, and out of  
2 respect for other members, I will stop. I have numbers of  
3 other questions. We thank you for being here.

4           Mr. Stumpf. Thank you.

5           Chairman Shelby. Senator Reed.

6           Senator Reed. Well, thank you very much, Mr. Chairman,  
7 and thank you, Mr. Stumpf, for being here.

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

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

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

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

23          Senator Reed. In 2013, when you learned of this, what  
24 did you do? This has been asked several different ways.  
25 Did you inform the regulators or instruct someone to inform

1 the regulators of a growing problem?

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

5 Senator Reed. Did you inform the board at that time?

6 Mr. Stumpf. Yes. I cannot recall the exact meeting,  
7 and--but I can--I can--it was sometime in 2013, and I know  
8 in 2014 various committees of the board were made aware of  
9 this--the risk committee, the audit and examination, the  
10 corporate responsibility.

11 Senator Reed. Did you take any steps to internally  
12 notify your employees of this type of behavior, which, going  
13 back, was, you know, in 2011, a thousand people had done,  
14 2012, 2013, including an area manager? Did you communicate  
15 that? Or did you simply keep these discussions internal to  
16 the board?

17 Mr. Stumpf. I do a team member town hall every quarter  
18 where I go to one of our various cities, and there will be a  
19 couple thousand people in the audience, and then we webcast  
20 that broadly across our company. And I, you know, typically  
21 talk about ethics and doing what is right for customers, and  
22 in the case the vast majority do it, but I was trying to  
23 really bring home this fact.

24 Senator Reed. But given specific evidence of  
25 techniques used to essentially, in the words of some of my

1 colleagues, "defraud customers," those specific practices  
2 were not focused upon and made very clear that they were not  
3 tolerated? Or was it--it would seem to be a generic  
4 discussion of follow the rules?

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

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

24 Mr. Stumpf. Well, I can tell you we said, "Stop this  
25 stuff," and the thing about cross-sell is I would rather



1 have a customer with two products that they use and they  
2 need and they want and they value than four products that  
3 are not used and valued. In the first case, the customer  
4 wins, we win, we all do well. In the second case, everybody  
5 loses. We lose money. It does not help us.

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

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

17 Thank you, Mr. Chairman.

18 Chairman Shelby. Senator Toomey.

19 Senator Toomey. Thank you, Mr. Chairman. Thanks for  
20 calling this hearing. I have to say what we have been  
21 learning is so deeply disturbing at so many levels.

22 First, we discover that Wells Fargo had a sales culture  
23 that was blatantly antithetical to what is best for  
24 customers. We discover that management had far too few  
25 common-sense controls in place to prevent the kind of abuse

1 that customers were subject to. We discover Wells Fargo  
2 executives completely out of touch.

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

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

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

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

24 Mr. Stumpf. You know, I am not a criminal, you know,  
25 officer, and I do not know the--I am not a lawyer. I do not

1 know the legal term. I know this: They broke our code of  
2 ethics, they were dishonest, and we did everything we can to  
3 support law enforcement on these issues.

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

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

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

18 Senator Toomey. At what point did you alert your  
19 regulators and law enforcement that you had probably  
20 criminal activity happening on a large scale?

21 Mr. Stumpf. Well, again, it was 1 percent of our  
22 people, Senator, and I know that--

23 Senator Toomey. But 5,000 is a big number.

24 Mr. Stumpf. It is bigger than my hometown. I do know  
25 that. And it was--but we also had the vast majority who did

1 the right thing. But let us talk about those. Every time--  
2 and we made a very bright line. If it happened one time, it  
3 was one time too many.

4 Senator Toomey. I have only 5 minutes here.

5 Mr. Stumpf. And to answer your question--I am sorry--  
6 we sent it--we did everything we needed to do.

7 Senator Toomey. Did you refer it to law enforcement?

8 Mr. Stumpf. When it was--when it was required, we did.  
9 We did everything according to the rules.

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

14 Mr. Stumpf. Well, I do not--I do not--I cannot answer  
15 that. I would have to get to our legal team. I do not have  
16 that in front of me. But this was not a--I just--I would  
17 have to get back to you on that. I do not know.

18 [The information follows:]

19 / COMMITTEE INSERT

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

7           Mr. Stumpf. Well, from a financial perspective, you  
8 know, \$2.6 million--and it is \$2.6 million too much, and  
9 \$185 million was not deemed "material."

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

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

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

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

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

21           Chairman Shelby. Senator Menendez.

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

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

10           Wells Fargo touts to its investors and its customers  
11 that we will never put the stagecoach before the horses.  
12 Well, I tell you what: The bank recklessly rolled over 2  
13 million of your customers in what in no way can be viewed  
14 other than a large-scale scheme to boost, you know, your  
15 growth and whatever that meant for your shares and whatever  
16 that meant to your shareholders.

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

20           Mr. Stumpf. Yes, 5,300 people did not honor our  
21 culture.

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

24           Mr. Stumpf. That is correct.

25           Senator Menendez. They were located across the

1 country. Is that fair to say?

2 Mr. Stumpf. That is fair to say.

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

6 Mr. Stumpf. I absolutely agree with that.

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

11 Mr. Stumpf. Absolutely.

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

25 Mr. Stumpf. \$19.3 million.



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

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

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

17          Senator Menendez. Did you specifically say--

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

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

1 Mr. Stumpf. Absolutely.

2 Senator Menendez. When did you say that?

3 Mr. Stumpf. I have said that many times in many town  
4 halls.

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

7 Mr. Stumpf. You know, it is in the--it is in our  
8 public filings.

9 Senator Menendez. She made about \$9.1 million in  
10 salary, bonus, and stock awards. According to Glassdoor,  
11 the average Wells Fargo bank teller salary is \$24,545, and  
12 the average salary for a Wells Fargo personal banker is  
13 \$37,560. So imagine--do you know what the poverty wage is  
14 for a family of three?

15 Mr. Stumpf. I do not have that in front of me.

16 Senator Menendez. Well, let me just share it with you.  
17 I did not think you would. It is \$24,300. For a family of  
18 three, it is \$20,160. So imagine for a moment you are a  
19 single parent working with two young children as a personal  
20 banker in Wells Fargo's branch. Let us say your base salary  
21 is somewhere in the \$30,000 range. You have a hard-driving  
22 boss breathing down your neck to meet rigorous sales quotas.  
23 You have got to call into a call center when you do not meet  
24 those quotas. And if you do not meet the quota one day, it  
25 gets carried over to the next day, so you have got even a

1 higher quota. And you are being told--forget about the  
2 incentive of making more money. In essence, this is about  
3 losing your job. And you think that that environment was  
4 the appropriate environment to protect your customers and to  
5 have the culture that you portray here that Wells Fargo had?

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

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

22 Mr. Stumpf. The board will take--well, first of all--

23 Senator Menendez. To date. To date, have you suffered  
24 any financial consequences?

25 Mr. Stumpf. The board has gone through, and, yes,

1 people have been held accountable.

2 Senator Menendez. Senior executive management?

3 Mr. Stumpf. Senior executive--

4 Senator Menendez. I would like for you to classify for  
5 me what that is.

6 Mr. Stumpf. Okay. Well, people that are in charge of  
7 risk in the retail bank, people that are in charge of sales  
8 efficacy, regional presidents who do not meet their goals  
9 around proper sales, yes, people are held accountable, and  
10 they will be held accountable.

11 Chairman Shelby. Senator Heller.

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

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

25 I consistently fight to ensure Nevadans retain the

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

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

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

19 Do my constituents have a right to be insulted? I have  
20 heard a number of comments probably more directed at you  
21 that you would take the Sergeant Schultz position that you  
22 knew nothing as this was moving ahead, that perhaps you even  
23 took--and I heard this from one of my constituents--the  
24 Hillary Clinton approach, a "what difference does it make?"  
25 attitude. And let me tell you why they are talking this

1 way. I have got your letter to your valued customers as you  
2 tried to explain to them some of the problems: "You may  
3 have seen news recently that some Wells Fargo customers  
4 received products and services that they did not need."

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

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

17 Senator Heller. This letter appears that you are  
18 downplaying some of the concerns. You said that some Wells  
19 Fargo customers--you know, we are talking almost 2 million  
20 accounts that were opened up.

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

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

1 dollars.

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

5 Mr. Stumpf. Well, I have had that before where people  
6 have forged my name--

7 Senator Heller. Your bank.

8 Mr. Stumpf. --or stolen my identity. But, of course,  
9 I would be--I would be very disappointed, and I can surely  
10 understand your constituents' disappointment, and we have a  
11 lot of work. Nevada is a wonderful, important State to us.  
12 We have been there a long time. And I apologize to all of  
13 the American people and our customer, and we will make it  
14 right.

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

20 Mr. Stumpf. You know, I am not on that board, and I  
21 think it is probably maybe--if I could just take a second,  
22 as I understand--and I will get you the information about  
23 her \$100 million--part of it is stock she has either  
24 purchased on the open market or exercised and owns for a 27-  
25 year career. There are some dollars that are in the money,

1 options that she has not yet exercised. And then, finally,  
2 there is a part of future grants that will be vesting over  
3 the few number of years, and the board will consider all of  
4 those things. They will consider her entire situation in  
5 their deliberations.

6 Senator Heller. Would you approve that?

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

10 Senator Heller. Mr. Chairman, my time has run out.  
11 Thank you.

12 Chairman Shelby. Senator Tester.

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

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

24 Mr. Stumpf. The part that is accurate is there are  
25 565,000 credit cards that were opened up that were never



1 activated. About 400,000 of those have customers'  
2 signatures on them, and 5.7 percent or less than 6 percent  
3 of those accounts that we opened during that time were not  
4 activated, which is a pretty standard industry--because  
5 people might have them--we are going to go back to each one  
6 of those customers now and find out if that was a  
7 legitimate--to ensure an open--and if it is not, we will  
8 make it right.

9 Senator Tester. Okay, but that is not what I asked.

10 Mr. Stumpf. I am sorry.

11 Senator Tester. I asked: Was negative inform turned  
12 in to the credit bureaus because of these actions?

13 Mr. Stumpf. You know, I do not know the algorithms of  
14 how credit bureaus--

15 Senator Tester. Well, this--

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

19 Senator Tester. Well, this is a big deal.

20 Mr. Stumpf. Yes, it is.

21 Senator Tester. And I am telling you, it is a big  
22 deal. I could ask you for the age breakdown on these 2  
23 million accounts that were opened up, but I am telling you  
24 that if information was sent in to the credit bureaus  
25 because of these falsely opened accounts, the impacts on

1 this are far, far, far more than the fees or fines that  
2 could be associated with that.

