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October 11, 2017

Timothy J. Sloan
Chief Executive Officer and President
Wells Fargo and Company
420 Montgomery Street
San Francisco, CA 94163

Dear Mr. Sloan:

I am concerned about your fitness to lead Wells Fargo and your plan to slash expenses in the coming years by shuttering hundreds of branches and firing thousands of employees. Unfortunately, your testimony at the recent hearing before the Senate Committee on Banking, Housing, and Urban Affairs, left more questions than answers on these and other important topics.

I therefore request that you respond to the following questions – which I have also submitted as formal Questions for the Record in conjunction with your hearing before the Banking Committee – by November 1, 2017.

Sincerely,



Elizabeth Warren
U.S. Senator

Expense Cuts

At the hearing, you refused to state that no employees would be fired as part of your planned \$4 billion cut in expenses by the end of 2019. When I estimated that more than 20,000 employees could be fired because of that planned cut in expenses, you disputed that figure. However, at no point did you provide your own estimate of potential job losses.

- 1. If you are telling investors that you plan on cutting \$4 billion in expenses by the end of 2019, you surely have at least a rough plan for how to achieve those cuts. If so, can you please tell me how many employees you are planning to fire by the end of 2019? Please also provide a breakdown of the type of employees that will be fired and their average annual income.**

- 2. As part of these planned expense cuts, Wells Fargo plans to close down more than 450 branches in by the end of 2018 – with the potential for many more closings in 2019.¹**
 - a. On average, how many employees work at a single branch?**

 - b. Is it your claim that you can close 450 branches or more by the end of 2019 and not fire any employees?**

- 3. You have told investors on multiple occasions of your plan to cut \$4 billion in expenses by the end of 2019. Have you told your employees of this plan at a company-wide meeting or through any other method? If so, please provide a copy of your written or oral remarks. If not, why do you think it is appropriate to share this information with investors but not your employees, many of whom could be affected by it?**

Knowledge of Fake Accounts

At the hearing, I asked whether you launched an investigation into inappropriate sales goals and/or Wells Fargo employees opening fake accounts before telling the Los Angeles Times that you were “not aware of any overbearing sales culture.” You claimed that the Los Angeles Times had not shared the specific findings of their article before interviewing you.

- 1. Please describe what the Los Angeles Times told you about their investigation and reporting on the sales culture and fake accounts at Wells Fargo before interviewing you for the piece. Please provide any emails, notes, or other written communications between the Los Angeles Times and you and/or your staff that relate to the December 2013 article.**

¹ http://www.qconline.com/business/wells-fargo-closing-branches-by/article_7e07716d-6061-5c3b-989a-45ef994ec3ab.html

At the hearing, I asked you about comments you made in an interview with the American Banker in July 2016. You claimed that I took your comments out of context. For your reference, here is the entire exchange I referenced:

Question: “On the topic of cross-selling – Wells has come under scrutiny for its strong sales culture. Is there any sense that the bank has pushed that strategy to the limit?”

Answer: “No. Because when you think of our vision, it’s to satisfy our customers’ financial needs, and to help them succeed financially. We know a lot about our customers, and so doesn’t it make sense that we would use data and match it with our product set to try to broaden our relationship with our customer?

How we do it, how we talk about, making sure that we do it correctly, and appropriately – and making sure we follow regulations – that will continue to evolve. But the fundamental strategy that we have is not going to change.”²

When you said that there was not “any sense that the bank ha[d] pushed that strategy to the limit,” you knew the following, according to the findings in the Report of the Independent Directors of Wells Fargo:

- The specific “number of employees terminated for sales practice violations . . . the percentage of employees terminated for sales practice violations, whether and how Wells Fargo made sure it remedied customer harm, and the number of inappropriate accounts opened...”³
- That problems with sales practices were widespread and extended beyond the Los Angeles region cited in the 2013 *Los Angeles Times* story.⁴
- That these problems were so severe and intractable that you had decided to remove Carrie Tolstedt as head of the Community Bank.⁵

2. Are any of these findings in the Report untrue?

3. Why did you believe that needing to fire thousands of employees for opening fake accounts and other sales violations was not a sign that Wells Fargo had pushed cross-selling and sales goals too far?

