

United States Senate  
WASHINGTON, DC 20510

March 16, 2022

Charles Scharf  
Chief Executive Officer and President  
Wells Fargo & Company  
420 Montgomery Street  
San Francisco, CA 94104

Dear Mr. Scharf:

We write regarding yet another disturbing new report involving discriminatory mortgage practices by Wells Fargo. Last week, *Bloomberg* revealed that Wells Fargo was the only major lender in the United States to accept fewer than half of mortgage-refinancing applications from Black Americans in 2020.<sup>1</sup> This shocking disparity—layered upon Wells Fargo’s long history of scamming and mistreating consumers of color—is unacceptable. Given these alarming revelations, we demand that Wells Fargo provide answers to our questions and additional information regarding its mortgage-refinancing practices and its potentially illegal discrimination against Black homeowners.

Refinancing during periods of low interest rates is a critical tool for building wealth, especially for communities of color that have historically been denied equal access to homeownership. A study by Freddie Mac found that nearly half of Black and Hispanic households would save at least \$1,200 per year if they refinanced their mortgages.<sup>2</sup> As one expert put it, an inability to refinance means “people have less resources to invest in their children, less resources to start businesses, less resources to renovate their homes, [and] less resources to buy additional homes,”<sup>3</sup> when the typical white family already has eight times the wealth of a typical Black family<sup>4</sup> and houses in majority Black neighborhoods are cumulatively undervalued by \$156 billion across the country.<sup>5</sup>

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<sup>1</sup> Bloomberg, “Wells Fargo Rejected Half Its Black Applicants in Mortgage Refinancing Boom,” Shawn Donnan, Ann Choi, Hannah Levitt and Christopher Cannon, March 11, 2022, <https://www.bloomberg.com/graphics/2022-wells-fargo-black-home-loan-refinancing>.

<sup>2</sup> Freddie Mac, “Almost 50% of Black and Hispanic Borrowers Could Save \$1,200 Annually by Refinancing,” May 12, 2021, <https://www.freddiemac.com/research/insight/20210512-black-hispanic-borrowers-save-refinancing>.

<sup>3</sup> Bloomberg, “Wells Fargo Rejected Half Its Black Applicants in Mortgage Refinancing Boom,” Shawn Donnan, Ann Choi, Hannah Levitt and Christopher Cannon, March 11, 2022, <https://www.bloomberg.com/graphics/2022-wells-fargo-black-home-loan-refinancing>.

<sup>4</sup> Board of Governors of the Federal Reserve System, “Disparities in Wealth by Race and Ethnicity in the 2019 Survey of Consumer Finances,” Neil Bhutta, Andrew C. Chang, Lisa J. Dettling, and Joanne W. Hsu, September 28, 2020, <https://www.federalreserve.gov/econres/notes/feds-notes/disparities-in-wealth-by-race-and-ethnicity-in-the-2019-survey-of-consumer-finances-20200928.htm>.

<sup>5</sup> Brookings, “The devaluation of assets in Black neighborhoods,” Andre M. Perry, Jonathan Rothwell, and David Harshbarger, November 27, 2018, <https://www.brookings.edu/research/devaluation-of-assets-in-black-neighborhoods>.

But Black homeowners were systematically shut out of the “remarkable wealth event”<sup>6</sup> of low-interest-rate refinancing over the past two years. Of the \$5.3 billion in refinancing savings reaped by homeowners through October 2020, less than \$200 million—or 3.7 percent—went to Black households.<sup>7</sup> And Wells Fargo appears to have been one of the worst perpetrators of the inequity.

Wells Fargo’s treatment of Black borrowers is deeply concerning, no matter how one looks at the data. Wells Fargo was the only major lender to reject more Black homeowners submitting refinance applications than it accepted in 2020.<sup>8</sup> Although the bank had lower acceptance rates for refinance applications overall, Wells Fargo had the largest racial disparity for approving Black applicants (47%) and approving white applicants (72%) among major lenders, a staggering 25 percentage-point gap.<sup>9</sup> Wells Fargo was the only major lender with a lower approval rate in 2020 for Black homeowners applying to refinance than a decade before: other lenders’ approval rates jumped from 53% to 71%, while Wells’ rate dropped from 53% to 47%.<sup>10</sup> High-income Black refinance applicants had nearly the same approval rate as low-income white applicants at the bank.<sup>11</sup> Put another way, “even when taking selectivity into account, [Wells Fargo] had by far the worst record among major lenders when it came to refinancings by Black homeowners.”<sup>12</sup>