3 What is Wells Fargo doing about that?

4 Mr. Stumpf. Senator--

5 Senator Tester. Or did that information not get  
6 reported to the credit bureaus?

7 Mr. Stumpf. Well, when we pull a credit--

8 Senator Tester. Just ask me--just tell me, did the  
9 information, if there were fees and fines involved and the  
10 credit bureaus requested it, or even if they did not, did  
11 that information get forwarded to the credit bureaus?

12 Mr. Stumpf. I am trying--sir, I am trying to work with  
13 you--

14 Senator Tester. But a "yes" or "no" works.

15 Mr. Stumpf. Yes--yes, we--we pulled a credit bureau  
16 for each one of these cards.

17 Senator Tester. Okay. So what is Wells doing about  
18 fixing that problem? And be concise.

19 Mr. Stumpf. Okay. We are calling each credit card  
20 customer to find out if this truly was a card they wanted.

21 Senator Tester. Okay.

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

1 Senator Tester. And what is the time frame for that?

2 Mr. Stumpf. We already started that process.

3 Senator Tester. Okay. So now, this took 5 years. It  
4 has been documented, 2011--maybe even started before that,  
5 but 2011 until fairly recently. Now, if I had had a credit  
6 card issued in the first volley and in the meantime between  
7 2011 and now I decided to buy a house, and that information  
8 was reported to the credit bureau, it could make--you  
9 probably could know the figure, but maybe half a percent,  
10 maybe more than that. And on a \$500,000 mortgage, the  
11 difference between 3.5 and 4 percent is 50 grand over 30  
12 years. What is being done about that?

13 Mr. Stumpf. We will look at each one of those and  
14 determine what--

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

19 Mr. Stumpf. I am going to go back--we have committed  
20 to go back to all of our credit card customers and find out--  
21 -

22 Senator Tester. Okay. What about the ones that got--  
23 you refund all their fines, you refund all their fees. You  
24 went back to the credit bureau and reestablished their  
25 credit rating as of today. What about the folks that may

1 have bought a house through Chase and got a higher interest  
2 rate because of it? How are you going to find those folks?

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

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

15 So you found out in 2013--and I do not want to beat  
16 this horse anymore, but did you find out that they were  
17 actually setting up accounts with fraudulent signatures in  
18 2013?

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

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

1           Mr. Stumpf. And that is--we had even more than that,  
2 and what we should have done is get rid of our incentive  
3 program.

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

16           Thank you, Mr. Chairman.

17           Chairman Shelby. Senator Crapo.

18           Senator Crapo. Thank you, Mr. Chairman.

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

23           Consumers expect that their private information is  
24 going to be protected at their bank and not used to open an  
25 unauthorized account. You have gone through that

1 extensively today. Did the third-party analysis that you  
2 engaged in determine if these unauthorized accounts were  
3 created uniformly across the United States? Or were there  
4 areas in the United States where they were more heavily  
5 created?

6 Mr. Stumpf. Yes, there was a more heavily bias towards  
7 the Southwestern part of the country.

8 Senator Crapo. The information I have indicates that  
9 that even more specifically includes California and Arizona.  
10 Would that be correct?

11 Mr. Stumpf. That would be correct.

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

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

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

1 Mr. Stumpf. Senator, it was a bit of both.

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

8 Mr. Stumpf. We are contacting all of our deposit  
9 customers and the credit--and, incidentally, virtually all  
10 of these accounts came on the books and were closed within a  
11 60-day period. And so of the potential--again, the 2  
12 million accounts that could not be eliminated--and I think I  
13 said that in my oral testimony. So I do not know--you know,  
14 we just could not eliminate them, or PwC could not. But we  
15 are calling all of our credit card customers and contacting  
16 all of our deposit customers, and we have a special call a  
17 number. We are asking people to come into our banks and  
18 talk to our people.

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

22 Mr. Stumpf. I mean, they are going to get a notice and  
23 say, you know, if you have an interest, you can email us, we  
24 will call you, we will do whatever it takes to make sure  
25 that--and I know our study was--PwC was very comprehensive.

1 We tried to err on the side of the customer. In fact, we  
2 are getting people coming into our bank today saying, "I got  
3 a \$25 check, but I wanted this service." And I am not  
4 saying that--but I am just saying that we want to make sure  
5 that we do not hurt any customer and that if they wanted  
6 credit, they have it; if they did not want it, we will try  
7 to make it right by them.

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

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

19 Senator Crapo. Well, and that is what I wanted to get  
20 at finally in the last minute I have in my questioning. You  
21 said to Senator Tester and you have just said again to me  
22 that you are going to make it right. How do you do that?  
23 For example, you said the calls have been being made. I  
24 assume that in the calls that the bank is making that they  
25 are finding customers, some, who have unauthorized and



1 unwanted credit card accounts. How do you make it right  
2 with regard to the impact that that--and potentially charges  
3 on that account have caused to the credit rating of that  
4 card holder?

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

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

15 Mr. Stumpf. That is correct.

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

20 Mr. Stumpf. I do not know that I have precise dates,  
21 but I will give you a general timeline. The City of L.A.  
22 lawsuit was sometime in the May time frame of 2015--well,  
23 2013, maybe it was. I am sorry I am missing on dates here.  
24 And then the OCC was involved. We shared with them. And  
25 when we learned of their lawsuit, we--well, it was actually

1 in 2015. I am sorry, 2015. May of 2015. And then we  
2 shared that information with the CFPB. But the OCC was  
3 involved with us prior to probably the 2013 time frame.

4 Senator Crapo. So the OCC probably would have been  
5 involved first, even before the City of Los Angeles?

6 Mr. Stumpf. They are our principal regulator, and yes.

7 Senator Crapo. All right. And then the CFPB would  
8 have been the final entity that was--the last--

9 Mr. Stumpf. We noticed--we called them, someone from  
10 our legal department called them I believe in the May time  
11 frame of 2015.

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

14 Chairman Shelby. Senator Warren.

15 Senator Warren. Thank you, Mr. Chairman.

16 Mr. Stumpf, the Wells Fargo Vision and Values Statement  
17 which you frequently cite says, "We believe in values lived,  
18 not phrases memorized. If you want to find out how strong a  
19 company's ethics are, do not listen to what its people say.  
20 Watch what they do."

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

1 Mr. Stumpf. The board--I serve at the--

2 Senator Warren. Have you resigned?

3 Mr. Stumpf. No, I have not.

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

7 Mr. Stumpf. Well, first of all, this was by 1 percent  
8 of our people and--

9 Senator Warren. That is not my question. My question--  
10 -it is about responsibility. Have you returned one nickel  
11 of the millions of dollars that you were paid while this  
12 scam was going on?

13 Mr. Stumpf. The board will take care of that.

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

16 Mr. Stumpf. And the board will do--

17 Senator Warren. I will take that as a "no" then.

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

22 Mr. Stumpf. We have made a change in our regional--to  
23 lead our regional bank.

24 Senator Warren. I just said I am not asking about  
25 regional managers. I am not asking about branch managers.

1 I am asking if you have fired senior management, the people  
2 who actually led community banking division, who oversaw  
3 this fraud, or the compliance division that was in charge of  
4 making sure that the bank complied with the law.

5 Mr. Stumpf. Carrie Tolstedt--

6 Senator Warren. Did you fire--

7 Mr. Stumpf. No.

8 Senator Warren. --any of those people?

9 Mr. Stumpf. No.

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

17 In your time as chairman and CEO, Wells has been famous  
18 for cross-selling, which is pushing existing customers to  
19 open more accounts. Cross-selling is one of the main  
20 reasons that Wells has become the most valuable bank in the  
21 world. Wells measures cross-selling by the number of  
22 different accounts a customer has with Wells. Other big  
23 banks average fewer than three accounts per customer. But  
24 you set the target at eight accounts. Every customer of  
25 Wells should have eight accounts with the bank. And that is

1 not because you ran the numbers and found that the average  
2 customer needed eight banking accounts. It is because  
3 "eight rhymes with great." This was your rationale right  
4 there in your 2010 annual report.

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

9 Mr. Stumpf. No. Cross-selling is shorthand for  
10 deepening relationships. We only do well--

11 Senator Warren. Let me stop you right there. You say  
12 "no"? Here are the transcripts of 12 quarterly earnings  
13 calls that you participated in from 2012 to 2014, the 3 full  
14 years in which we know this scam was going on. I would like  
15 to submit them for the record, if I may, Mr. Chair.

16 Chairman Shelby. Without objection, so ordered.

17 Senator Warren. Thank you.

18 [The information follows:]

19 / COMMITTEE INSERT

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

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

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

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

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

20          Chairman Shelby. Without objection, so ordered.

21          Senator Warren. Thank you, Mr. Chair.

22          [The information follows:]

23          / COMMITTEE INSERT

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

6           Mr. Stumpf. Well, first of all, it was not a scam, and  
7 cross-sell is a way of deepening relationships. When  
8 customers use--

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

13          Mr. Stumpf. It is--all of my compensation is in our  
14 public--

15          Senator Warren. Do you know how much it was?

16          Mr. Stumpf. It is all in the public filing.

17          Senator Warren. You are right. It is all in the  
18 public records because I looked it up. While this scam was  
19 going on, you personally held an average of 6.75 million  
20 shares of Wells stock. The share price during this time  
21 period went up by about \$30, which comes out to more than  
22 \$200 million in gains, all for you personally, and thanks in  
23 part to those cross-sell numbers that you talked about on  
24 every one of those calls.

25          You know, here is what really gets me about this, Mr.

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

16 This just is not right. A cashier who steals a handful  
17 of twenties is held accountable. But Wall Street executives  
18 almost never hold themselves accountable, not now and not in  
19 2008, when they crushed the worldwide economy. The only way  
20 that Wall Street will change is if executives face jail time  
21 when they preside over massive frauds. We need tough new  
22 laws to hold corporate executives personally accountable,  
23 and we need tough prosecutors who have the courage to go  
24 after people at the top. Until then, it will be business as  
25 usual. And at giant banks like Wells Fargo, that seems to



1 mean cheating as many customers, investors, and employees as  
2 they possibly can.

