

United States Senate
WASHINGTON, DC 20510

August 2, 2017

The Honorable Mike Crapo
Chairman
Senate Committee on Banking, Housing, and Urban Affairs
U.S. Senate
Washington, DC 20510

Dear Chairman Crapo:

We respectfully request that you ask Wells Fargo CEO Timothy Sloan and Board of Directors Chair Stephen Sanger to testify before the Senate Committee on Banking, Housing, and Urban Affairs in September so that members can question them about new developments in the bank's fake-accounts scandal and other related matters, its plans to secure properly the personal and confidential information of its clients, and its efforts to compensate its harmed customers.

In the ten months since ex-Wells Fargo CEO John Stumpf testified before the Committee, we have learned significant new information about the scope and impact of the bank's fake-accounts scandal. Among other new developments:

- The bank revealed in public filings that it may have opened more than the 2.1 million fake accounts it disclosed in its September 2016 settlement, and that even more of its customers may have been affected.¹
- In addition to opening fake retail accounts in customers' names, the bank also reportedly signed up customers for insurance products and deducted monthly premium fees without authorization.²
- The Independent Directors of the Wells Fargo Board issued a report blaming the fake-accounts scandal on, among other things, "the distortion of the Community Bank's sales culture and performance management system" and "Wells Fargo's decentralized

¹ Renae Merle & Jonnelle Marte, *Wells Fargo say more customers could be affected by sales scandal*, Washington Post (Mar. 1, 2017), at <https://www.washingtonpost.com/news/business/wp/2017/03/01/wells-fargo-says-8-top-executives-will-miss-out-on-32-million-in-bonus-money-in-wake-of-sales-scandal/>.

² Stacy Cowley & Matthew Goldstein, *Accusations of Fraud at Wells Fargo Spread to Sham Insurance Policies*, N.Y. Times (Dec. 9, 2016), at <https://www.nytimes.com/2016/12/09/business/dealbook/wells-fargo-accusations-sham-insurance-policies.html>.

corporate structure [that] gave too much autonomy to the Community Bank's senior leadership."³

- The bank filed inaccurate termination notices for employees that improperly opened customer accounts, raising concerns about the bank retaliating against employees and purposefully concealing evidence from regulators of systemic problems at the bank.⁴
- The bank's management reportedly gave bank branches advance warning before internal monitors arrived for inspections, allowing branches to cover up evidence of opening unauthorized accounts.⁵
- The bank allegedly retaliated against several employees who attempted to report the opening of fake accounts using the company's confidential ethics line.⁶
- Bank employees allegedly targeted undocumented immigrants in their efforts to open new retail accounts, in violation of federal law.⁷
- The company's shareholders sent a strong message of dissatisfaction with the Board of Directors at the April 2017 shareholder meeting, when most Directors received less than 75 percent approval, and some, including Mr. Sanger, received barely more than 50 percent support.⁸
- And just in the past weeks, the bank accidentally released confidential information on thousands of its wealth advisory clients and admitted that it signed up hundreds of thousands of its auto loan customers for insurance without their consent.⁹

³ Independent Directors of the Board of Wells Fargo & Company, Sales Practices Investigation Report (Apr. 10, 2017), at <https://www08.wellsfargomedia.com/assets/pdf/about/investor-relations/presentations/2017/board-report.pdf>.

⁴ Stacy Cowley, *Wells Fargo Faces Scrutiny for Black Marks on Ex-Employees' Files*, N.Y. Times (Nov. 3, 2016), at <https://www.nytimes.com/2016/11/04/business/dealbook/wells-fargo-faces-scrutiny-for-black-marks-on-ex-employee-files.html>.

⁵ Emily Glazer, *At Wells Fargo, Bank Branches Were Tipped Off to Inspections*, Wall Street Journal (Jan. 24, 2017), at <https://www.wsj.com/articles/at-wells-fargo-bank-branches-were-tipped-off-to-inspections-1485253800>.

⁶ Matt Egan, *Wells Fargo admits to signs of worker retaliation*, CNN.com (Jan. 24, 2017), at <http://money.cnn.com/2017/01/23/investing/wells-fargo-retaliation-ethics-line/index.html>; Matt Egan, *Wells Fargo's Whistleblower problems worsen*, CNN.com (Apr. 6, 2017), at <http://money.cnn.com/2017/04/06/investing/wells-fargo-whistleblower-retaliation-oshai/index.html>.