This of course is not the first time that Wells Fargo has cheated or mistreated its consumers at massive scale. Between 2002 and 2016, bank employees “opened millions of accounts in customers’ names without their knowledge, signed unwitting account holders up for credit cards and bill payment programs, created fake personal identification numbers, forged signatures and even secretly transferred customers’ money,” leading to a \$3 billion settlement with the Department of Justice and Securities and Exchange Commission.<sup>13</sup> Wells Fargo has been involved in countless investigations and scandals regarding its wrongful repossession of vehicles belonging to members of the military,<sup>14</sup> improper customer charges for auto insurance,<sup>15</sup>

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<sup>6</sup> Bloomberg, “Wells Fargo Rejected Half Its Black Applicants in Mortgage Refinancing Boom,” Shawn Donnan, Ann Choi, Hannah Levitt and Christopher Cannon, March 11, 2022, <https://www.bloomberg.com/graphics/2022-wells-fargo-black-home-loan-refinancing>.

<sup>7</sup> Federal Reserve Bank of Boston, “Racial Differences in Mortgage Refinancing, Distress, and Housing Wealth Accumulation during COVID-19,” Kristopher Gerardi, Lauren Lambie-Hanson, and Paul Willen, June 22, 2021, p. 2, <https://www.bostonfed.org/-/media/Documents/Workingpapers/PDF/2021/cpp20210622.pdf>.

<sup>8</sup> Bloomberg, “Wells Fargo Rejected Half Its Black Applicants in Mortgage Refinancing Boom,” Shawn Donnan, Ann Choi, Hannah Levitt and Christopher Cannon, March 11, 2022, <https://www.bloomberg.com/graphics/2022-wells-fargo-black-home-loan-refinancing>.

<sup>9</sup> *Id.*

<sup>10</sup> *Id.*

<sup>11</sup> *Id.*

<sup>12</sup> *Id.*

<sup>13</sup> New York Times, “The Price of Wells Fargo’s Fake Account Scandal Grows by \$3 Billion,” Emily Flitter, February 21, 2020, <https://www.nytimes.com/2020/02/21/business/wells-fargo-settlement.html>.

<sup>14</sup> U.S. Department of Justice, “Justice Department Obtains \$5.4 Million in Additional Relief to Compensate Servicemembers for Unlawful Repossessions by Wells Fargo Dealer Services,” press release, November 14, 2017, <https://www.justice.gov/opa/pr/justice-department-obtains-54-million-additional-relief-compensate-servicemembers-unlawful>.

<sup>15</sup> New York Times, “Wells Fargo Forced Unwanted Auto Insurance on Borrowers,” Gretchen Morgenson, July 27, 2017, <https://www.nytimes.com/2017/07/27/business/wells-fargo-unwanted-auto-insurance.html>.

problematic foreclosure practices,<sup>16</sup> unethical alterations of documents,<sup>17</sup> failure to compensate customers for the bank’s wrongdoing,<sup>18</sup> and more.<sup>19</sup> At the beginning of the pandemic, Senator Warren uncovered new details about Wells Fargo’s dangerous practice of placing mortgage borrowers into forbearance without their consent during one of the worst economic downturns in recent history.<sup>20</sup> And notably, in 2012, Wells Fargo settled a \$184 million lawsuit with the Department of Justice over allegations that it engaged in a “pattern or practice of discrimination against qualified African-American and Hispanic borrowers in its mortgage lending” by steering borrowers to subprime mortgages because of their race or national origin.<sup>21</sup> The parallels between the 2012 scandal and today’s reporting—and the bank’s resistance to even basic racial equity audits last year<sup>22</sup>—belie Wells Fargo’s renewed “commitment to diversity and inclusion” touted in press releases in recent years.<sup>23</sup>