3 Thank you, Mr. Chair.

4 Chairman Shelby. Senator Vitter.

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

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

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

24 Mr. Stumpf. 2013.

25 Senator Vitter. Okay. So in 2011, about 1,000

1 employees were fired over this. That is about 1 percent of  
2 the whole retail business. So 1 percent of a whole big part  
3 of your business was fired over fraud, and you were never  
4 told about that.

5 Mr. Stumpf. That was dealt with in the business unit  
6 at that time.

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

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

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

18 Mr. Stumpf. And, Senator, that is a good question, and  
19 I have thought about that. This was a problem of focus and  
20 not of size. Today--

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

1 Mr. Stumpf. I agree.

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

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

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

15 Finally, what level of confidence, from 0 percent to  
16 100 percent, do you have that this type of fraudulent  
17 activity does not exist in other Wells business lines?

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

25 Senator Vitter. So just as an example, Wells is the

1 biggest participant in the SBA's 7(a) loan program. I  
2 happen to chair the Small Business Committee, so I am  
3 focused on a lot of small business issues. Are you 100  
4 percent confident that no fraudulent activity like this or  
5 no extreme quotas and goals exist in that 7(a) program?

6 Mr. Stumpf. We do not have product goals to my  
7 knowledge in any one of our other businesses, and we have--  
8 of course, because of this situation, we have doubled down  
9 on compliance and review in a lot of our businesses across  
10 the board.

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

15 Thank you, Mr. Chairman.

16 Chairman Shelby. Senator Donnelly.

17 Senator Donnelly. Thank you, Mr. Chairman.

18 Mr. Stumpf, you had previously talked to me about Wells  
19 Fargo values and look at the mess we are in. A community  
20 banker from my State called the office, unsolicited, and is  
21 just sick, and he said, "Here we go again where my bank is"-  
22 -a local community bank, "My bank is going to be slandered  
23 because of what these guys are doing." And he said, "If my  
24 bank had a widespread practice of opening unauthorized  
25 accounts and moving customer money without permission, I

1 would be in jail. My bank would be sold, and my entire  
2 management team and board would be sued by the regulators  
3 for a lack of oversight." And he is sick to his stomach  
4 about what has happened here. And so am I.

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

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

1           Mr. Stumpf. Yeah, and thank you, Senator. We have  
2 been thinking about that. We are starting to call, make  
3 those calls to our constituents and find out our customers--  
4 and I do not have a final answer for you, but we will--our  
5 intention is to make it right by every customer.

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

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

13           Senator Donnelly. One of the things that rubs  
14 everybody wrong around here, but not just here, around the  
15 country, Americans are fair people, and everybody in this  
16 country tries to make sure that there is a square deal done.  
17 It is not a square deal when the people that are fired are  
18 the tellers who make 15 bucks and the senior execs walk off  
19 with \$100 million. Americans can smell an unfair deal a  
20 mile away. And when this teller--these 5,300 tellers, they  
21 did not come up with this scheme on their own. This is the  
22 only way they could keep their jobs because of what was  
23 going on. And you called them dishonest. And my question  
24 is: Ms. Carrie Tolstedt, the head of all this, is she  
25 dishonest? And how do you fire someone making 15 bucks and

1 not the person--that is like firing the guy throwing coal in  
2 the engine and letting the captain go strolling off to a  
3 \$100 million new ship. How do you do that?

4 Mr. Stumpf. Yeah, I think that is an important  
5 question. First of all, most of the people were bankers who  
6 were not making \$15 an hour, managers of those, and managers  
7 of those. And there is something very different about  
8 violating our code of ethics and putting customers at risk  
9 and being dishonest. First, as someone who did not--spent  
10 enough time making sure that this issue had been closed, I  
11 see a very big difference.

12 Senator Donnelly. Well, I think one of the things that  
13 the American people are just disgusted about is it seems  
14 like it all flows downhill, and the people down the hill get  
15 fired, do not even know if they can pay their mortgage  
16 because of the job they had and they are gone, and that the  
17 people up on the top of the hill make \$20 million, \$10  
18 million. You know, the fellows who started the Wells Fargo  
19 stagecoach, this was not their plan. This is not what we  
20 do. And the only last question I have--and I apologize, Mr.  
21 Chairman, but it is this: For 5 years--5 years. And so  
22 when folks say this is too big to fail, for 5 years you were  
23 not able to end this. And you look and you go for 5 years  
24 Americans were taken advantage of and were cheated, had  
25 their credit ratings ruined, had accounts opened that they

1 never even knew about. And this bank, either you did not  
2 know, or you knew and it was great for the story. You know,  
3 under any circumstance none of the conclusions is good.

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

10 Senator Donnelly. Thank you, Mr. Chairman.

11 Chairman Shelby. Senator Scott.

12 Senator Scott. Thank you, Mr. Chairman. Good morning,  
13 Mr. Stumpf.

14 Mr. Stumpf. Good morning, Mr. Scott, Senator Scott.

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

22 I am, however, thankful for the real heroes that we  
23 have heard so little about this morning, the heroes, the  
24 employees who went to the press, the customers who went to  
25 the OCC, bringing oxygen to a very important conversation,



1 and hopefully resolution.

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

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

18 My question, though, is: Why was there not a safe  
19 haven? And have you created safe havens for employees who  
20 see things that are just running amok, do they have a safe  
21 place to go? And not to the L.A. Times, not to the OCC, but  
22 is there a culture that is being established--I know you are  
23 limiting some of your sales goals, which have unintended  
24 consequences as well. But is there a culture being  
25 established where the average employee feels empowered,

1 encouraged to come forward and speak and be heard in Wells  
2 Fargo?

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

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

24 Mr. Chairman, I would love for the record to have a  
25 better understanding of the culture of checks and balances

1 that were not there that are now there that will help  
2 customers, thousands of customers throughout South Carolina,  
3 have more confidence in all financial institutions, and  
4 perhaps having done it wrong, you have become a model for  
5 doing it right.

6 Mr. Stumpf. Thank you.

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

14 Mr. Stumpf. Thank you.

15 Senator Scott. I hope to keep them there.

16 Mr. Stumpf. Thank you. We agree.

17 Senator Scott. I hope to keep them there.

18 Mr. Stumpf. Yes.

19 Senator Scott. Someone opens an account, a fraudulent  
20 account. The definition of "fraudulent," God bless Black's  
21 Dictionary. If I did not sign for it, it is fraudulent. I  
22 like to have simple definitions. So it opens an account in  
23 my name. I do not know the account is opened. So there are  
24 fees attached to some of the accounts. The fees that are  
25 attached are not paid because I am ignorant of those

1 accounts. Those fees that are not paid because I do not  
2 know about them at some point are reported to a credit  
3 agency because I did not pay the fees, because I did not  
4 know about it because I did not open the account.

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

10 Mr. Stumpf. Correct.

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

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

1 financial footprint in our Nation.

2 Mr. Stumpf. And I think it is a good point, and I  
3 think--and, again, I will need to check with our team, but I  
4 think we have already gone back on the deposit side and made  
5 those fixes with the credit bureau and are working to  
6 rectify that. But I will make sure we get back to you and  
7 work with you on that issue.

8 Senator Scott. Thank you, sir.

9 Thank you, Mr. Chairman.

10 Chairman Shelby. Senator Heitkamp.

11 Senator Heitkamp. Thank you, Mr. Chairman, and thank  
12 you for calling this meeting.

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

1           And so let us start with remediation, and by that I  
2 mean repairing credit ratings, taking a look at refunds,  
3 taking a look at restoring to the customer what the customer  
4 lost. You have said repeatedly to the folks here, you know,  
5 "We are working on it. We are working on it." You know, we  
6 start this story as far back as--we do not know, but let us  
7 start at 2011. At 2011, there is something going on, and  
8 Wells Fargo is addressing it. At 2013, there is something  
9 going on, and Wells Fargo is addressing it. At 2015, there  
10 is something going on, and Wells Fargo is addressing it.  
11 But yet it did not get done. And now you are coming to us  
12 and saying, "Trust us. We now get it. Now we know. Now we  
13 have figured it out."

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

23           I want to talk about changing culture. There is no one  
24 on this Committee who believes that 5,000 people  
25 independently act with impunity and with dishonesty. No one

1 here believes that, and if they do--I have done law  
2 enforcement. This is a behavior that was created by the  
3 culture that was allowed, created by a whole lot of folks  
4 saying, you know, "Let us do it this way." This is not--and  
5 I get what you are saying, that it was not just the tellers,  
6 it was not just the lower level. But yet the one person,  
7 the one person who was responsible directly--other than  
8 yourself--for making sure this does not happen is not in  
9 front of this Committee today. In fact, she has walked off  
10 with a pretty good deal and hoping that all of this blows  
11 over.

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

21 Now, with that said, I want to turn to the 5,000  
22 people, and I want to say maybe they deserve to have their  
23 reputation restored. Maybe they deserve to not be that  
24 person whose resume now says, "Fired," on a resume. Maybe  
25 instead of just focusing on your customers, you ought to

1 focus on the 5,000 people who I am pretty sure did not  
2 unilaterally decide to be dishonest. And so it is an issue  
3 that has not been raised here, but I think it is a critical  
4 issue, because when you punish the guy at the end of the  
5 line and you do not punish in any way someone at the top, we  
6 end up with an attitude that, quite frankly, this is a  
7 corporate culture that does not care, they are just trying  
8 to get through the day. And I do not think that your day  
9 yet has ended.

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

13 Chairman Shelby. Senator Moran.

14 Senator Moran. Mr. Chairman, thank you. Mr. Stumpf,  
15 good morning.

16 Mr. Stumpf. Good morning.

17 Senator Moran. As I understand the circumstances, the  
18 factual circumstances, many of the problems, while they were  
19 systemwide, many of the problems were focused in the Los  
20 Angeles area within your banking system. Is that true?

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

23 Senator Moran. And have you analyzed sufficiently to  
24 determine what was different about Los Angeles than places  
25 elsewhere in your banking system that would suggest that the



1 number of times, the volume of fraudulent acts that occurred  
2 there--how do you explain that?

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

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

20 Mr. Stumpf. Right.

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

1 encouraged this behavior.

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

6 Mr. Stumpf. Correct.

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

14 Mr. Stumpf. Correct.

15 Senator Moran. I think a point that Senator Heitkamp  
16 made I would make to you again. There are a number of us on  
17 this Committee and in Congress who work to try to find the  
18 right regulatory balance for financial institutions, and  
19 just to stress with you the importance of then having our  
20 financial institutions behave, their behavior, their conduct  
21 be a certain level; otherwise, it undermines the efforts for  
22 that attempt to change the regulatory environment for  
23 financial success. And we particularly focused that on  
24 community banks, but we care about those financial  
25 institutions that have a relationship with their customers.