4. Why was a widespread epidemic of unauthorized accounts – which was so egregious that you decided to remove Tolstedt – not evidence that Wells Fargo had pushed cross-selling and sales goals too far?

² <https://www.americanbanker.com/news/picking-the-brain-of-wells-fargos-likely-next-ceo>

³ <https://www08.wellsfargomedia.com/assets/pdf/about/investor-relations/presentations/2017/board-report.pdf> (p. 104)

⁴ *Id.*

⁵ *Id.* at 59.

Promotion of Cross-Selling

At the hearing, you testified that as Chief Financial Officer from 2011 to 2014, you had not aggressively promoted Wells Fargo's ability to get existing customers to open new accounts (i.e., "cross-selling"). In Attachment A, I have provided a selection of statements you made on each of the 13 investor calls you participated in as CFO. There are roughly 50 instances in which you directly or indirectly promoted Wells Fargo's success at cross-selling.

- 1. Do you stand by your testimony that you did not aggressively promote Wells Fargo's success at cross-selling as CFO of the company?**

Compensation

Please provide the following information relating to your compensation as Chief Financial Officer of Wells Fargo during the height of the fake accounts scam:

- 1. How many shares of Wells Fargo stock did you own as of the date you became CFO? What was the share price of Wells Fargo as of the date you became CFO?**
- 2. Did you acquire or otherwise receive any additional shares of Wells Fargo during your time as CFO? If so, please list the dates on which you obtained those shares, the method of obtaining those shares (e.g., purchase vs. stock award), and the share price on the day on which you obtained those shares.**
- 3. Did you sell or otherwise dispose of any shares of Wells Fargo during your time as CFO? If so, please list the dates on which you sold or otherwise disposed of those shares, the method of disposing those shares, and the share price on the day on which you disposed of those shares.**
- 4. How many shares of Wells Fargo stock did you own as of the date you left the CFO position for another position within the company? What was the share price of Wells Fargo as of that date?**
- 5. Please list your total annual compensation for each year you served as CFO. Please break down that annual compensation between base salary, incentive compensation, and other compensation.**
 - a. For any incentive compensation you received as CFO, please describe, in full, the factors that were cited as justification for that level of incentive compensation.**

Unauthorized Accounts

At the hearing, you testified that unauthorized accounts were opened in the retail bank before 2009, which means that Wells Fargo's announcement that it had found 3.5 million unauthorized accounts underestimates the number of customers impacted. In fact, the Report of the

Independent Directors of Wells Fargo says that “[i]n 2002, the Community Bank took steps to address an increase in sales practice violations, including the creation of a sales integrity task force,”⁶ which means that serious sales integrity problems at Wells Fargo date back at least that far.

- 1. How far back do Wells Fargo’s sales integrity problems go?**
- 2. When was the problematic performance management system that you have said caused the fake accounts scam implemented in the Community Bank?**
- 3. The Report blames the epidemic of the opening unauthorized accounts on Carrie Tolstedt, who formerly led the Community Bank, and the performance management system that she championed. Ms. Tolstedt did not become head of the community bank until 2007. What was the cause of the problems in the Community Bank before she took the helm?**
- 4. What is Wells Fargo doing to make things right for the customers who were scammed before 2009? Is the bank undertaking any more extensive retroactive study to try to identify these consumers?**
- 5. At the hearing you mentioned that retrospective examination of accounts in the years prior to the 2009 merger with Wachovia is difficult. Why is that? Did Wachovia have a similar problem with the opening of unauthorized accounts?**

Reforms

During the hearing, you discussed some of the reforms you’ve made since you became CEO last year, including changing the compensation structure in the Community Bank and centralizing the risk management functions in the bank. The company has also announced several measures to remediate harm to consumers and employees, including establishing the Rebuilding Trust Office and an Office of Ethics, Oversight and Integrity.

