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## United States Senate

COMMITTEE ON BANKING, HOUSING, AND  
URBAN AFFAIRS

WASHINGTON, DC 20510-6075

May 31, 2022

Mr. Charles W. Scharf  
President and CEO  
Wells Fargo & Company  
420 Montgomery Street  
San Francisco, CA 94104

Dear Mr. Scharf:

Recent revelations of racial disparities in mortgage lending, fake job interviews for minority and female candidates, and anti-money laundering violations are troubling as Wells Fargo, unfortunately, continues to demonstrate its inability to address its longstanding risk management failures. These recent problems add to the laundry list of consumer abuses and compliance breakdowns that led to the imposition of a growth restriction on your bank in 2018 until your firm improves its governance and controls.<sup>1</sup> Accordingly, I urge you to once and for all address Wells Fargo's governance, risk management, and hiring practices – weaknesses that have plagued the bank for almost a decade.

First, Wells Fargo has said that it is committed to closing the wealth and income gaps in this country, but it appears instead that your actions and mismanagement help continue racial and economic disparities. In March, my colleagues and I raised concerns about whether Wells' mortgage refinance lending complied with fair lending and housing laws.<sup>2</sup> Following our letter, your bank has proposed new programs to refinance mortgages of minority homeowners whose loans you currently service and to provide additional grants; however, I remain concerned that families of color will still – once again – get the short end of the stick. Today, 30-year fixed mortgage rates are 5.25%, up 2.6% from their low at the beginning of 2021. While you have committed \$150 million to support the refinance program, it's difficult to see how that amount could pay for reducing interest rates to pandemic lows for the tens of thousands of families who were denied refinancing, let alone make up for the higher payments they've made over the past year or more. Even if borrowers' mortgage payments were reduced to where they would have been if they'd received a refinance loan months ago, this would simply be doing what Wells Fargo should have been doing all along – treating all borrowers equally, regardless of their skin color.

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<sup>1</sup> <https://www.federalreserve.gov/newsevents/pressreleases/enforcement20180202a.htm>

<sup>2</sup> <https://www.banking.senate.gov/newsroom/majority/brown-colleagues-review-wells-fargo-refinancing-process>

Concerns about discrimination have also surfaced with respect to hiring. Last week, *The New York Times* reported your bank conducted fake interviews of Black and female applicants to give the false impression of improving diversity within its ranks.<sup>3</sup> This is not the first time Wells Fargo employees have raised concerns about discriminatory treatment. In 2020, Wells Fargo settled a claim with the Department of Labor for discriminating against over 30,000 Black applicants for banking, sales, and support positions.<sup>4</sup> In 2017, Wells Fargo settled a lawsuit brought by Black financial advisers for racial discrimination, paying \$36 million to hundreds of aggrieved employees.<sup>5</sup>

Wells Fargo's ongoing, failed efforts to combat lending discrimination and increase diversity within its ranks raise questions about your ability to fix the myriad internal controls, risk management, and general governance issues that have been a problem for nearly a decade. Last Friday, the Securities and Exchange Commission also fined Wells Fargo's broker-dealer business \$7 million for anti-money laundering violations arising from the failure to properly implement and test a system designed to prevent suspicious activity related to money laundering, terrorist financing, and other illegal financial transactions.<sup>6</sup> In September 2021, the Office of the Comptroller of the Currency fined Wells Fargo \$250 million for failing to pay back wronged customers and take corrective actions to improve the execution, risk management, and oversight of its lending loss mitigation program.<sup>7</sup>

Despite these failures, Wells Fargo made \$21.5 billion in 2021 and announced a plan to double dividends and buyback \$18 billion in stock between third quarter 2021 and second quarter 2022. You received \$24.5 million last year in total compensation, which included a 20 percent increase from 2020. As noted in the 2022 Wells Fargo proxy statement, your total annualized compensation exceeded 290 times the median Wells Fargo employee estimated annual total compensation of \$73,578.

Wells Fargo's continued inability to manage the basic requirements of serving its customers means that consumers, investors, and employees continue to pay the price. It is clear that Wells Fargo still has a long way to go to fix its governance and risk management before it should be allowed to grow in size. It is unacceptable that after years of failed attempts, nothing seems to have improved. I expect you to have a plan to finally reform the firm's risk management, internal controls, and governance structures so that your firm rights past wrongs and lives up to the many promises that Wells Fargo has made to its customers and their communities.

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<sup>3</sup> <https://www.nytimes.com/2022/05/19/business/wells-fargo-fake-interviews.html>

<sup>4</sup> *Id.*

<sup>5</sup> *Id.*

<sup>6</sup> <https://www.sec.gov/news/press-release/2022-85>

<sup>7</sup> <https://www.occ.gov/news-issuances/news-releases/2021/nr-occ-2021-95.html#:~:text=WASHINGTON%E2%80%94The%20Office%20of%20the,violations%20of%20the%202018%20Compliance>

Thank you for your attention to this important matter, which has significant consequences for your customers and employees, and ensuring a fair and stable banking system. I look forward to your testimony at our annual Wall Street oversight hearing.

Sincerely,

A handwritten signature in blue ink that reads "Sherrod Brown". The signature is written in a cursive, slightly slanted style.

Chairman Sherrod Brown