1 And one of the arguments that has been made is those  
2 relationship bankers can rely upon the relationship. And  
3 what we are hearing from the circumstance that we find at  
4 Wells Fargo is that relationship was taken advantage of; it  
5 did not accrue to the benefit of the customer.

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

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

23 Mr. Stumpf. Okay. And, again, my recollection is that  
24 our prudential regulator, the OCC, was involved and notified  
25 and active in the 2013 time frame. At about the time of the

1 lawsuit from the City of Los Angeles, we informed the CFPB.  
2 And so I can tell you what we did. And I know you have a  
3 panel later with them, but that is what my recollection is.

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

8 Mr. Stumpf. You know, again, I want to be--I do not  
9 want to speak for them, and I do not know what part of this  
10 is confidential supervisory information. But my  
11 recollection of what we did was deal with this issue,  
12 terminate people, inform our prudential regulator, and after  
13 the City of L.A., inform the CFPB.

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

22 Mr. Stumpf. I think that is a great point, Senator,  
23 and I am--you know, the 268,000 that come to work every day  
24 of our teams members, they are the most fabulous people, you  
25 know, and I just love them and what they do. But the 5,300,

1 for whatever reason, they were dishonest, and I am not  
2 scapegoating, but that is not part of our culture. And some  
3 of those--many of those jobs, most of them, were very good  
4 American jobs.

5 Senator Moran. Thank you, Chairman.

6 Chairman Shelby. Senator Merkley.

7 Senator Merkley. Thank you.

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

11 Mr. Stumpf. I do not believe that, because 90--you  
12 know, the vast majority--

13 Senator Merkley. Let me continue.

14 Mr. Stumpf. Okay.

15 Senator Merkley. I got your answer. Thank you.

16 So Rita Murillo, a branch manager, said, "Regional  
17 bosses required hourly conferences on her Florida branch's  
18 progress toward daily quotas for opening accounts and  
19 selling customers extras such as overdraft protection"--an  
20 issue that has not been addressed yet. "Employees who  
21 lagged behind had to stay late and work weekends....Then  
22 came the threats: Anyone falling short after 2 months would  
23 be fired."

24 "We were constantly told we would be working for  
25 McDonald's....If we did not make the sales quotas--we had to

1 stay for...after-school detention, it felt like, or report  
2 to a call session on Saturdays."

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

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

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

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

19 Senator Merkley. Nothing you did, but bank managers  
20 were being coached on how to coach their employees on how to  
21 do this? How about a branch manager in the Pacific  
22 Northwest, where I come from? She was very upset, finding  
23 employees who had talked a homeless woman into opening six  
24 checking accounts. She said, "It is all manipulation. We  
25 are taught exactly how to sell multiple accounts. It sounds

1 good, but in reality it does not benefit most customers."

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

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

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

22 Can you even conceivably place yourself in the position  
23 of an ordinary working person, who has a child in day care,  
24 they are told they are going to be fired if they do not meet  
25 these solutions, they are being coached on how to do it by

1 their manager, and say there was no culture established that  
2 caused these problems?

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

8 Senator Merkley. Sharif Kellogg said, "The branch  
9 managers were always asking, 'How many solutions' "--that is  
10 the signing of new accounts--" 'did you sell today?' They  
11 wanted three to four a day. They wanted three to four a  
12 day. In my mind, that was crazy. That is not how people's  
13 financial lives work. I was always getting written up for  
14 failing to bump up my solutions numbers."

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

20 Cross-selling is a major pride point for the management  
21 of Wells Fargo, including your reports to--annual reports to  
22 customers. It was so high because you created a culture of  
23 cross-selling that pushed everyone to the maximum, and the  
24 casualties are these folks who were going to be fired  
25 because they would lose their jobs if they did not meet it.



1 And yet you can only sit here and say there was no coaching,  
2 there was no management strategy. Cross-selling was at the  
3 heart of Wells Fargo's program, and you were at the top of  
4 this for a very long time.

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

11 Mr. Stumpf. Senator, I started out today by accepting  
12 full responsibility. We like the idea--

13 Senator Merkley. Accepting full responsibility for  
14 establishing a culture that put people in an impossible  
15 situation would be to resign, as my colleague suggested. It  
16 would be to return your funds and help fund assistance for  
17 all these people who were fired because of the culture you  
18 established and that you personally benefitted an enormous  
19 amount from. But all you say, you say, "I accept  
20 responsibility. And, by the way, it is the fault of those  
21 5,000 people who just were not ethical enough and open an  
22 account they should not have opened." That is not accepting  
23 responsibility. This was a systemic problem that you  
24 benefitted from enormously, the bank benefitted from  
25 enormously, and you are scapegoating the people at the very

1 bottom.

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

9 Senator Merkley. You signed Sarbanes-Oxley reports.  
10 Did you ever reveal the problems with this high-pressure  
11 sales strategy in terms of fraudulent credit accounts at any  
12 time in that course towards 2 million--2 million--fraudulent  
13 accounts? Did you ever disclose that to your investors?

14 Mr. Stumpf. Well, let me just say--

15 Senator Merkley. Well, "yes" or "no." It is a simple  
16 question.

17 Mr. Stumpf. Senator, the question is 2 million  
18 fraudulent--there were 2 million accounts that we could not  
19 rule out as a possibility that they were not authorized.

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

23 Mr. Stumpf. It was--it was not a material event.

24 Senator Merkley. So you bragged on the one end about  
25 the intensive ability to get cross-selling and how that

1 would be beneficial, but the problems that came from that  
2 strategy, the very problem that dozens and dozens of people  
3 have shared their stories about how it was on the ground,  
4 and you can only blame them for ethical lapses. You never  
5 disclosed you had a systemic problem.

6 Mr. Stumpf. Again--

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

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

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

24 Mr. Stumpf. I do not. I can have my staff--

25 Senator Merkley. Can you get extensive details on

1 that?

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

5 Senator Merkley. Can you get the information for the  
6 full Committee?

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

9 Senator Merkley. You do not know what overdraft  
10 protection is?

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

14 Senator Merkley. And please get the information to the  
15 full Committee. Thank you.

16 [The information follows:]

17 / COMMITTEE INSERT

1 Chairman Shelby. Senator Brown, you have another  
2 question?

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

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

9 Chairman Shelby. Without objection.

10 Senator Brown. Thank you, Mr. Chairman.

11 [The information follows:]

12 / COMMITTEE INSERT

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

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

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

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

24           Senator Brown. How do you register an ethics complaint  
25 other than calling CFPB or the L.A. county attorney or the

1 L.A. Times?

2 Mr. Stumpf. As I understand how our ethics line works,  
3 you call. It is an anonymous call. It is handled by a  
4 third party outside of the company who does work on that and  
5 then reports it to the company.

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

9 [The information follows:]

10 / COMMITTEE INSERT

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

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

15           Senator Brown. All right. Understanding what has  
16 happened in the past, these mandatory arbitration clauses,  
17 which many of us I know on this Committee do not think are  
18 fair generally and most customers do not understand that  
19 they are part of a mandatory--do not even know what it is  
20 and part of a mandatory arbitration arrangement, that that  
21 has been applied to these fraudulent accounts in addition to  
22 the ones that were not fraudulent. Understand that is what  
23 has happened, and I hope your answer is specifically in  
24 response to that.

25           Mr. Stumpf. Well, again, I will talk to our team, and



1 we will get back to you. Again, I am not an expert in that.

2 [The information follows:]

3 / COMMITTEE INSERT

1           Senator Brown. Ms. Tolstedt reported directly to you.  
2 How frequently did you talk to one another?

3           Mr. Stumpf. We had at least weekly meetings.

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

8           Mr. Stumpf. I remember being--at least it making an  
9 impression upon me in 2013.

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

16          Mr. Stumpf. Not in the way I had in 2013.

17          Senator Brown. Okay. Over the past 10 years, your  
18 bank has had approximately 39 enforcement actions, just a  
19 few of which have come up today. Many were related to  
20 failure to serve or abusive conduct towards customers and  
21 investors. You talk much about Wells' culture, how proud  
22 you are of it, and its ethics. What does this say--if you  
23 have had 39 enforcement actions, what does this say about  
24 Wells' culture and compliance programs?

25          Mr. Stumpf. We have more work to do, and we are trying

1 very, very hard to build out all the compliance that we need  
2 to be--you know, to treat customers fairly and to make sure  
3 that we do things right every day.

4 Senator Brown. The last question, Mr. Chairman. I  
5 appreciate your indulgence.

6 Chairman Shelby. Senator Menendez--

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

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

24 Mr. Stumpf. Yeah, I have to talk with our team. I do  
25 not know about those numbers. I do not know how significant

1 or widespread that is, and I can get back to you on that.

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

8 Mr. Stumpf. Yeah, I would have to talk to our team.  
9 Again, I do not know the numbers, and I just--I frankly have  
10 not worked closely--

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

16 Mr. Stumpf. Well, again, I do not even--you know, I  
17 know where you are going with your line of questioning. I  
18 am trying to be cooperative. I just have not--I have not  
19 talked to our HR team. I do not know the numbers. I do not  
20 know the situations. I do not know if there are other  
21 things involved. So I--

22 Senator Brown. Again, I am less concerned about the  
23 numbers than the morality of it. I would like to at least  
24 ask you to do this, then: Once you have made that  
25 determination of how many there are, I would like you to

1 make them whole; and if you are not willing to make them  
2 whole, I would like a written response about why you have  
3 made the decision not to make them whole.

