

September 13, 2021

Mr. Stephen D. Black
Chairman of the Board
Wells Fargo & Company
420 Montgomery Street
San Francisco, CA 94104

Dear Mr. Black:

I am writing regarding last week's announcement by the Office of the Comptroller of the Currency (OCC) that Wells Fargo has been fined \$250 million for "significant deficiencies" in its compliance with requirements imposed on the bank in response to a 2018 scandal in which thousands of customers were charged excessive or improper fees. Specifically, OCC identified "material deficiencies regarding the Bank's [mortgage foreclosure] loss mitigation activities, including loan modification decisions and operational practices, and inadequate Independent Risk Management and Internal Audit of the Bank's loss mitigation activities and ... violations of the 2018 [OCC] Consent Order."¹ In short, OCC identified a myriad of ongoing compliance problems and governance failures at the bank, despite years of scrutiny, penalties, and promises of improved behavior.

This massive fine represents another astonishing failure in a long chain of lawlessness and incompetence by Wells Fargo and its top executives. In recent years, Wells Fargo has paid over \$5 billion in penalties,² and the Federal Reserve Board of Governors (Fed) in February 2018 imposed an unprecedented asset cap on the company.³ But this new incident raises fresh questions about whether the company can meet the needs of its customers, whether it meets Bank Holding Company Act requirements that it be "well managed,"⁴ and whether the Board, and Charles Scharf, who was named CEO of Wells Fargo in September 2019, are capable of effectively managing the bank.

¹ Department of the Treasury and Office of the Comptroller of the Currency, Consent Order, In the Matter of Wells Fargo Bank, N.A., #2021-035, September 9, 2021, <https://www.occ.gov/static/enforcement-actions/ea2021-035.pdf>.

² Los Angeles Times, "Regulators are unhappy with how slowly Wells Fargo is repaying ripped-off consumers," Hannah Levitt, August 31, 2021, <https://www.latimes.com/business/story/2021-08-31/regulators-are-unhappy-with-how-slowly-wells-fargo-is-repaying-ripped-off-consumers>.

³ Board of Governors of the Federal Reserve, Press Release, Responding to widespread consumer abuses and compliance breakdowns by Wells Fargo, Federal Reserve restricts Wells' growth until firm improves governance and controls. Concurrent with Fed action, Wells to replace three directors by April, one by year end, Feb. 2, 2018, <https://www.federalreserve.gov/newsevents/pressreleases/enforcement20180202a.htm>.

⁴12 U.S. Code § 1843(l)(1)(C).

By now, Wells Fargo’s nearly two-decade-long record of swindling its customers is well known: the bank created millions of fake bank and credit card accounts, falsified signatures, illegally transferred customers’ funds, and charged hundreds of thousands of customers fraudulent fees. It was implicated in ripping off hundreds of thousands of customers who took out car loans from the bank.⁵ The bank “for years charged monthly fees to customers for dozens of products they didn’t understand or know how to use.”⁶ It had deficient internal controls related to the Bank Secrecy Act (BSA) and Anti-Money Laundering (AML) rules.⁷ It violated the Servicemembers Civil Relief Act (SCRA) multiple times, after wrongly repossessing hundreds of vehicles belonging to members of the military.⁸ It made “calculation errors” that caused hundreds of wrongful foreclosures.⁹ It made improper referrals and other inappropriate behavior related to the bank’s wealth management business.¹⁰ It changed information on business customers’ documents without authorization,¹¹ sparking a Department of Justice investigation into whether “there is a pattern of unethical and potentially fraudulent employee behavior tied to management pressure.”¹² It engaged in multiple instances of closing customers’ accounts without authorization and subsequently charging overdraft fees.¹³ In September 2020, as the COVID-19 pandemic raged, an investigation by my staff revealed that Wells Fargo had placed as many as 1,600 customers into forbearance on their mortgages without their consent.¹⁴

This is a mind-boggling record of mismanagement and corruption, and it is a record that Mr. Scharf promised to reverse. When he was hired, Wells Fargo bragged that he would “instill the company with a sense of urgency in addressing its priorities,” and indicated that he would

⁵ The American Banker, “Wells Fargo to pay state regulators \$575M over phony accounts, other scandals,” December 28, 2018, <https://www.americanbanker.com/news/wells-fargo-to-pay-state-regulators-575m-over-phony-accounts-other-scandals>.

⁶ Wall Street Journal, “Wells Fargo’s Latest Challenge: Refunds for Pet Insurance, Legal Services,” Emily Glazer, July 19, 2018, <https://www.wsj.com/articles/wells-fargos-latest-challenge-refunds-for-pet-insurance-legal-services-1532009933>.

⁷ *Id.*

⁸ Department of Justice, “Justice Department Obtains \$5.4 Million in Additional relief to Compensate Servicemembers for Unlawful repossessions by Wells Fargo Dealer Services,” November 14, 2017, <https://www.justice.gov/opa/pr/justice-department-obtains-54-million-additional-relief-compensate-servicemembers-unlawful>.

⁹ Securities and Exchange Commission, Form 10-Q, Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended June 30, 2018, Wells Fargo & Company, <https://www08.wellsfargomedia.com/assets/pdf/about/investor-relations/sec-filings/2018/second-quarter-10q.pdf>.

¹⁰ Securities and Exchange Commission, Form 10-Q, Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended May 31, 2018, Wells Fargo & Company, <https://www08.wellsfargomedia.com/assets/pdf/about/investor-relations/sec-filings/2018/first-quarter-10q.pdf>.

¹¹ 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>.

¹² Reuters, “U.S. Probing Wells Fargo’s Wholesale Banking Unit: WSJ,” September 6, 2018, <https://www.reuters.com/article/us-wells-fargo-probe/u-s-probing-wells-fargos-wholesale-banking-unit-wsj-idUSKCN1LM28Q>.

