# HOLDING WELLS FARGO ACCOUNTABLE: CEO PERSPECTIVES ON NEXT STEPS FOR THE BANK THAT BROKE AMERICA'S TRUST

## HEARING

BEFORE THE

## COMMITTEE ON FINANCIAL SERVICES

## U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED SIXTEENTH CONGRESS

SECOND SESSION

MARCH 10, 2020

Printed for the use of the Committee on Financial Services

**Serial No. 116–91**

U.S. GOVERNMENT PUBLISHING OFFICE

42–866 PDF WASHINGTON : 2021

HOUSE COMMITTEE ON FINANCIAL SERVICES

MAXINE WATERS, California, *Chairwoman*

CAROLYN B. MALONEY, New York
NYDIA M. VELÁZQUEZ, New York
BRAD SHERMAN, California
GREGORY W. MEEKS, New York
WM. LACY CLAY, Missouri
DAVID SCOTT, Georgia
AL GREEN, Texas
EMANUEL CLEAVER, Missouri
ED PERLMUTTER, Colorado
JIM A. HIMES, Connecticut
BILL FOSTER, Illinois
JOYCE BEATTY, Ohio
DENNY HECK, Washington
JUAN VARGAS, California
JOSH GOTTHEIMER, New Jersey
VICENTE GONZALEZ, Texas
AL LAWSON, Florida
MICHAEL SAN NICOLAS, Guam
RASHIDA TLAIB, Michigan
KATIE PORTER, California
CINDY AXNE, Iowa
SEAN CASTEN, Illinois
AYANNA PRESSLEY, Massachusetts
BEN MCADAMS, Utah
ALEXANDRIA OCASIO-CORTEZ, New York
JENNIFER WEXTON, Virginia
STEPHEN F. LYNCH, Massachusetts
TULSI GABBARD, Hawaii
ALMA ADAMS, North Carolina
MADELEINE DEAN, Pennsylvania
JESÚS "CHUY" GARCIA, Illinois
SYLVIA GARCIA, Texas
DEAN PHILLIPS, Minnesota

PATRICK MCHENRY, North Carolina, *Ranking Member*
ANN WAGNER, Missouri
FRANK D. LUCAS, Oklahoma
BILL POSEY, Florida
BLAINE LUETKEMEYER, Missouri
BILL HUIZENGA, Michigan
STEVE STIVERS, Ohio
ANDY BARR, Kentucky
SCOTT TIPTON, Colorado
ROGER WILLIAMS, Texas
FRENCH HILL, Arkansas
TOM EMMER, Minnesota
LEE M. ZELDIN, New York
BARRY LOUDERMILK, Georgia
ALEXANDER X. MOONEY, West Virginia
WARREN DAVIDSON, Ohio
TED BUDD, North Carolina
DAVID KUSTOFF, Tennessee
TREY HOLLINGSWORTH, Indiana
ANTHONY GONZALEZ, Ohio
JOHN ROSE, Tennessee
BRYAN STEIL, Wisconsin
LANCE GOODEN, Texas
DENVER RIGGLEMAN, Virginia
WILLIAM TIMMONS, South Carolina
VAN TAYLOR, Texas

CHARLA OUERTATANI, *Staff Director*

# CONTENTS

# HOLDING WELLS FARGO ACCOUNTABLE: CEO PERSPECTIVES ON NEXT STEPS FOR THE BANK THAT BROKE AMERICA'S TRUST

---

**Tuesday, March 10, 2020**

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON FINANCIAL SERVICES,
*Washington, D.C.*

The committee met, pursuant to notice, at 10:06 a.m., in room 2128, Rayburn House Office Building, Hon. Maxine Waters [chairwoman of the committee] presiding.

Members present: Representatives Waters, Maloney, Velazquez, Sherman, Meeks, Clay, Scott, Green, Cleaver, Perlmutter, Himes, Foster, Beatty, Vargas, Gottheimer, Lawson, San Nicolas, Tlaib, Porter, Axne, Casten, Pressley, McAdams, Wexton, Lynch, Adams, Dean, Garcia of Illinois, Garcia of Texas, Phillips; McHenry, Wagner, Lucas, Posey, Luetkemeyer, Huizenga, Barr, Tipton, Williams, Emmer, Zeldin, Loudermilk, Mooney, Davidson, Budd, Kustoff, Hollingsworth, Gonzalez of Ohio, Rose, Steil, Gooden, Timmons, and Taylor.