4 Mr. Stumpf. Okay. I will talk to our team, and we  
5 will get back to you.

6 [The information follows:]

7 / COMMITTEE INSERT

1 Senator Brown. Thank you.

2 Chairman Shelby. Senator Menendez.

3 Senator Menendez. Thank you, Mr. Chairman.

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

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

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

24 Mr. Stumpf. I do not know what other companies do. I  
25 know that we view it as an important metric as it relates to

1 depth of relationship, and relationship--

2 Senator Menendez. You do not know if other banks do  
3 this?

4 Mr. Stumpf. I would--I do not know.

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

9 Mr. Stumpf. I do not know that.

10 Senator Menendez. Okay. We will have to ask the  
11 regulators. Let me ask you this: You said it was not a  
12 material event to Senator Merkley. Not a material--

13 Mr. Stumpf. A material financial event.

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

16 Mr. Stumpf. You know, I am not a lawyer, and I rely on  
17 my legal team--

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

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

25 Mr. Stumpf. Correct.

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

7           Mr. Stumpf. In fact, when Tim Sloan, our chief  
8 operating officer and president, talked with her, said we  
9 want to go in a different direction, there were a number of  
10 things he was thinking about doing different in the  
11 business, and we had not made enough--along with my  
12 consultation, not made enough progress here, and she was  
13 retirement eligible. She decided to retire. It never went  
14 beyond that.

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

19           Mr. Stumpf. That did not even come into the--

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



1           Mr. Stumpf. I do not have those numbers, but I will  
2 tell you this, Senator--

3           Senator Menendez. Well, I think it is important to  
4 know those numbers. You do not know how many people you  
5 terminated--you know how many people you terminated who you  
6 said did the wrong thing, but you do not know how many  
7 people you terminated because they did not meet the  
8 overwhelming cooker boiler that you put them under?

9           Mr. Stumpf. I do not have those--I do not have those  
10 numbers.

11          Senator Menendez. Well, I would like you to get those  
12 numbers to the Committee.

13          Mr. Stumpf. I will talk with our team, and I will, as  
14 far as I can.

15          [The information follows:]

16          / COMMITTEE INSERT

1           Senator Menendez. You said to Senator Scott that, of  
2 course, there were opportunities, when he asked about safe  
3 harbors. You could raise your hand. There was an anonymous  
4 ethics line. There was no pressure cooker.

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

6           Mr. Stumpf. I read my emails.

7           Senator Menendez. Okay. So I would like to read to  
8 you an excerpt from an email one my constituents sent to you  
9 in 2011. She was a branch manager at Wells Fargo, and I  
10 spoke to her yesterday about her experiences at Wells Fargo.  
11 In 2011, she wrote to you, and I am quoting now: "I am  
12 currently an assistant vice president manager at"--and I  
13 will leave the location out--"in northern New Jersey. I  
14 have been an employee of Wachovia for over 22 years, which  
15 Wells Fargo acquired. I am writing to you because as a team  
16 member I feel hurt and disappointed with this company.  
17 There are challenges that team members are faced with, but  
18 those should not be the reason to move money from one  
19 account to another and to fool the motivator"--the person  
20 who you had to go to who constantly was badgering you about  
21 whether or not you had opened enough accounts--"that we have  
22 new accounts. These funds that are moved to new accounts to  
23 show growth when in actuality there is no net gain to the  
24 company's deposit base is wrong. In the past months, I was  
25 placed on warning for not meeting these goals, and the

1 reason that the bankers underneath me do not is because I  
2 will not tolerate the movement of existing money just  
3 because we need checking account solutions and profit proxy  
4 to move to the motivator. These accounts make no sense for  
5 the customer."

6 Did you read that mail?

7 Mr. Stumpf. I do not remember that one.

8 Senator Menendez. Okay. Well, she was fired. So much  
9 for the safe haven, so much for coming forth. She went to  
10 the president and CEO of the company--that is about as good  
11 as it gets--and she found no safe haven there.

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

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

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

6           In this case, we do not--when we take applications or  
7 when we do business for deposits and credit card, we capture  
8 age, and there was no--in fact, it skewed towards, you know,  
9 younger to middle-age Americans.

10           Senator Menendez. Well, I would suggest you read page  
11 36(d), item 36(d) on page 9 of the Los Angeles City  
12 Attorney's 2015 complaint filed against Wells Fargo  
13 describing a Wells Fargo gaming practice of targeting  
14 individuals holding Mexican consular cards.

15           Mr. Stumpf. I do not--I will look at that yes.

16           Senator Menendez. Thank you, Mr. Chairman.

17           Chairman Shelby. Senator Schumer.

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

20           First, I want to just say--and I know other people have  
21 spoken about this--in terms of rescinding the bonuses, to  
22 the average American it just seems appalling that somebody  
23 who could make such large mistakes should be rewarded with  
24 almost an obscene amount of money, \$120 million. And so I  
25 would simply--I am not going to--I know this has been

1 discussed. I would say your bank has overall a good  
2 reputation. For the reputation of your bank, for the value  
3 of your shares, as well as relationships with customers, I  
4 would urgently urge you to not allow those bonuses to occur  
5 and urge that the compensation committee--I know which you  
6 sit on--to do that. That is just a statement for the  
7 record.

8 Now, I would like to talk a little bit about the CFPB  
9 because they have done incredible work over the past 5  
10 years. But this case exemplifies why the CFPB was created.  
11 The Consumer Financial Protection Bureau was formed to  
12 ensure that financial institutions that harm consumers  
13 through unfair, deceptive, or abusive practices are held  
14 accountable and that the consumers are made whole again. In  
15 fact, over the course of its short history, it has gotten  
16 \$12 billion in relief and restitution. Today's hearing  
17 reminds us why the CFPB was formed. We needed a cop out on  
18 the beat. The incentives and practices that cross-selling  
19 goals promoted at Wells Fargo were very, very wrong and bad,  
20 as I am sure you said. They infected the work environment  
21 at branches in the country, and including in New York.

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

1 there is a CFPB out there.

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

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

13 Senator Schumer. So you think the CFPB is a necessary  
14 thing?

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

18 Senator Schumer. Okay. And do you believe that the  
19 reforms--I will let the answer speak for itself. We think  
20 the CFPB has done an outstanding job, and what has happened  
21 at the bank, whether--you know, however it happened, shows  
22 the need for it.

23 Okay. Do you believe that the reforms that Wells  
24 committed to and goals required under the consent agreement  
25 you signed with the CFPB will allow Wells to go back on a

1 path of protecting customers' interests in putting consumers  
2 first?

3 Mr. Stumpf. Yes, we believe--we have a lot of work to  
4 do.

5 Senator Schumer. Okay. As per the terms of the  
6 consent agreement, will you work with the CFPB to ensure  
7 that Wells' customers that were negatively impacted are made  
8 whole?

9 Mr. Stumpf. Yes.

10 Senator Schumer. Good. Okay. Were you aware that the  
11 CFPB was aware of the cross-selling and looking into  
12 concerns about cross-selling as early as 2013?

13 Mr. Stumpf. I only know what we did. I do not know  
14 what the CFPB--

15 Senator Schumer. Okay. They were. So they were on  
16 this case I think before at least your top management  
17 discovered this, which is to their credit.

18 Mr. Stumpf. I do not know that.

19 Senator Schumer. Okay. Well, Director Cordray will be  
20 here---

21 Chairman Shelby. In a minute.

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

24 And, finally, do you believe that the actions taken by  
25 the CFPB here will lead other financial institutions to

1 reevaluate and reconsider their own cross-selling practices?

2 Mr. Stumpf. Yeah, I would have no idea on that.

3 Senator Schumer. Yeah, I think they will. I think  
4 they will, and I think the CFPB has had a very salutary  
5 influence, and I would hope you would come around to the  
6 view that it is a necessary part of our system of banking  
7 and governing.

8 Thank you, Mr. Chairman.

9 Mr. Stumpf. Thank you. Mr. Chairman, if I just might  
10 make one comment.

11 Chairman Shelby. Go ahead.

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

16 Senator Schumer. Okay. Well, I would still urge you  
17 to--is that the committee, though, that is in charge of the  
18 bonuses?

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

22 Senator Schumer. Okay. I would urge you to urge  
23 everybody who is on these committees to do just what we had  
24 asked.

25 Mr. Stumpf. Okay. Thank you.



1 Senator Schumer. Okay? Thank you.

2 Chairman Shelby. Senator Warren.

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

8 Chairman Shelby. I hope I am responsive to the  
9 American people--

10 Senator Warren. I hope so, too.

11 Chairman Shelby. --not just to you.

12 Senator Warren. Thank you very much. I really  
13 appreciate your holding this hearing.

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

22 I want to focus now on the mysterious circumstances  
23 surrounding Carrie Tolstedt's retirement in July. As you  
24 know, Ms. Tolstedt ran the community banking division, the  
25 division where this scam occurred, for the entire time that

1 the scam took place. She was in charge of all of the 5,300  
2 employees who were fired, and she oversaw the creation of 2  
3 million fake accounts.

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

13 Mr. Stumpf, the response to our letter confirms that  
14 you knew of this scandal before Ms. Tolstedt retired. It  
15 said--and this is from your letter--"Senior management and  
16 the board were aware of the pending litigation,  
17 investigation, and discussions with our regulators relating  
18 to sales practices when Ms. Tolstedt indicated her decision  
19 to retire." Is that accurate, Mr. Stumpf, what this letter  
20 says? Were you personally aware of the massive problem that  
21 occurred under Ms. Tolstedt's watch in July when she  
22 announced her retirement?

23 Mr. Stumpf. I was aware that we were involved in  
24 discussions with the city attorney, the OCC, and the CFPB,  
25 yes.

1           Senator Warren. So you had some indication there was a  
2 massive problem?

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

5           Senator Warren. Also known as a "massive problem."

6           Mr. Stumpf. Well--

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

9           Mr. Stumpf. Well, at the time she was reporting to our  
10 president and chief operating officer, and--

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

13          Mr. Stumpf. No, because of her--

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

19          Mr. Stumpf. In fact, when I look at her full body of  
20 work and I look at the customer loyalty improvement and the  
21 customer service improvement--

22          Senator Warren. Are you sure that those were not fake?

23          Mr. Stumpf. --all the work that was done, she chose to  
24 retire. And I would also like to make one other comment,  
25 because you made--

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

13           Mr. Stumpf. The board will consider that, and I do not  
14 want to prejudice the board. But I also want to make one--

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

24           Mr. Stumpf. Because there is a board governance  
25 process, and we want that to work properly. And whether

1 Carrie was retired or she was fired, there would be no  
2 difference with respect to how the board can deal with that.

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

10 Mr. Stumpf. There is a process that the board goes  
11 through, and they will do that. They have already met, and  
12 we want to give that--

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

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

22 Senator Warren. All right. So we will do this your  
23 way. Our letter asked a number of questions about clawbacks  
24 of Ms. Tolstedt's and other executives' pay, including  
25 yours. Wells Fargo's answer to our letter was just

1 basically you punted, that the decision would be up to the  
2 board, the same punt you have given here. So you are the  
3 chairman of the board. Let me ask it this way: Will you  
4 personally support clawing back all or part of Ms.  
5 Tolstedt's pay?