- 1. Have you hired any personnel from outside the bank to work on these initiatives?**
- 2. Please provide a list of all the people who work on these initiatives and any other programs the bank has started to mitigate damage from the sham accounts scandal. If any of these people were promoted from within Wells Fargo, please also list their previous job title and responsibilities.**
- 3. You appointed Justin Thornton, formerly an Executive Vice President and Head of Compensation and Benefits, to be the Head of the Rebuilding Trust Office.**

⁶ <https://www08.wellsfargomedia.com/assets/pdf/about/investor-relations/presentations/2017/board-report.pdf>

- a. **What was Mr. Thornton’s role in setting the compensation and benefits packages for Mr. Stumpf and Ms. Tolstedt?**
- b. **What was Mr. Thornton’s role in developing and approving the compensation packages for non-executives throughout the bank?**
- c. **Did Mr. Thornton oversee or approve the incentive compensation system in the Community Bank?**

Arbitration

In response to a letter I sent to you on August 10, 2017, Executive Vice President David Moskowitz represented that “arbitration agreements are embedded in certain account agreements.” During the hearing, you declined to commit to stop enforcing arbitration agreements against consumers despite evidence of widespread account abuses across many of Wells Fargo’s business lines.

1. **In how many total arbitration cases was Wells Fargo involved in each of the last five years?**
 - a. **How many of these were initiated by consumers against Wells Fargo?**
 - b. **In how many of those cases did Wells Fargo make counterclaims against the consumer?**
 - c. **How many arbitration cases did Wells Fargo initiate against consumers?**
2. **In how many cases were consumers awarded monetary relief in each of the last five years? What were the median and mean awards? In how many cases were consumers awarded other relief?**
3. **In how many cases was Wells Fargo awarded monetary relief in each of the last five years? What were the median and mean awards? In how many cases was it awarded other relief?**
4. **How many small claims court cases were initiated by consumers against Wells Fargo?**
 - a. **In how many of those cases did Wells Fargo make counterclaims against the consumer? What were the resolutions of those cases?**

Attachment A

Q1 2011:

- “We continued to sell more products to more customers across our banking footprint, achieving a record combined cross sell of 5.79 products in the first quarter, up from 5.6 a year ago. This growth reflects continued increases in the West with cross-sell reaching a record 6.21 products while the East grew cross-sell from 5.02 a year ago to 5.22 this quarter. Cross-sell improvement reflects record sales, with core product sales up 16% in the West reaching 3 million sales in a single month for the first time ever.”
- “We also continued to increase sales in the East by introducing new sales and service practices as well as new products. Let me highlight a few examples... In the first quarter, credit card sales in the East more than doubled from a year ago. In the first quarter, partner referrals in the East that resulted in the sale, including products such as insurance, mortgage and merchant services, were more than 6x a year ago.”
- “Many businesses within Wholesale Banking grew revenue linked quarter by adding new customers and continuing to focus on cross-selling. These included fixed-income sales and trading, equity sales and trading, investment solution, commercial mortgage servicing, equipment finance and real estate capital markets.”
- “In summary, we had a very strong first quarter. We are pleased with our record earnings, reflecting growth across our businesses. The strength of our franchise is reflected in the continuing growth in deposits and high-quality loan originations and deepening customer relationships with record cross-sell.”

Q2 2011:

- “Other businesses within Community Banking continued to grow. We had record retail banking cross-sell of 5.84 products, up from 5.64 a year ago. With cross-sell in the East at 5.29 products compared to the West at 6.25, we have plenty of opportunity to continue to grow across our franchise. Over the past year, we have added an incremental 1,500 platform banker FTEs in the East, up 16%, to better capture this opportunity.”
- “So we have something in the range of 28 million plus retail checking accounts, and the penetration of credit cards in the East is about 14.5% of our retail checking accounts have a credit card. It’s 2.5 or 3x more than that on the West. We think there’s huge opportunity here. And I can’t wait to get a credit card in every one of our customers, our credit-worthy customers’ wallets. And not only get in there, to be the dominant card or the primary card. So I think there’s huge organic opportunity here. We like that business from a customer perspective, and not only for the transaction volume that they do. But it’s a good—it’s another payments product. So we think there’s big opportunity. And again, we’re growing checking accounts also very quickly. So as we’re catching the train, the train is also moving here, which is a good thing. Net checking accounts are up, on the retail side, 7% year-over-year. Those are big numbers because it’s off a big base.”