⁷ Thomas Lee, *Suit: Wells Fargo targeted 'undocumented immigrants' for accounts*, S.F. Chronicle (Apr. 26, 2017) at <http://www.sfchronicle.com/business/article/Suit-Wells-Fargo-targeted-undocumented-11101574.php>.

⁸ Emily Glazer, *Wells Fargo Directors Face Shareholders' Ire*, Wall Street Journal (Apr. 25, 2017), at <https://www.wsj.com/articles/wells-fargo-board-directors-expected-to-be-re-elected-but-vote-is-close-1493126164>.

⁹ Gretchen Morgenson, *Wells Fargo Forced Unwanted Auto Insurance on Borrowers*, N.Y. Times (July 27, 2017) at <https://www.nytimes.com/2017/07/27/business/wells-fargo-unwanted-auto-insurance.html>; Lisa Beilfuss, *Wells Discloses Accidental Client-Data Release*, Wall Street Journal (July 24, 2017) at <https://www.wsj.com/articles/wells-fargo-discloses-accidental-client-data-release-1500925570>.

Many Committee members have sought additional information from Wells Fargo about these developments, with varying degrees of success.¹⁰ A hearing would give members the opportunity to hear directly from the bank's top leadership about these developments.

A hearing with Mr. Sloan and Mr. Sanger would also offer members a chance to follow up on the bank's customer restitution efforts. For example, in his hearing before the Committee last September, Mr. Stumpf assured Committee members that the bank would promptly identify and compensate customers whose credit scores had been damaged by the opening of a fake account in their name.¹¹ But as of March 2017, Mr. Sloan claimed the bank "could need several more months to resolve customer damage tied to its massive sales practices scandal, such as figuring out if people had trouble getting approved for other loans because of the fake accounts bank employees opened."¹² Members should have the opportunity to question Mr. Sloan and Mr. Sanger about the bank's progress in addressing the damage it did to its customers.

Committee members should also have the opportunity to question Mr. Sloan and Mr. Sanger about the findings in the investigative report issued by the Independent Directors of the Wells Fargo Board. The bank made several personnel and policy changes after the fake-accounts scandal came to light, but there continue to be troubling stories about governance issues at Wells Fargo.¹³ In the wake of the shareholder vote in April, Mr. Sanger said that the company's owners "sent the entire board a clear message of dissatisfaction," but no changes have been made to the Board's composition.¹⁴ Members should have the chance to inquire into

¹⁰ See, e.g., Letter from Sen. Tester to Wells Fargo CEO John Stumpf (Sept. 28, 2016), at <https://www.testersenate.gov/files/Letters/2016-09-28%20Wells%20Fargo%20Credit%20Score%20Letter.pdf> (regarding Wells Fargo's assurance to correct customers' credit scores); Letter from Sens. Warren and Menendez to Wells Fargo Board of Directors (Oct. 20, 2016), at https://www.warren.senate.gov/?p=press_release&id=1278 (concerning the replacement of John Stumpf with Timothy Sloan); Letter from Sens. Warren, Wyden, and Menendez to Wells Fargo CEO Timothy Sloan (Nov. 3, 2016), at https://www.warren.senate.gov/?p=press_release&id=1290 (regarding submissions to FINRA); Letter from Banking Committee Democrats to Wells Fargo Board of Directors (Dec. 22, 2016), at <https://www.banking.senate.gov/public/index.cfm/2016/12/banking-committee-democrats-press-wells-fargo-board-for-more-answers-on-phony-accounts-scandal> (including numerous follow-up questions on the fake-accounts scandal); Letter from Sens. Warren, Brown, Reed, Menendez, Warner, Schatz, and Van Hollen to Wells Fargo CEO Timothy Sloan (Jan. 11, 2017) at https://www.warren.senate.gov/?p=press_release&id=1406 (regarding Wells Fargo's surge in overdraft fees); Letter from Sens. Menendez, Brown, Warren, Van Hollen, Cortez Masto, and Reed to Wells Fargo CEO Timothy Sloan (Feb. 1, 2017), at <https://www.menendez.senate.gov/news-and-events/press/menendez-leads-call-for-answers-into-alleged-wells-fargo-fraud-cover-up> (regarding the bank providing advance notice of inspections).