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

9 Senator Warren. So you have absolutely no opinion on  
10 this?

11 Mr. Stumpf. I am not going to opine on that--

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

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

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

22 Mr. Stumpf. The board has a process, and--

23 Senator Warren. I think you started this whole thing  
24 by saying, "Do not tell me what you say. Tell me what your  
25 actions are." And your actions are people do this, and you

1 are not going to take a single step to shut it down. So I  
2 guess I can ask this question again: Will you personally  
3 support clawing back any or all of the pay for the person in  
4 charge of compliance, someone we have not talked about much  
5 today, the person who is supposed to be responsible to make  
6 sure that the bank is following the law? Will you have any  
7 recommendation about that person?

8 Mr. Stumpf. I am going to have the board do their  
9 process.

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

12 Mr. Stumpf. Whatever the board accepts--whatever they  
13 do, I will accept and I will support.

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

20 Mr. Stumpf. First of all, I disagree with the fact  
21 this is a massive fraud. But, secondly, the board will do  
22 their work, and I am not going to prejudice their work. And  
23 I will be--and I will accept whatever they come up with, and  
24 I will be supportive.

25 Senator Warren. You accepted all along as this fraud

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

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

16 Thank you, Mr. Chairman.

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

21 Mr. Stumpf. Okay. Thank you very much.

22 Chairman Shelby. Thank you.

23 [The questions follow:]

24 / COMMITTEE INSERT



1 Chairman Shelby. In our next panel, we will hear from  
2 Mr. Jim Clark, the chief deputy for the Los Angeles City  
3 Attorney's Office, whose office brought the 2015 case  
4 against Wells Fargo.

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

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

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

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

15 Mr. Clark. Sorry about that.

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

5           Mr. Clark. Chairman Shelby, Ranking Member Brown,  
6           esteemed members of the Committee, I am Jim Clark, the chief  
7           deputy city attorney of the City of Los Angeles. I am  
8           appearing on behalf of our city attorney, Mike Feuer, who  
9           submitted written testimony but could not be with us today.

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

13          On a Sunday morning in December of 2013, Angelenos  
14          opened the Los Angeles Times to find a shocking story by  
15          Times reporter Scott Reckard. The story described Wells  
16          Fargo Bank's sales culture and the harm that culture had  
17          caused its customers. The story read in part: "To meet  
18          quotas, employees have opened unneeded accounts for  
19          customers, ordered credit cards without customers'  
20          permission, and forged client signatures on paperwork. Some  
21          employees begged family members to open ghost accounts."

22          Our city attorney, like thousands of other California  
23          consumers, was appalled by what he read. He immediately  
24          convened a meeting of key lawyers in our office to begin an  
25          investigation of the allegations of the story and determine

1 if an action should be brought by our office under the  
2 California laws designed to protect consumers against unfair  
3 business practices.

4 California's consumer protection laws do not afford our  
5 office pre-litigation subpoena powers, so our investigation  
6 essentially consisted of good old-fashioned detective work.  
7 We conducted dozens of interviews with current and former  
8 Wells Fargo employees and customers, pored over public  
9 documents, including court documents that were records of  
10 wrongful termination suits brought by terminated Wells Fargo  
11 employees, and we went to the Consumer Financial Protection  
12 Bureau and FTC consumer complaint databases.

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

25 We also found that Wells Fargo's business model imposed

1 unrealistic quotas on salespeople, which incentivized  
2 employees to engage in highly aggressive sales tactics,  
3 creating a perfect storm for the unlawful activities we  
4 discovered.

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

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

21         For the Wells employees, we learned of the perverse  
22 sales incentives Wells used and the extreme pressure placed  
23 upon employees to achieve often unrealistic sales quotas.  
24 In short, what we learned both before and after we filed our  
25 case was not only that Wells Fargo's conduct was

1 inexcusable, but that it also seemed to be systemic and  
2 widespread.

3       Earlier this month, we reached a settlement with Wells  
4 Fargo, which, in conjunction with the resolutions reached  
5 with the Federal agencies represented here today, provides  
6 for comprehensive remediation and corrective actions, and  
7 sends a strong message to Wells and its customers by  
8 imposing a \$50 million penalty, the largest in the history  
9 of our office. Our agreement first establishes a complaint  
10 and mediation system for California consumers harmed by the  
11 bank's practices, and it also requires Wells to continue a  
12 restitution program for those customers negatively affected  
13 by the practices. Wells Fargo also must alert all of its  
14 California customers who have consumer or small business  
15 checked or savings accounts, credit cards, or unsecured  
16 lines of credit to visit their local bank or call Wells  
17 Fargo to review their accounts, close accounts, or  
18 discontinue services they do not want, and resolve any  
19 remaining problems. Crucially, for the next 2 years, every  
20 6 months Wells Fargo must provide our office with audit  
21 reports signed by an officer or director of the bank under  
22 penalty of perjury assessing the bank's compliance with our  
23 agreement.

24       It is critical to note that our settlement was  
25 coordinated with the enforcement efforts of our Federal

1 partners: the Consumer Financial Protection Bureau and the  
2 Office of the Complaint of the Currency. As a result,  
3 remediation and corrective actions now extend nationwide.  
4 We would like to thank both agencies for their outstanding  
5 work. In our view, robust Government oversight is crucial  
6 to protecting consumers. When Federal, State, and local  
7 enforcement agencies collaborate and coordinate their  
8 efforts, protections consumers need and are entitled to are  
9 much more likely to be effective.

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

16       Thank you.

17       [The prepared statement of Mr. Feuer follows:]

1 Chairman Shelby. Mr. Curry.

1           STATEMENT OF THE HONORABLE THOMAS J. CURRY,  
2           COMPTROLLER OF THE CURRENCY, OFFICE OF THE  
3           COMPTROLLER OF THE CURRENCY

4           Mr. Curry. Thank you. Chairman Shelby, Ranking Member  
5 Brown, and members of the Committee, thank you for holding  
6 this hearing related to the unsafe and unsound sales  
7 practices at Wells Fargo.

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

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



1 action and its reimbursement of harmed customers.

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

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

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

20 Enforcement actions such as these require thousands of  
21 hours of examination and investigation work. I want to  
22 express my appreciation for the OCC staff, who worked  
23 tirelessly on this issue, as well as our colleagues at the  
24 CFPB and the L.A. City Attorney'S Office. The coordination  
25 in this case allowed us to take collective action that

1 addressed the safety and soundness and the consumer  
2 protection aspects of the bank's deficiencies. Together,  
3 the orders demonstrate that such practices will not be  
4 tolerated.

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

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

21         The practices at the bank also demonstrate the  
22 importance of aligning incentives with appropriate behavior,  
23 which highlights the need to finalize the interagency  
24 incentives compensation rule sooner rather than later. As  
25 proposed, the rule would provide clear direction regarding

1 the application of sound incentive compensation programs,  
2 including clawbacks, forfeiture, and other mechanisms to  
3 hold senior executives and other employees with significant  
4 responsibilities accountable. For those reasons, I support  
5 prompt completion of the final rule.

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

8 [The prepared statement of Mr. Curry follows:]

1 Chairman Shelby. Mr. Cordray.

1                   STATEMENT OF THE HONORABLE RICHARD CORDRAY,  
2                   DIRECTOR, CONSUMER FINANCIAL PROTECTION BUREAU

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

10           On September 8th, the Consumer Bureau, together with  
11 our partners at this table, took an enforcement action  
12 against Wells Fargo Bank. Our investigations found that, in  
13 order to meet sales goals and collect bonuses for  
14 themselves, bank employees created unauthorized deposit and  
15 credit card accounts, enrolled consumers in online banking  
16 services, and ordered debit cards for consumers, all without  
17 their consent or even their knowledge. Some of these  
18 practices involved fake email accounts and phony PIN  
19 numbers.

20           The fraudulent conduct occurred on a massive scale. As  
21 detailed in our order, Wells Fargo opened at least 1.5  
22 million deposit accounts that may not have been authorized,  
23 including transferring funds from some customer accounts  
24 without their knowledge or consent. Wells Fargo also  
25 initiated applications for more than a half million credit

1 card accounts that may not have been authorized, by using  
2 consumers' information without their knowledge or consent.  
3 These activities caused some consumers to incur fees. And  
4 even apart from that, they represent a staggering breach of  
5 trust and conduct that should never occur at any bank.  
6 Wells Fargo has demonstrated the epic scope of its failures  
7 by terminating at least 5,300 people thus far, including  
8 branch managers and managers of managers.

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

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

25       It appears that the bank did not monitor its program

1 carefully, allowing thousands of employees to game the  
2 system and inflate their sales figures to meet their sales  
3 targets and claim higher bonuses under extreme pressure.  
4 Rather than put its customers first, Wells Fargo built and  
5 sustained a cross-selling program where the bank and many of  
6 its employees served themselves instead, violating the basic  
7 ethics of a banking institution, including the key norm of  
8 trust.

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

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

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

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

20           Fifth, the order requires independent consultants to be  
21 installed at Wells Fargo to ensure that all consumers are  
22 fully compensated and that changes in sales practices are  
23 fully implemented so this misconduct does not recur. The  
24 top executives at Wells Fargo and its board of directors  
25 will be directly engaged in this work. If the independent



1 consultants identify any further issues or concerns--and  
2 they may--we will address those as well.

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

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

22       This action should serve notice to the entire industry.  
23 If sales targets and incentive compensation schemes are  
24 implemented in ways that threaten harm to consumers and lead  
25 to violations of the law, then banks and other financial

1 companies will be held accountable. We have seen the risk  
2 such programs pose across the entire financial sector. We  
3 have dealt with it in debt collection, mortgage origination,  
4 credit card add-on products, and now here, and we will  
5 continue to take action to protect consumers.

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

10 [The prepared statement of Mr. Cordray follows:]

1 Chairman Shelby. I thank all three.

2 Mr. Clark, I will start with you. The L.A. City  
3 Attorney's efforts are very important here.

4 Mr. Clark. Thank you, Senator.

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

10 Mr. Clark. I will, Senator.

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

18 Mr. Clark. Yes, it is, Mr. Chairman.

19 Chairman Shelby. Other than accessing the CFPB's  
20 consumer complaint database, your first contact with the  
21 CFPB or the OCC, Office of the Comptroller of the Currency,  
22 did not come until after your lawsuit was filed in May of  
23 2015. Is that correct?