Chairwoman WATERS. The Committee on Financial Services will come to order. Without objection, the Chair is authorized to declare a recess of the committee at any time.

Today's hearing is entitled, "Holding Wells Fargo Accountable: CEO Perspectives on Next Steps for the Bank that Broke America's Trust."

I now recognize myself for 4 minutes for an opening statement.

Today, Wells Fargo CEO Charles Scharf will testify before the committee about how he plans to end Wells Fargo's egregious pattern of consumer abuses. He is now the third Wells Fargo CEO to testify before this committee in less than 3½ years. I will note that each time a Wells Fargo CEO has testified before this committee, he has resigned soon thereafter.

Mr. Scharf, you have taken on a massive challenge. While I certainly wish you luck, it is clear to this committee that the bank you inherited is essentially a lawless organization that has caused widespread harm to millions of consumers throughout the nation.

Wells Fargo has opened 3.5 million fraudulent accounts in their customers' names, which cost consumers over $6 million; charged consumers for automobile insurance policies they did not need, resulting in some consumers losing their automobiles; engaged in illegal student loan servicing practices; charged consumers inappropriate overdraft fees; overcharged veterans for refinance loans; and fraudulently sold complex financial products to retail investors.

Last week, the committee released a Majority staff report on Wells Fargo's compliance with five consent orders issued by various regulatory agencies, in response to the company's widespread consumer abuses and compliance breakdowns. Among the disturbing findings uncovered in the report is that the Office of the Comptroller of the Currency (OCC) is aware of dozens of cases at Wells Fargo where the number of consumers or customer accounts requiring remediation for consumer abuse exceeds 50,000, or the amount of harm exceeds $10 million.

I am very concerned that the bank's pattern of harming its consumers appears to persist. The Majority staff report also uncovered notes from a May 2019 Federal Reserve meeting with Wells Fargo which reflect that a senior Wells Fargo executive stated, "If you were CEO, you would not allow the addition of any new customers to the company, since the firm is operating in this environment."

Based on the findings of the Majority staff report, I agree with the sentiment that Wells Fargo is not ready to be America's bank again, and this is the challenge before you, Mr. Scharf. You must not only rebuild this institution, you must also rebuild America's trust in it, and that begins with your testimony today. When your predecessor testified before this committee, he gave inaccurate and misleading testimony. I urge you not to follow his example, but instead, to be transparent and honest.

This hearing is the first of several the committee will be convening to hold Wells Fargo accountable. As part of this oversight, we will be looking at legislation to do just that. While the Federal Reserve's asset cap was a good start, it didn't seem to change the bank's behavior.

Accordingly, we will discuss a number of bills that would compel further action by regulators and rein in abusive megabanks like Wells Fargo to hold them, including their management and boards, accountable for their actions.

Thank you.

The Chair now recognizes the ranking member of the committee, the gentleman from North Carolina, Mr. McHenry, for 4 minutes for an opening statement.

Mr. MCHENRY. Thank you, Madam Chairwoman. My colleagues on the other side of the aisle made up their minds about Wells Fargo long ago. In fact, before we received a single document, the now-Chair of the committee said in 2016 that she had, "come to the conclusion that Wells Fargo should be broken up. It is too big to manage." Again, that was before the committee received a single document or reviewed even a shred of evidence in the investigation of Wells Fargo's sales practices.

Now, after reviewing half-a-million documents that both the Democrats and Republicans on this committee have access to, and hundreds of pages of witness testimony, we know that breaking up the bank is not the answer. Wells Fargo isn't too big to manage. The findings of these documents show that it was grossly mismanaged. The evidence shows the source of the company's problem was its federated structure and the leadership team who couldn't fix it.

Those are the issues that are unique to Wells Fargo, and Wells Fargo is uniquely mismanaged. However, the evidence does not tell us much about Wells Fargo's large bank peers. So, we are going to spend all day hearing from Wells Fargo's brand new CEO, who has been on the job for all of about 6 months, and who has no connection to the period in question. And tomorrow, we are going to drag up two former board members for the sole purpose of embarrassing them, and there are documents that are deeply embarrassing to those board members and to the then-board of Wells Fargo. That is true. The chairwoman called on them to resign and they did. In fact, the markets were calling on them to resign. The system works.

