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Wells Fargo & Co

Testimony

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"Fair Credit Reporting Act""

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My name is Terry Baloun and I am Regional President and Group Head for Wells Fargo banks located in South Dakota, North Dakota and Montana. Wells Fargo, our parent company, is a diversified financial services company, offering mortgage, securities, insurance, real estate services, online banking, institutional and retail banking products under the Wells Fargo brand through a number of separately incorporated affiliates to 15 million customers nationwide. Wells Fargo's headquarters is in San Francisco; the company has 130,000 employees, has mortgage offices nationwide, and has a retail banking presence in 23 states.

Thank you, Chairman Shelby and Committee Members for the invitation to testify and respond to your questions. I would like to share with you some of my experiences in providing banking services to communities within the framework established by the Fair Credit Reporting Act.

Our Wells Fargo banks work in concert with other Wells Fargo business affiliates in providing financial services products to customers. Marketplace experience shows that consumers expect the financial services companies they do business with to know about their accounts, to respond quickly to their questions and to advise them about products and services that will help them reach their financial goals. The service consumers expect requires that Wells Fargo have integrated information systems to give customers what they want -- when, where and how they want it. Subject to the Fair Credit Reporting Act, Wells Fargo shares customer information internally to meet these goals.

Information Integration by Affiliates in the Same Corporate Family

Providing a new mortgage, providing rural or remote small businesses with credit, offering consolidated statements for customers with multiple Wells Fargo products requires information about their financial affairs. Applying inappropriate restrictions on transfers of information among affiliates would impede customer service.

The 1996 amendments to the Fair Credit Reporting Act recognize the value to customers of the ability to transfer information among affiliates. This ability is wholly consistent with consumer expectations that their questions will be answered and their needs will be met with a single call or a single e-mail message, whether their financial products are provided by a single company or several companies in the same affiliated group. To put it another way, customers do not care whether for technical, regulatory, or management reasons Wells Fargo chooses to organize itself into a particular series of affiliates of a holding company or subsidiaries of one bank. What customers do care about is the seamless delivery of the products Wells Fargo offers regardless of how we choose to distribute them.

In Wells Fargo's view it is consumer expectations and needs that should shape the public policy that regulates information use, not legal structure. Because of legal requirements that prohibited or restricted bank branching, Wells Fargo at one time owned numerous separately incorporated banks. The Riegle-Neal Act of 1994 allowed bank holding companies to consolidate banks into as few as a single charter. Today, for business reasons rather than legal reasons, Wells Fargo owns 28 separately chartered banks. But the number of separate banks that a holding company chooses to have should not affect public policy relating to information use. If a bank holding company conducts its banking business in a single bank entity that bank would have all the information about a customer who had deposits, a mortgage, a credit card and a home equity loan from that bank. As a single corporate entity, it could use this information without restriction to serve its customer.

If, on the other hand, the bank holding company chooses to conduct its mortgage, credit card and home equity loan businesses in three separately incorporated banks and the law restricted the sharing of information among affiliates, a customer who supplied the same information for the same products to three affiliated institutions instead of a single institution would not receive the same level of service from its financial services company. To use customer information to provide the same level of service that could be provided by a single entity with the same information about the same customer, a holding company like Wells Fargo that provides services through multiple bank and non-bank charters would have to consolidate its operations into as few charters as legally possible. If the FCRA debate remains unresolved, institutions like Wells Fargo will likely change their corporate structures to reduce the number of separate entities rather than risk restrictions on information sharing among affiliates. It is our view the corporate structure should not be a factor in setting public policy regarding information use. The touchstone, instead, should be consumer expectation.

This is especially critical to our mortgage business. Since passage of the 1996 amendments to the Fair Credit Reporting Act, mortgage servicing has become more efficient. Wells Fargo customers have more channels through which they can apply for a mortgage and get assistance or conduct transactions related to a mortgage, as well as the complete array of financial products offered by Wells Fargo. In California, 40-50% of Wells Fargo's mortgages originated this year are the result of referrals from Wells Fargo Banks to Wells Fargo Home Mortgage. Many are first-time homebuyers in Hispanic market areas. With affiliate transfers and use of customer information, mortgage customers can make a mortgage payment at their local bank branch, obtain balances, get consolidated statements and get the support of 24-hour call centers that serve an entire affiliated enterprise. Our customers have found these services valuable.

Sharing of customer information also benefits our small business customers. The basis for small business lending over the last ten years has been direct mail offers of preapproved credit. Wells Fargo has extended nearly 500,000 small business loans since the mid-1990's. FCRA allows Wells Fargo to provide such credit, based on Wells Fargo's own experiences with the customer and the most current credit report. Generally, small businesses no longer need to submit tax returns or financial statements, providing easier and cheaper credit for the business owner.

Actions by multiple states to enact their own state versions of the Fair Credit Reporting Act will frustrate customers that do routine transactions across state lines. Wells Fargo provides services to thousands of customers that may have accounts "domiciled" in one state, yet reside or do business with a Wells Fargo bank in another state. Nearly half a million Wells Fargo customers have made teller or ATM transactions out of state within the past 5 months. In my banking states of South and North Dakota and Montana, nearly 10% of Wells Fargo's customers live in one state, but use Wells Fargo banks or ATMs in a bordering state.

Uniform National Standard

Finally, Wells Fargo believes the current uniform national standard for information use, as provided by the 1996 amendments to the FCRA is vital and asks that this Congress provide clarity and stability by removing the sunset provisions that affect affiliate sharing and other segments of credit granting. Congress should also address identity theft and to set new national standards for notices about information use to customers. The problem of identity theft and complicated notices about information use are frustrating to both customers and financial service providers.

The availability of financial services, such as mortgages for our customers, and the flows of information required to make those services available do not stop at state borders or corporate structures.

Thank you and I would be happy to answer any questions that you, Chairman Shelby, or the Committee may have.