24 Mr. Clark. That is correct.

25 Chairman Shelby. Mr. Cordray, the CFPB's efforts, in

1 your written testimony, sir, you state that Wells Fargo  
2 opened over 1.5 million deposit accounts that may not have  
3 been authorized. That is a lot of accounts.

4 Mr. Cordray. That is the facts we found through our  
5 investigation, yes.

6 Chairman Shelby. Is that number based on PwC's,  
7 PricewaterhouseCooper's, analysis?

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

12 Chairman Shelby. In your written testimony, you state  
13 that Wells Fargo also initiated applications for over  
14 500,000 credit card accounts that may not have been  
15 authorized. Does that come from internal analysis?

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

22 Chairman Shelby. Also in your written testimony, you  
23 describe your engagement with the Los Angeles City  
24 Attorney's Office--and you just a few minutes ago did--as a  
25 "partnership." Prior to the filing of the city attorney's

1 lawsuit in May of 2015, did CFPB personnel accompany Mr.  
2 Clark's investigators as they did the following: conducted  
3 numerous interviews with former Wells Fargo employees, met  
4 with aggrieved victims, pored over public records, including  
5 court records from wrongful termination lawsuits by Wells  
6 Fargo? Did they?

7 Mr. Cordray. So these investigations--

8 Chairman Shelby. Or did you come later?

9 Mr. Cordray. These investigations merged over time,  
10 work we were doing, work the OCC was doing, work the L.A.--

11 Chairman Shelby. But they initiated the investigation,  
12 did they not?

13 Mr. Cordray. Well, they initiated their investigation.  
14 We initiated our own efforts in our office.

15 Chairman Shelby. After they--

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

1 Chairman Shelby. Were you looking at Wells Fargo and  
2 other banks?

3 Mr. Cordray. We have been looking at these problems in  
4 all of the banks and nonbank financial companies. Believe  
5 me, there has been a lot of problems to look at and a lot of  
6 problems to deal with. This is a fairly major one, and  
7 there have been other major ones. Credit card add-on  
8 products has led to billions of dollars in relief for  
9 consumers.

10 Chairman Shelby. Is there anything that the Bureau has  
11 learned from the work that the L.A. City Attorney's Office  
12 did? Have you learned anything there?

13 Mr. Cordray. So I think we learned from their  
14 investigation and they learned from our investigation. They  
15 were able to take--I do not want to speak too much of what  
16 other people did here, and I do not know that it matters.  
17 We do not sit around as partners and think about what  
18 percentage of the credit we should allocate to one another.  
19 We are looking to get a good result for consumers, and  
20 together we did that here. But they conducted various parts  
21 of the investigation. The OCC has conducted various parts  
22 of the investigation. We have conducted various parts of  
23 the investigation. We have been able to take this and turn  
24 it into a nationwide relief for consumers, which the L.A.  
25 City Attorney's Office is unable to do under California law.

1 And we and the OCC going forward will be active in working  
2 to clean it up here and across the industry.

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

13 Chairman Shelby. Thank you.

14 Senator Brown?

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

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

20 Mr. Cordray. We think it is by far the best practice,  
21 and I know that the Comptroller would agree and we see eye  
22 to eye on this. We believe that--

23 Senator Brown. A statutory requirement--

24 Mr. Cordray. We believe that compliance at a bank  
25 starts with the bank. They should not expect us to come

1 along and make sure they are complying with the law. They  
2 have that responsibility in the first instance to do it  
3 themselves, and our job is to make sure that they are doing  
4 it.

5 Senator Brown. But no legal requirement? They have no  
6 legal requirement--

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

10 Senator Brown. I understand.

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

21 Mr. Curry. Sure. Our supervisory activity really has  
22 focused historically--and this goes back to 2012--really on  
23 the adequacy of their operational risk and compliance risk  
24 management systems. As our written testimony indicates,  
25 there have been repeated issues with the sufficiency of



1 those systems and those controls, so this has been, you  
2 know, an ongoing issue.

3 I think the sales practices issues that have been  
4 uncovered by the three agencies represented around this  
5 table are really a manifestation of the overall weaknesses  
6 in their risk management, particularly in the compliance  
7 area.

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

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

17 Mr. Curry. Our teams meet regularly with management  
18 and with the boards of directors, particularly the  
19 independent members of the board.

20 Senator Brown. Not Mr. Stumpf, but those that are--

21 Mr. Curry. Those who are independent from operating  
22 management.

23 Senator Brown. And we just checked. The compensation  
24 of board members ranges from, I believe, the high 290s up to  
25 the \$400,000 a year--again, making the contrast of the 90

1 percent of the employees who lost their jobs through various  
2 reasons, but acts they committed, you know, were not  
3 managers who were making under \$35,000 or \$40,000 a year.

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

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

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

21 Mr. Clark. We do not know precisely, Senator Brown,  
22 exactly what they knew and when they knew it, but I think as  
23 a long-time trial lawyer, one can draw inferences like  
24 courts and lawyers do, and it is difficult to believe, based  
25 on the information we developed in our investigation, both

1 before and after we filed our complaint, that knowledge of  
2 this did not extend far beyond the regional manager level.

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

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

16 Senator Brown. Mr. Cordray?

17 Mr. Cordray. So I have been told that I should not  
18 publicly acknowledge whether we have made criminal referrals  
19 or not. Thinking about this question, I thought there was  
20 something I think I can do without getting in trouble, which  
21 is quote our statute, 12 USC 5566. It says, "If the Bureau  
22 obtains evidence that any person, domestic or foreign, has  
23 engaged in conduct that may constitute a violation of  
24 Federal criminal law, the Bureau shall transmit such  
25 evidence to the Attorney General of the United States, who

1 may institute criminal proceedings under appropriate law."

2 We follow that statute to the letter.

3       Senator Brown. Okay. Mr. Cordray, a last question. I  
4 mentioned that a group of Wells Fargo customers sought  
5 compensation for their fraudulent accounts in 2013, even  
6 before the L.A. Times series was published. Rather than  
7 accepting responsibility, Wells Fargo forced them into  
8 arbitration, effectively preventing them from being made  
9 whole. How would the CFPB's arbitration rule have helped  
10 Wells' customers in that case?

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

22       Senator Brown. Thank you.

23       Chairman Shelby. Senator Reed.

24       Senator Reed. Well, thank you very much, Mr. Chairman,  
25 and thank you, gentlemen.

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

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

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

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

25           Mr. Clark. I cannot be sure of that, Senator, but I

1 really believe that to be the case.

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

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

22           Senator Reed. Thank you.

23           Mr. Curry, you point out that, you know, culture is key  
24 in any organization, and I think that is obvious. It seems  
25 that for years the culture at Wells Fargo was profit rather

1 than customer satisfaction and customer service. Do you  
2 think that has changed? Or is that an accurate view of what  
3 is happening recently?

4 Mr. Curry. I think this episode indicates how  
5 important it is in fact. I think what we are looking for as  
6 a supervisor is to make sure that the institutions have a  
7 full understanding of the importance of culture, the  
8 reputational risk, and the financial consequences that can  
9 flow when you lose that reputation or engage in activity  
10 that calls into question the culture of the institution.  
11 And, again, our focus is making sure that they have the  
12 appropriate oversight structure. Incentives, incentive  
13 programs, compensation programs are something that we look  
14 at very closely in our heightened standards program because  
15 it does guide and dictate the culture of the institution.

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

22 Mr. Curry. I think that is possible, yes.

23 Senator Reed. Director Cordray, the CFPB has been  
24 engaged in this effort and, again, with your partnership, I  
25 think has done an outstanding job. Protection of consumer

1 laws is something that you are expert in. Working with the  
2 Comptroller, working with the City of Los Angeles, you  
3 brought special expertise. Can you describe the special  
4 expertise you brought to the issue?

5 Mr. Cordray. Yeah, I think we all bring a different  
6 expertise to this. The Los Angeles City Attorney's Office  
7 is working purely from an enforcement perspective. They  
8 brought a lawsuit. They are familiar with local conditions,  
9 which is tremendously valuable as we partner across the  
10 country, often with State Attorneys General or with State  
11 banking regulators, in some cases with local officials who  
12 are forward-leaning on consumer issues, like the L.A. City  
13 Attorney's Office.

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

20 I think what we bring to this is we bring both a unique  
21 ability to engage not only in supervisory but also  
22 enforcement activity, and we do both frequently. The fact  
23 that we have separate laws that we can enforce here,  
24 including identifying abusive practices, which is alone an  
25 authority granted to this agency, that we also bring a



1 consumer-focused perspective and market analysis and  
2 expertise and the ability to use our CID power aggressively  
3 even outside the scope of a lawsuit in order to get  
4 information and process that information. And I think we  
5 brought those tools to the table. Each of these other teams  
6 brought their tools to the table. Together it makes for a  
7 strong result.

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

16       Senator Reed. Thank you very much.

17       Chairman Shelby. Senator Menendez.

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

20       Director Cordray, the subject of today's hearing is, in  
21 my mind, the ultimate affirmation of your agency and its  
22 employees. In the wake of the 2008-09 financial crisis,  
23 when unfair and abusive practices ran rampant in the  
24 industry, I know that as a member of the Committee at the  
25 time, one of the things that I wanted to ensure that we did

1 in the Wall Street reform legislation, and to fight tooth  
2 and nail to get it, is to empower a cop on the beat that  
3 would be on the side of consumers. And I must say you as  
4 the Director and your Bureau and agency have lived up to  
5 every bit of those expectations from my point of view.

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

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

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

25 Mr. Cordray. Let me start in a general sense, which is

1 what we can see here is there is a very big job to be done  
2 to change the culture and practices at the banks. It does  
3 not happen overnight. This is on top of the robo-signing  
4 mortgage servicing scandal. It is on top of the mortgage  
5 origination scandals that led to the financial crisis. It  
6 will take considerable time for us to root out all of these  
7 things in the financial institutions, banks as well as  
8 nonbanks.

9 But if we can remain on the job, if we can continue to  
10 exert our authorities in matters like this, if we can  
11 continue to work with our partners across the country, we  
12 will continue to make progress. Those changes--

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

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

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

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

25 Senator Menendez. Now, let me ask all three of you, do

1 any of you disagree--and if so, please explain to me why--  
2 that in essence here at Wells Fargo what we had was a  
3 pressure cooker environment with perverse incentives and a  
4 culture that ultimately led to the type of wrongdoing that  
5 took place? Does anybody disagree with that view?