I am not sure what we hope to accomplish tomorrow with witnesses who are no longer in a position to fix the company, moving forward. I would offer that we don't have the luxury of three politically-motivated, ideological hearings on Wells Fargo right now. There are serious things happening in the world while we are having this hearing. Investors' fears over the spread of coronavirus have had widespread consequences for the financial services industry, the economy, and the markets. Our constituents have real concerns and they expect us to put aside politics and focus on the urgent matter at hand. But we are going to spend the day asking Mr. Scharf over and over again how he intends to fix the bank.

Here are the facts. Mr. Scharf and his team released a plan, and it looks good on paper. We will hold him accountable for executing that plan. In fact, his stockholders will hold him accountable for that plan. And the regulators and the Justice Department will hold him accountable for executing that plan. In fact, the regulators and the Justice Department have been extremely aggressive, during the Trump Administration, on Wells Fargo. We will continue to hear from them about whether or not Mr. Scharf's plans are working, and we expect them to stay engaged.

I look forward to this hearing today, Mr. Scharf, but I think at least some of our Members will want to know what you are doing to prepare for your massive footprint of employees, how you are going to protect their safety, how you are going to protect the safety and soundness of your institution, given what is happening in the marketplace and the fears we have in reaction to this virus, and the impact that my constituents will face with changes to credit cards, mortgages, and other things in light of this crisis.

With that, Madam Chairwoman, I would like to introduce four documents into the record. These are waivers to allow Mr. Scharf to discuss certain confidential supervisory information (CSI). These documents were issued by the CFPB, the OCC, and the Federal Reserve. There are two important notes about these waivers. First, they are not blanket waivers to discuss CSI. Mr. Scharf was asked not to discuss OCC's CAMELS ratings, OCC's risk assessments, and the Fed's supervisory ratings.

Second, he has been asked not to name supervisory staff. I think it would be unfair to put him in a position to either answer our question or violate regulatory directives.

Mr. Scharf, I appreciate you and your company requesting these waivers so that you could be more forthright with this committee, and with that, I ask unanimous consent to submit the March 6th letter from the CFPB, the March 5th letter from the OCC, and the

2 March 6th letters from the Federal Reserve detailing what I have outlined.

Chairwoman WATERS. Without objection, it is so ordered.

Mr. MCHENRY. Thank you.

Chairwoman WATERS. I would also like to know if you have permission to disclose the waivers. I understand the agency has asked us not to do that?

Mr. MCHENRY. Well, I was not asked by the agencies to not do that, and so therefore, I have just said in public what they outlined. These are letters to you and Mr. Green, and I am cc'd on them. Had they made that request, I would have liked to have heard it before announcing it here to you today, and to everyone on this committee.

Chairwoman WATERS. Well, that is what I understand.

Mr. MCHENRY. But I think it is—

Chairwoman WATERS. And we have already heard 5 hours of testimony from then-CEO Stumpf, when I called for Wells Fargo to be broken up, so I would like to clear the record on that.

Without objection, your information is inserted into the record.

The Chair now recognizes the gentleman from Texas, Mr. Green, who is also the Chair of our Subcommittee on Oversight and Investigations, for one minute.

Mr. GREEN. Thank you, Madam Chairwoman. Madam Chairwoman, my constituents would like to know how it is that Wells Fargo can pay a $3 billion fine, commit fraud, open accounts without the knowledge of customers, and not one person goes to jail. Of all of the top banks, the so-called too-big-to-fail banks, there has never been a CEO or a top officer of any of these too-big-to-fail banks who has gone to jail. It seems that they are not only too-big-to-fail; they are also too-big-to-jail.

This issue has to be resolved, and it cannot be resolved by simply paying off the government. Wells Fargo has to do more to atone for its transgressions, which will involve how it treats its employees, what it will do to make sure that this never happens again, but more importantly than all of these, Wells Fargo has to understand that it cannot continue with what appears to be a criminal enterprise.

I yield back the balance of my time.

Chairwoman WATERS. The Chair now recognizes the subcommittee ranking member, Mr. Barr, for one minute.