¹¹ See Testimony of John G. Stumpf before the Senate Committee on Banking, Housing, and Urban Affairs (Sept. 20, 2016) (in response to questions from Sen. Tester).

¹² Ken Sweet, *Wells Fargo CEO: Fixing damage from fake accounts will take more time*, AP (Mar. 17, 2017), at <http://www.jsonline.com/story/money/business/2017/03/17/wells-fargo-ceo-fixing-damage-fake-accounts-take-more-time/99303976/>.

¹³ See, e.g., Jesse Eisinger, *Here's Another Way Wells Fargo Took Advantage of Customers*, ProPublica (Jan. 23, 2017), at <https://www.propublica.org/article/heres-another-way-wells-fargo-took-advantage-of-customers>; Laura J. Keller, *Wells Fargo Said to Get Regulatory Questions After Data Breach*, Bloomberg (July 22, 2017), at <https://www.bloomberg.com/news/articles/2017-07-22/wells-fargo-said-to-get-regulatory-questions-after-data-breach>.

¹⁴ Glazer, *supra*, note 8.

whether Wells Fargo's recent changes address the fundamental problems that are identified in the investigative report.


Finally, a hearing with Mr. Sloan and Mr. Sanger would provide members with an opportunity to delve into a pressing issue before the Committee: the effect of forced arbitration clauses on consumers. Along with several of your Republican colleagues on the Committee, you recently introduced a resolution to reverse the Consumer Financial Protection Bureau's rule limiting the use of forced arbitration clauses, citing concerns that the rule "could leave consumers worse off by removing access to an important dispute resolution tool."¹⁵ Wells Fargo used forced arbitration clauses in the contracts for legitimate customer accounts to prevent customers from suing in court for damages arising from the creation of fake accounts.¹⁶ A hearing with Mr. Sloan and Mr. Sanger would allow members to obtain more information about whether this use of forced arbitration clauses has in fact benefitted consumers or not.

Thank you for your consideration of our request.


Sincerely,



Elizabeth Warren
United States Senator



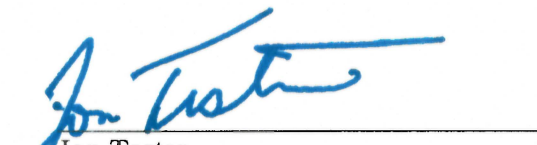
Sherrod Brown
United States Senator




Jack Reed
United States Senator



Robert Menendez
United States Senator



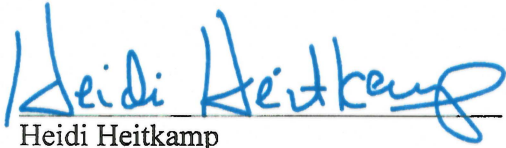
Jon Tester
United States Senator



Mark R. Warner
United States Senator

¹⁵ Senators File Resolution Disapproving of CFPB Arbitration Rule (July 20, 2017), at <https://www.banking.senate.gov/public/index.cfm/republican-press-releases?ID=6BDC6262-6C31-42FB-9794-21941FA3683E> (statement of Sen. Crapo).

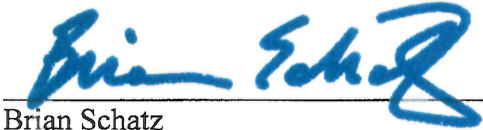
¹⁶ New York Times, Wells Fargo Asks Court to Force Customers to Arbitration in Fake Accounts Cases (Nov. 24, 2016), at <https://www.nytimes.com/2016/11/24/business/wells-fargo-asks-court-to-force-customers-to-arbitration-in-fake-accounts-cases.html>.



Heidi Heitkamp
United States Senator



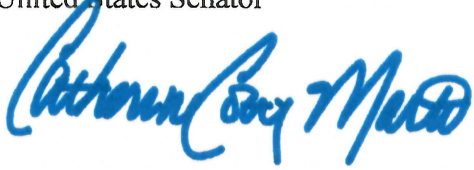
Joe Donnelly
United States Senator



Brian Schatz
United States Senator



Chris Van Hollen
United States Senator



Catherine Cortez Masto
United States Senator