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United States Senate

COMMITTEE ON BANKING, HOUSING, AND
URBAN AFFAIRS

WASHINGTON, DC 20510-6075

January 11, 2017

Mr. Timothy Sloan
Chief Executive Officer
Wells Fargo, Inc.
420 Montgomery Street
San Francisco, CA 94104

Dear Mr. Sloan,

We read with great concern a Financial Times report indicating that Wells Fargo's income from overdraft fees increased at a rate five times higher than the company's banking industry peers.¹

This increase in overdraft fees occurred at the same time Wells Fargo reached a \$185 million settlement with the Consumer Financial Protection Bureau and other government entities over charges that the company created over two million fake bank and credit card accounts in customers' names.² Given Wells Fargo's broadly advertised commitment to "making changes to make things right," we are writing to request additional information related to this matter.³

Even if these overdraft revenue increases are not directly related to the fraudulent account openings, we are concerned that they may reflect similar troubling consumer sales practices.⁴ For example, the Wells Fargo's overdraft income has increased disproportionately to the rest of the banking industry in the same way that Wells Fargo's cross selling exceeded that of its competition.⁵ And the compensation incentives for overdraft services, in some cases, had similar structure as those for banking accounts and credit cards.⁶ Finally, there have been reports by

¹ See Ben McLannahan, *Wells Fargo's Overdraft Income Surges Ahead of Rivals*, Fin'l Times, Jan. 2, 2017 available at <https://www.ft.com/content/877632a2-ce99-11e6-864f-20dcb35cede2>.

² See CFPB Consent Order in the Matter of Wells Fargo Bank, N.A.

³ Michael Hiltzik, *Wells Fargo's new PR offensive promises customers much, but offers them little*, L.A. Times, Oct. 25, 2016 available at <http://www.latimes.com/business/hiltzik/la-fi-hiltzik-wells-pr-20161025-snap-story.html>

⁴ See Annamaria Andriotis & Emily Glazer, *Wells Fargo Managers Pushed Overdraft Services*, Wall St. J., Oct. 10, 2016 available at <http://www.wsj.com/articles/wells-fargo-managers-accused-of-persuading-bankers-1476125151>.

⁵ By some estimates, Wells Fargo averaged 6.29 products per customer in 2015, compared to a banking industry average of 2.71 products per customer. See Ben McLannahan, *Wells Fargo: Branched Out*, Fin'l Times, June 6, 2016 available at <https://www.ft.com/content/8218f0f0-2be3-11e6-a18d-a96ab29e3c95>; see also Rachel Louise Ensign, *What the Wells Fargo Cross-Selling Mess Means for Banks*, Wall St. J., Sept. 15, 2016 available at <http://www.wsj.com/articles/what-the-wells-fargo-cross-selling-mess-means-for-banks-1473965166>.

⁶ See Andriotis & Glazer, *supra* ("The overdraft protection didn't count toward bankers' daily sales goals, so it didn't affect bonuses. But there were smaller incentives: In at least one branch, there were at times a daily \$15 gift card to Subway for the personal banker who got the most customers to opt in and gift cards of as much as \$100 for the banker with the highest quarterly figure, said Matt Boisdore, who worked as a personal banker in a San Diego Wells Fargo branch from 2009 to 2011.").

former employees of improper sales tactics related to overdraft protection services, as there were with deposit account products.⁷ It would be particularly distressing if Wells Fargo were pursuing an increase in revenue from overdraft fees to compensate for the bank losing customers as a result of the fake accounts scandal.⁸

After your predecessor John Stumpf testified before the Senate Banking Committee about the fake account scandal, we requested responses to a number of questions. To date, these questions have not been answered sufficiently.⁹ One of these questions addressed the bank's sales goals and company policies regarding overdraft products.¹⁰ Wells Fargo's answer to that question was vague and incomplete. In order for the Committee to discern whether the growth of overdraft fees at Wells Fargo is in any way related to, reflective of, or a response to the fraudulent creation of accounts, we request that you respond to the following questions no later than February 14, 2017:

1. As previously requested on September 28, 2016, please provide specific information related to overdraft protection products, including sales goals related to overdraft protection products, dollar amount of overdraft fees charged to consumers, and company policies regarding disclosure of overdraft protection products and fees.
2. Please provide a breakdown of the monthly income received by Wells Fargo from overdraft fees from 2007 to present. Has this number increased or declined in the fourth quarter of 2016 relative to the third quarter of 2016, as account openings have reportedly declined?¹¹
3. Please provide any policy changes made with regard to fees, refund requests, or any other issue related to overdraft charges in the last 18 months. Please include an explanation as to whether these changes were related to the September 2016 settlement for the creation of false accounts or to the loss of customer accounts following the announcement of the September 2016 settlement.
4. Please provide, on a monthly basis from 2007 to present: the amount of overdraft income which has been generated by accounts advertised as "free checking;" and the number and proportion of overdraft charges that were equal to or greater than the overdrawn amount.

⁷ See *id.* ("At a Tucker, Ga., Wells Fargo branch, managers told personal bankers in staff meetings to present debit-card overdraft protection as a requirement for checking-account customers, according to Oscar Sevilla, a Wells Fargo personal banker from 2012 to 2013. 'We just used to say it comes with it to basically suggest that there wasn't an option,' said Mr. Sevilla, now self-employed in the exporting business.").

⁸ New York Times, *Wells Fargo Says Customers Shied Away After Scandal* (Oct. 14, 2016) (<http://www.nytimes.com/2016/10/15/business/dealbook/wells-fargo-says-customers-shied-away-after-scandal.html>).

⁹ Banking Committee Democrats Press Wells Fargo CEO for More Answers on Phony Accounts Scandal, 9/28/2016: <http://www.banking.senate.gov/public/index.cfm/democratic-press-releases?ID=A0539A7D-4791-4C2E-BB5C-8A11989F9909>

¹⁰ Questions for Mr. John Stumpf, Chairman and CEO, Wells Fargo & Co., Submitted by Senators Brown, Reed, Schumer, Menendez, Tester, Warner, Merkley, Warren, Heitkamp, Donnelly. September 28, 2016. Question #39.

¹¹ See Emily Glazer, *Wells Fargo Reports Drop in New Customer Accounts*, Wall St. J., Nov. 17, 2016 available at <http://www.wsj.com/articles/wells-fargos-reports-drop-in-new-customer-accounts-1479393270>.

5. Please provide the number of customers who were signed up for overdraft protection programs without their explicit consent, through a checking or debit account or as a credit-linked account from 2007 to present, and Wells Fargo's plan to reimburse any customer that was charged for or incurred any fee from such overdraft product.
6. Please provide the number of employees who received increased compensation for meeting sales goals related to overdraft products, as well as the number of employees disciplined for failing to meet such goals, from 2007 to present. Does Wells Fargo continue to employ sales goals or other incentive compensation structures for overdraft products?
7. You have said that Wells Fargo's top priority should be "to take care of customers," and that "regaining the public trust is invaluable."¹² Is the sudden surge in overdraft income consistent with these goals? If not, what specific steps do you plan on taking to address this increase?
8. Please provide any other information which would aid the committee in ascertaining, or which you believe explains, the reasons why the growth in overdraft revenues at Wells Fargo vastly outpaced the industry average.

We look forward to your prompt and thorough response to these questions.

Sincerely,



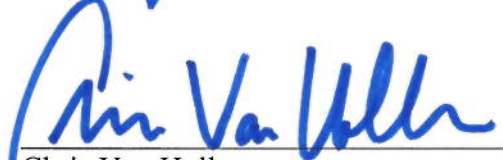
Sherrod Brown



Brian Schatz




Jack Reed



Chris Van Hollen



Elizabeth Warren



Robert Menendez



Mark Warner

¹² Tim Sloan, Companywide Address (October 25, 2016) (<https://stories.wf.com/companywide-address-ceo-tim-sloan/>).