Q3 2011:

- “Retail banking cross-sell continued to grow to a record 5.91 products per household, up from 5.68 a year ago. Cross-sell in the East was up 5.39, up from 5.10 a year ago. The majority of our retail banking markets in the East were already converted by the third quarter, which helped to accelerate cross-sell growth in these markets.”
- “Our continued focus on meeting our customers’ financial needs is reflected in achieving an average cross-sell ratio of 10 products per [wealth, brokerage, and retirement] household.”

Q4 2011:

- “Retail Banking cross-sell continued to grow to a record 5.92 products per household, up from 5.7 a year ago. And while cross-sell in the East continue to grow to 5.43, there is still plenty of opportunity to further increase cross-sell to the 6.29 products per household in the West.”
- “Our continued focus on meeting our customers’ financial needs is reflected in achieving an average cross-sell ratio of 10 products per [wealth, brokerage, and retirement] household.”

Q1 2012:

- “Retail banking cross-sell grew to 5.98 products per household, up from 5.76 a year ago. Cross-sell growth occurred throughout the franchise. With the East cross-sell 86 basis points lower than the West, we have plenty of opportunity to earn more business from our customers in the East. Credit card penetration in our retail banking households continued to increase to 30%, up from 27% a year ago.”
- “We service \$1.8 trillion of residential mortgages. We like the cross-sell opportunities this provides, and it also positions us well to benefit from refinance waves like we’re experiencing now since existing customers usually give us the first chance when they refinance.”
- “We are well positioned to continue to grow, ending the quarter with a strong mortgage pipeline, and we are focused on capitalizing on acquisition opportunities, increasing our cross-sell, growing our loans and deposits and reducing our expenses.”

Q2 2012:

- “Retail banking reached a record cross-sell of 6 products per household, up from 5.82 a year ago. Cross-sell growth occurred throughout our franchise with the West increasing to 6.37 and the East increasing to 5.52, up 27 basis points from a year ago... Credit card penetration in our retail banking households continue to increase to 31%, up from 27% a year ago.”
- “Cross-sell continued to increase [in the wealth, brokerage, and retirement business] with our focus on meeting all of our customers’ financial needs growing to 10.22, up from 9.94 a year ago.”

- “We service \$1.9 trillion of residential mortgages. This is a great business because of the new customer growth and cross-sell opportunities it provides, and our servicing portfolio positions us well to benefit from refinance waves like the one we’re experiencing now since existing customers’ usually give us the first chance when they refinance.”
- “And while we had great results this quarter, we have plenty of opportunity ahead for future growth, including a strong mortgage pipeline, recently completed acquisitions, improving cross-sell, increasing market share and improving efficiency all while remaining very focused on risk.”
- “It’s competitive out there. We continue to compete as best we can. We tend not to be—to over compete on price. We focus on competing on relationship and growing cross-sell. But there’s nothing special there at all.”

Q3 2012:

- “Retail banking achieved a record cross-sell of 6.0 products per household, up from 5.9 a year ago. Cross-sell in the West grew to 6.4 and reached 5.5.6 in the East.”
- “Our asset management business grew assets under management by 3% from the second quarter and Wholesale Banking’s cross-sell increased to 6.7, up from 6.5 at year-end 2011.”
- “Our continued focus on meeting our customers’ financial needs is reflected in achieving a record cross-sell ratio of 10.27 products for [wealth, brokerage and retirement] households, driven by growth in retail banking products.”

Q4 2012:

- “Retail banking achieved a record cross-sell of 6.05 products per household, up from 5.93 a year ago.”
- “New consumer credit card accounts grew 11% from fourth quarter of 2011 with household penetration increasing to 33%, up 29% from a year ago.”
- “In addition to meeting the financing needs of our commercial customers, we continue to better serve all of their financial needs [as] is reflected in Wholesale Banking cross-sell growing to 6.8 products, up from 6.5 products a year ago.”
- “In addition, WBR continue[s] to effectively partner with retail banking to meet all the financial needs of our customers, increasing cross-sell to 10.27 products per household up from 10.05 a year ago.”
- “We have opportunities throughout our consumer and commercial businesses to continue to grow market share and increase cross sell.”