¹³ New York Times, “Wells Fargo Closed Their Accounts, but the Fees Continued to Mount,” Emily Flitter, August 16, 2019, <https://www.nytimes.com/2019/08/16/business/wells-fargo-overdraft-fees.html>.

¹⁴ <https://www.warren.senate.gov/imo/media/doc/2020.09.30%20Letter%20to%20the%20Fed%20on%20Wells%20Fargo%20Growth%20Cap.pdf>.

“operate the company to the highest standards of operational excellence.”¹⁵ He asserted that “building the risk and control infrastructure appropriate for a company the size and complexity of Wells Fargo” was “the price of admission for what we do.”¹⁶ He said it was “inexcusable” that Wells Fargo “did not have in place the appropriate people, structure, processes, controls, or culture to prevent the inappropriate conduct.”¹⁷ And Mr. Scharf promised that “[m]eeting our regulatory requirements remains Wells Fargo’s top priority,” and that “our future depends on our ability to get this work done.”¹⁸

It has now been nearly two years since Mr. Scharf was named CEO of the bank,¹⁹ and last week’s OCC fine appears to indicate that he has made little progress toward improving the bank’s governance and changing the culture that has led to decades of consumer rip-offs and unlawful and unacceptable behavior.

But Mr. Scharf has been richly rewarded for his failures. He received over \$34 million for the short period of FY2019 that he was employed by the bank, including \$28.8 million in stock and a \$5 million bonus.²⁰ In FY2020, as new Wells Fargo scandals emerged, he received \$20.4 million in compensation, including a \$4.35 million “pay for performance” cash bonus.²¹

It is unfathomable that Mr. Scharf has been so well compensated while failing for the last two years to address the company’s “top priority,” and inconceivable that no member of the Wells Fargo Board or its top executives has been held sufficiently accountable. You owe your customers, your investors, and your regulators an explanation for Wells Fargo’s ongoing inability to meet legal and regulatory requirements. To begin addressing these matters, I ask that you provide answers to the following questions no later than September 23, 2021

1. What specific metrics and timelines did Mr. Scharf and the Board put in place for improving governance and regulatory compliance at Wells Fargo? Did Mr. Scharf meet these metrics in 2020? Has he met them to date in 2021?
2. What components of Mr. Scharf’s 2019 and 2020 bonus were based upon improving Wells Fargo’s governance and regulatory compliance?
 - a. Will Wells Fargo seek to claw back any or all of these bonus awards based on the ongoing legal and governance problems at the bank?
3. What is the compensation and bonus structure that is in place for Mr. Scharf in 2021? Specifically, what components of this bonus and compensation structure are based upon

¹⁵ Wells Fargo, Inside the Stagecoach, “Wells Fargo’s New CEO: We’ll Get This Done,” March 1, 2020, <https://stories.wf.com/wells-fargos-new-ceo-will-get-done/#:~:text=Charlie%20Scharf%20joins%20as%20Wells,role%20as%20CEO%20and%20president.>

¹⁶ *Id.*

¹⁷ *Id.*

¹⁸ *Id.*

¹⁹ Wells Fargo, “Wells Fargo Names Charles W. Scharf Chief Executive Officer and President,” Sep. 27, 2019, <https://newsroom.wf.com/English/news-releases/news-release-details/2019/Wells-Fargo-Names-Charles-W.-Scharf-Chief-Executive-Officer-and-President/default.aspx>.

²⁰ <https://www.salary.com/tools/executive-compensation-calculator/charles-w-scharf-salary-bonus-stock-options-for-wells-fargo-and-company-mn?year=2019>.


²¹ <https://www08.wellsfargomedia.com/assets/pdf/about/investor-relations/annual-reports/2021-proxy-statement.pdf>, at viiii.

improving governance and regulatory compliance at the bank? Will Mr. Scharf lose any 2021 compensation as a result of the ongoing failures at the bank?

4. Have any other top company executives been held accountable for the ongoing failures in governance and regulatory compliance at the bank? If so, which executives, and how were they held accountable?
5. Wells Fargo has claimed that “In addition to the changes made at the senior leadership level, the Board has focused on enhancing its composition, oversight, and governance practices.”²²
 - a. What specific changes were made to the Board’s composition, oversight and governance practices, and why have these efforts failed?
 - b. Have any Board members been held accountable for these failures, and if, how?
6. What additional plans have Mr. Scharf and the Board put in place to address the ongoing governance and compliance problems at Wells Fargo?
7. Wells Fargo’s latest quarterly report states, “The Company is subject to a number of consent orders and other regulatory actions, which may require the Company, among other things, to undertake certain changes to its business, operations, products and services, and risk management practices. Addressing these regulatory actions is expected to take multiple years, and we may experience issues or delays along the way in satisfying their requirements.”²³ What other “issues or delays” are you anticipating in Wells Fargo’s ability to address existing regulatory actions?

Thank you for your attention to this matter. I look forward to an explanation for Well Fargo’s ongoing problems and complete answers to my questions.

Sincerely,



Sen. Elizabeth Warren
Chair, Senate Banking Committee, Subcommittee on Economic Policy

²² Wells Fargo, Inside the Stagecoach, “Wells Fargo’s New CEO: We’ll Get This Done,” March 1, 2020, <https://stories.wf.com/wells-fargos-new-ceo-will-get-done/#:~:text=Charlie%20Scharf%20joins%20as%20Wells,role%20as%20CEO%20and%20president.>

²³ <https://www.sec.gov/ix?doc=/Archives/edgar/data/0000072971/000007297121000267/wfc-20210630.htm>