Wells Fargo appears to be simply unable or unwilling to stop preying upon consumers of color. Make no mistake: Wells Fargo must answer for any misconduct or illegal behavior,<sup>24</sup> especially in the context of its lengthy record and “full range of prior misconduct.”<sup>25</sup> To better understand Wells Fargo’s disparate treatment of Black homeowners seeking to refinance their mortgages, we ask that you provide the following information and records by March 28, 2022:

1. All data and algorithms used by Wells Fargo to evaluate applications to refinance residential home mortgages from January 1, 2010 to December 31, 2021, including all

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<sup>16</sup> Office of the Comptroller of the Currency, “OCC Assesses \$250 Million Civil Money Penalty, Issues Cease and Desist Order Against Wells Fargo,” press release, September 9, 2021, <https://www.ots.treas.gov/news-issuances/news-releases/2021/nr-occ-2021-95.html>.

<sup>17</sup> Wall Street Journal, “Wells Fargo Employees Altered Information on Business Customers’ Documents,” Emily Glazer, May 17, 2018, <https://www.wsj.com/articles/wells-fargo-employees-altered-information-on-business-customers-documents-1526564170>.

<sup>18</sup> Wall Street Journal, “Wells Fargo Fumbles Efforts to Repay Aggrieved Customers,” Gretchen Morgenson and Emily Glazer, February 10, 2018, <https://www.wsj.com/articles/wells-fargo-struggles-to-repay-aggrieved-customers-1518295023>.

<sup>19</sup> Letter from Senator Elizabeth Warren to Fed Chair Jerome Powell, September 13, 2021, <https://www.warren.senate.gov/imo/media/doc/Letter%20from%20Senator%20Warren%20to%20Fed%20on%20Wells%20Fargo%20FHC%20Status%2009.13.2021.pdf>.

<sup>20</sup> Letter from Senators Elizabeth Warren and Brian Schatz to Wells Fargo CEO Charles Scharf, July 29, 2020, <https://www.warren.senate.gov/imo/media/doc/2020.07.29%20Letter%20to%20Wells%20Fargo%20on%20Forbearance%20Filings.pdf>.

<sup>21</sup> U.S. Department of Justice, “Justice Department Reaches Settlement with Wells Fargo Resulting in More Than \$175 Million in Relief for Homeowners to Resolve Fair Lending Claims,” press release, July 12, 2012, <https://www.justice.gov/opa/pr/justice-department-reaches-settlement-wells-fargo-resulting-more-175-million-relief>.

<sup>22</sup> Bloomberg, “Wells Fargo, BofA Push Back Against Race-Audit Proposals,” Hannah Levitt, March 16, 2021, <https://www.bloomberg.com/news/articles/2021-03-16/wells-fargo-bofa-push-back-against-proposals-for-race-audits>.

<sup>23</sup> Wells Fargo, “Wells Fargo CEO: ‘A watershed moment,’” Janny Hu, June 19, 2020, <https://stories.wf.com/wells-fargo-ceo-a-watershed-moment>.

<sup>24</sup> Multiple laws protect against discrimination in mortgage refinancing including the *Equal Credit Opportunity Act* and the *Fair Housing Act*. Federal Deposit Insurance Corporation, “FDIC Consumer Compliance Examination Manual,” March 2021, Section IV, <https://www.fdic.gov/resources/supervision-and-examinations/consumer-compliance-examination-manual/documents/4/iv-1-1.pdf>.


<sup>25</sup> U.S. Department of Justice, “Deputy Attorney General Lisa O. Monaco Gives Keynote Address at ABA’s 36th National Institute on White Collar Crime,” October 28, 2021, <https://www.justice.gov/opa/speech/deputy-attorney-general-lisa-o-monaco-gives-keynote-address-abas-36th-national-institute>.


data mandatorily disclosed to the federal government under the *Home Mortgage Disclosure Act*;

2. Any analyses conducted by Wells Fargo regarding the causes of its relatively low approval rates for Black homeowners seeking to refinance their mortgages and the results of these analyses;
3. Any actions or plans developed by Wells Fargo to redress its relatively low approval rates for Black homeowners seeking to refinance their mortgages;
4. All internal communications and all communications with state and federal regulators regarding Wells Fargo's relatively low approval rates for Black homeowners seeking to refinance their mortgages.

Thank you for your attention to this important matter.

Sincerely,

  
Elizabeth Warren  
United States Senator

  
Ron Wyden  
United States Senator