6 Mr. Cordray. Not at all.

7 Mr. Curry. No.

8 Mr. Clark. No.

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

11 Senator Menendez. Now, Mr. Curry, let me ask you, do  
12 you believe that you--meaning the Comptroller's office--  
13 should have been notified earlier than what you were  
14 notified by Wells Fargo?

15 Mr. Curry. I think it is critically important that  
16 there be open and frank disclosure of relevant information  
17 by a bank with our examiners. It is not entirely clear at  
18 what point that occurred here, and--

19 Senator Menendez. Is it fair to say that this is a  
20 material--what happened here is a material event as it  
21 relates to--

22 Mr. Curry. I think there is always difficulty when you  
23 try to define a term like "material," depending on the  
24 context. I would say from the OCC's standpoint and the  
25 facts of this particular case, the fact that 5,300 employees

1 were terminated was material, and that there were 2 million  
2 accounts involved, that would be material.

3 Senator Menendez. Let me ask you, did you--go ahead,  
4 Director Cordray.

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

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

17 Mr. Curry. I think our view is--and I mentioned this  
18 in my testimony--we generally look at incentive compensation  
19 at an institution in general. With what we have seen here  
20 at Wells Fargo, I have directed that we are to do a  
21 horizontal review, so we will be looking specifically at  
22 sales practices at our largest banks and mid-sized banks.

23 Senator Menendez. I look forward to you informing us  
24 on that.

25 Mr. Cordray. I agree with the Comptroller on that. We

1 will be doing joint action on that. I would say the  
2 incentive compensation has been a problem we have seen  
3 across a number of different markets, so it is a broader  
4 issue. As to cross-selling, Wells Fargo Bank no doubt was  
5 the industry leader in aggressively cross-selling products,  
6 which led in part to the extreme circumstances we find here.  
7 But to the extent others are engaged in it, you should be  
8 focused on customer satisfaction not on bare numbers, and  
9 there are monitoring systems that can be put in place.

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

15 Senator Menendez. Lastly, to Mr. Curry and then Mr.  
16 Clark, in reading the OCC's consent order, I am struck by  
17 the group of orders attempting to remedy what appears to be  
18 a longstanding gross deficiency in the bank's risk  
19 management governance structure and oversight protocols.  
20 For an institution with \$1.85 trillion in total consolidated  
21 assets, I am incredibly concerns about the bank's ability to  
22 identify and manage risk across its various lines of  
23 business.

24 At what point do you think Wells Fargo executives  
25 should have been aware of these deficiencies? And how far

1 back do you think these risk management deficiencies go?  
2 And then separately for you, Mr. Clark--and I would like to  
3 hear both your answers, and I will rest there--I read with  
4 interest the complaint that your office filed where you  
5 said--the complaint says, "Managers consistently hound,  
6 berate, demean, and threaten employees to meet these  
7 unreachable quotas." And where you talked about Wells Fargo  
8 gaming the practice of targeting individuals holding Mexican  
9 consular cards, I assume that when you made those  
10 assertions, they were based upon the factual evidence that  
11 you discovered in the course of your investigation.

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

14 Mr. Curry. I think our testimony, which discusses our  
15 supervisory history, demonstrates that there has been a  
16 significant period where we have identified weaknesses in  
17 their operational risk and compliance risk management. What  
18 we have attempted to do with Wells Fargo is really to  
19 address those weaknesses that have been identified through  
20 our matters requiring attention that was escalated after we  
21 conducted our heightened standards review to be Part 30 of  
22 the Compliance Plan, which is an enforceable requirement  
23 under our safety and soundness guidelines, and ultimately  
24 the weaknesses that we saw in their safety and soundness  
25 program resulted in the enforcement audit that we had. And

1 that is a significant and major tool at our disposal for  
2 institutional weaknesses in their programs.

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

8 As to how they could have known, some of the documents  
9 we looked at were wrongful termination lawsuits. They  
10 described this kind of conduct, for example, in St. Helena,  
11 which is part of our Napa Valley wine country, as early as  
12 2009.

13 Senator Menendez. Thank you.

14 Chairman Shelby. Senator Warren.

15 Senator Warren. Thank you, Mr. Chairman.

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

24 Now, a feature of arbitration that the banks  
25 particularly love is that it is nearly always all secret.



1 Filings and documents are not available, and even if the  
2 customer wins, there is no public record of it like there  
3 would be if we were in a court case.

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

8 Mr. Cordray. I do think so, yes.

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

23 Mr. Cordray. There is another sort of somewhat related  
24 indicator here that shows you the focus on these things.  
25 One of the first things that Wells Fargo did in the L.A.

1 City action that was brought was aggressively seek a  
2 protective order to keep the proceedings, as much as  
3 possible, from public view.

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

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

13 Mr. Clark. Thank you, Senator.

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

22 Mr. Cordray. It is going to be a million later this  
23 week.

24 Senator Warren. All right. We are almost there. We  
25 will have to mark the occasion.

1 Mr. Cordray. I think Thursday.

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

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

11 Mr. Clark. Yes, we did.

12 Senator Warren. Good. And it was helpful to you?

13 Mr. Clark. Very helpful, as was the FTC's Sentinel  
14 database.

15 Senator Warren. Excellent. I am very glad to hear  
16 that. You know, this is yet another way that the consumer  
17 agency is protecting customers and holding banks  
18 accountable. It is bringing a lot more transparency to the  
19 market, which helps identify banks that are consistently  
20 harming their customers. And just as important, it rewards  
21 the banks that are doing a good job for their customers.  
22 You know, there must be a lot of community bank presidents  
23 who are standing by watching this hearing saying, "We do not  
24 engage in this kind of behavior. You will not find those  
25 kind of complaints against us in the CFPB database. Move

1 your accounts over where you can actually trust your  
2 banker."

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

14 Thank you, Mr. Chairman.

15 Chairman Shelby. Thank you.

16 Senator Merkley?

17 Senator Merkley. Thank you. Earlier I mentioned  
18 several of the features that came out of interviews with  
19 employees of the high-pressure environment, employees who  
20 were given daily quotas for "daily solutions," that is,  
21 sales of accounts, that they had to stay late or come in on  
22 weekends if they did not meet them, high-pressure sales  
23 meetings, bonuses that were tied to meeting those threats of  
24 being put on probation or being fired because they did not  
25 meet those quotas, in some cases managers conducting

1 coaching sessions on how to meet the quotas through creating  
2 these accounts, regional sales meetings conducted on an  
3 hourly basis to keep checking in.

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

9 Mr. Curry. Yes, I think that is really what we were  
10 addressing in our supervisory letter from June of 2015.  
11 Those were all deficiencies.

12 Senator Merkley. Thank you. Do both of you agree with  
13 that?

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

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

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

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

6           Senator Merkley. Thank you.

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

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

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

25          Mr. Curry. Senator, again, I would go back to our June

1 2015 supervisory letter in which we found that the program  
2 was deficient.

3 Senator Merkley. And, Mr. Curry, that is a nice way of  
4 saying "yes." Yes, okay.

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

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

14 Mr. Cordray. I do not know.

15 Mr. Clark. I do not either, Senator.

16 Senator Merkley. Any insight, Mr. Curry

17 Mr. Curry. No. It is inconsistent with our findings.

18 Senator Merkley. Okay. It is inconsistent with  
19 everything. Is it because the bank is trying to insulate  
20 itself from lawsuits?

21 Mr. Curry. I would not speculate. I do not know.

22 Senator Merkley. Is it possibly because the top  
23 executives who were in charge during this whole period want  
24 to have kind of no responsibility, claim no responsibility,  
25 and instead it is just those 5,000 low-level people who had

1 nothing to do with the system they set up to sell?

2 Mr. Clark. I think there is responsibility here, that  
3 we have a consent order with the OCC, with the CFPB, and  
4 with the City of Los Angeles.

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

8 Chairman Shelby. Without objection, so ordered.

9 [The article follows:]

10 / COMMITTEE INSERT



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

11           Mr. Curry. That really will be the focus on our  
12 horizontal review. Banks are under enormous margin  
13 pressure, and that could be--

14           Senator Merkley. That could be the case.

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

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

1 fee account.

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

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

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

19           Mr. Cordray. I will leave that to the SEC.

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

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

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

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

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

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

1           Senator Merkley. I do applaud all of that, but I have  
2 got to say from the men and women on the street perspective,  
3 it is enormously frustrating to see the people at the bottom  
4 be fired from their jobs, be threatened with firing, forced  
5 into an untenable situation, and see the managers take no  
6 responsibility. They take their bonuses. They are not  
7 clawed back. They keep their jobs.

8           Let me take--and I will just close with this, Mr.  
9 Chairman. The manager of this unit who worked to establish  
10 this very successful--I say "successful" from the cross-  
11 selling profitability--system that produced these fraudulent  
12 activities is walking away--you can call it a bonus or you  
13 can call it a platinum parachute or you can call it money  
14 she has already earned, which is what we have heard, but  
15 more than \$100 million, not counting what came previously.  
16 It would take a bank worker earning \$25,000 a year--and that  
17 is roughly in the ball park because a lot of these workers  
18 were paid \$11 to \$12 an hour. At \$25,000 a year, it would  
19 take them 4,000 years to earn that \$100 million. Four  
20 thousand years. Or to put it differently, 100 lifetimes  
21 working 40 years. It is a phenomenal distinction, and that  
22 managers are taking home those kinds of profits from  
23 developing a system that destroyed so many consumers and  
24 affected so many of their own employees by putting them in  
25 an impossible situation, it is wrong, it is ugly, it is

1 criminal. There should be accountability for the managers.

2 Thank you.

3 Chairman Shelby. Thank you, Senator Merkley.

4 We appreciate your appearance today. It has been a  
5 lengthy hearing. Maybe this is the beginning of a lot of  
6 things, but a lot of us are worried about that perhaps there  
7 are similar doings going on in other banks. We hope not.  
8 As I have said from the beginning, banking should be based  
9 on integrity, on trust. I think you would agree with me on  
10 that.

11 Mr. Curry. We do.

12 Chairman Shelby. And most banks have that, but some do  
13 not.

14 Thank you. The Committee is adjourned.

15 [Whereupon, at 1:49 p.m., the Committee was adjourned.]