Q1 2013:

- “We are excited about the market share and cross-sell growth we achieved this quarter across a number of our businesses.”
- “Retail banking achieved a record cross-sell of 6.1 products per household, up from 5.98 a year ago. To better meet our customers’ financial needs and improve cross-sell, we continually invest in our business, including new store designs, improved technology, and adding bankers. We grew platform banker FTE by 1,528 from a year ago, and by 478 in just the first quarter alone.”
- “Our credit card business continued to have strong account growth, with a record of 577,000 new accounts in the first quarter, up 18% from a year ago and up 31% from the fourth quarter. Our household penetration increased to 34.1%, up from 29.9% a year ago.”
- “Wholesale banking’s continued focus on building relationships resulted in cross-sell of 6.8 products per relationship, up from 6.6 a year ago.”
- “In addition, WBR continued to effectively partner with retail banking to meet all the financial needs of our customers, increasing cross-sell to 10.33 products per household, up from 10.16 a year ago.”

Q2 2013:

- “Our revenue diversification is highlighted on slide 4. A 50-50 split between spread revenue and fee revenue from our diversified businesses and cross-sell activities.”
- “Retail banking achieved a record cross-sell of 6.14 products per household, up from 6 products a year ago. To support sales and household growth we grew platform bank or FTE by approximately 1,900 from a year ago.”
- “Our credit card business continued to have strong account growth with the record 594,000 new accounts in the second quarter, up 16% from a year ago. Our household penetration increased to 35%, up from 31% a year ago.”
- “Wholesale banking’s cross-sell reached 6.9 products per relationship up from 6.8 a year ago.”
- “WBR continued to effectively partner with retail banking to meet the financial needs of our customers, increasing cross-sell to 10.3 products per household. Assets referred from community banking to WBR grew over 25% from a year ago based on first quarter results. This partnership is a great example of how our businesses work together to meet the financial needs of our customers.”
- “This customer account and balance growth alone with increased cross-sell will help drive our future results and reflects the benefits of our diversified model.”

Q3 2013:

- “Credit card balances were up \$1.8 billion or 7% with strong new account growth reflecting increased card penetration as well as marketing efforts.”
- “Retail Banking continued to consistently grow cross-sell, achieving record of 6.15 products per household, up from 6.04 a year ago. We continued to benefit from momentum in the credit card business by growing accounts, purchase volumes and balances. We had record new accounts, up 9% from a year ago and household penetration increased to 36%, up from 32% a year ago and 28% just two years ago as we continued to increase marketing and enhance our product line.”
- “Wholesale Banking’s cross-sell grew to 7 products per relationship, up from 6.7 a year ago.”
- “The benefit of meeting all the financial needs of our customers was also reflected in WBR settling and increasing cross-sell, growing to 10.41 products per household in the third quarter up from 10.27 a year ago.”
- “...but what you have seen is a growth in our retail deposit business in terms of fees. That is reflective of the fact that we have had a growth of primary checking account customers which is very exciting to see...Credit card has been growing and so on and so forth...As John talked about, we are very excited about credit card but that is not the only area of the Company that is growing.”

Q4 2013:

- “Retail banking continued to consistently grow cross-sell, achieving a record 6.16 products per household up from 6.05 products a year ago. Our credit card business continued to have strong results benefiting from seasonality and new account growth. We grew new accounts by 29% from a year ago and household penetration increased to 37%, up from 33% in the fourth quarter of 2012.

Q1 2014:

- “As John highlighted and as you can see on page three, we had strong year-over-year growth in the fundamental drivers of our business in commercial and consumer loans, deposits, cross sell, credit, expense management, which resulted in growth in net income, capital and earnings per share and produce higher returns on assets and equity.”
- “Primary consumer checking customers were up 5.1% from a year ago, up from 4.7% in the fourth quarter. We have steadily increased the growth rate of this higher cross sell, more profitable consumer base over the past four quarters through product enhancements and consistent focus.”
- “Retail banking continued to grow cross-sell, achieving a record of 6.17 products per household, up from 6.1 products a year ago...”

- “Cross sell increased to a record 7.2 per relationship [in wholesale banking], up from 6.8 a year ago.”
- “Our credit card business grew balances and fee income compared with a year ago, reflecting record new account growth up 6% from the first quarter of 2013...”
- “John, you may have a different view but I mean, anytime we can bring in and broaden [our] relationship with one of our retail or commercial customers, we want to do that. We want their deposits.”