Mr. BARR. Thank you, Chairwoman Waters, and Ranking Member McHenry. Mr. Scharf, welcome back to the committee for your appearance in your new and current role. The scandals plaguing Wells Fargo, and senior management's failure to address the problems and their aftermath, represented a breach of public trust and a significant shortfall in consumer protection. We are not here to re-litigate the details of those practices, which the committee covered in previous hearings and reports. We are here to understand what the new management has done to correct mistakes of the past, how they are complying with regulators' directives, and their plans to ensure this doesn't happen again.

Wells Fargo's individualized misconduct sparked unfair anti-bank rhetoric that has been applied to all banks of all sizes, much of which you will hear from my colleagues today. But labeling all banks as the villains of capitalism makes it easier for some on the far left to justify their quest to impose socialism on our free market economy and politicize access to capital. We are here to focus on only one isolated bank and its path to rebuild trust.

Mr. Scharf, I look forward to learning about the work you have done to change the culture at the bank, and to working with you to ensure that Wells Fargo upholds its promises.

I yield back.

Chairwoman WATERS. I want to welcome to the committee Charles W. Scharf, president and chief executive officer of Wells Fargo & Company. Mr. Scharf has held this position with Wells Fargo & Company since October 2019. Previously, Mr. Scharf served as a senior official at a number of financial institutions, including as chief executive officer at Visa Incorporated, and as chief executive officer and chairman of the board at Bank of New York Mellon.

Without objection, your written statement will be made a part of the record, but before we begin, I would like to swear the witness in. Mr. Scharf, please stand and raise your right hand.

Thank you. Do you solemnly swear or affirm that the testimony you will give before this committee in the matters now under consideration will be the truth, the whole truth, and nothing but the truth, so help you God?

[Witness sworn.]

Thank you. Let the record show that the witness answered in the affirmative. You may take your seat.

Mr. Scharf, you will have 5 minutes to summarize your testimony. When you have one minute remaining, a yellow light will appear. At that time, I would ask you to wrap up your testimony, so that we can be respectful of the committee members' times.

Mr. Scharf, you are now recognized to present your oral testimony.

## TESTIMONY OF CHARLES W. SCHARF, CHIEF EXECUTIVE OFFICER AND PRESIDENT, WELLS FARGO & COMPANY

Mr. SCHARF. Chairwoman Waters, Ranking Member McHenry, members of the committee, good morning. Thank you very much for the opportunity to be here today. I joined Wells Fargo just over 4 months ago, after serving as CEO of BNY Mellon, and Visa, and while it is early days, I welcome the opportunity to discuss the next steps for Wells Fargo.

The members of this committee are familiar with Wells Fargo's history. Our failings have been detailed recently in both the settlement with the DOJ and the SEC, as well as the administrative actions taken by the OCC against former employees. These matters describe deeply disturbing conduct that is utterly unacceptable and has no place in our company.

In addition, the recently released reports from this committee reinforced what I have said since I arrived, that we have not done what is necessary to address our shortcomings. Simply said, we had a flawed business model in how the company was managed. Our structure and culture were problematic, and the company's leadership failed its stakeholders.

But today, I would like to talk to you about our plan to chart a better course. I took this job because I believe that our country and our communities benefit from a strong Wells Fargo. I am confident we can do what is necessary to move this company in a significantly improved direction. While it will take time, the transformation has begun, and I realize the path forward will be difficult. And though I realize the path forward will be difficult, I am optimistic of our future.

Here are some important steps we have taken so far. First, I provided an honest assessment, both internally and externally, of our significant shortcomings and our failure to effectively address them.

Second, I made it clear, also internally and externally, that we must prioritize the work outlined by our regulators above all else. Completing that work is essential to ensuring the company is run with the highest standards of both operational excellence and integrity.

Third, I am making substantial changes to our leadership team. I brought in three new leaders and expect to add two more soon from outside the company to join our operating committee. Almost 75 percent of that group will be new to the company since 2018. Hiring experienced people with proven track records in the issues we face is necessary to bring about the change required.

Fourth, we reorganized the structure of our businesses to ensure we have clear responsibility and accountability. We created a new role, chief operating officer, who will ensure that high-quality, consistent execution and operational excellence become part of our culture, especially with regard to our regulatory work. We announced a flatter organizational structure with more direct representation on our operating committee. This will give me clear line of sight and more direct involvement across the company. It will also provide greater transparency into how our businesses are working, what kinds of risks they are taking on, how they are treating customers, and whether they are operating at the highest standards.

Fifth, we are introducing a new set of processes to thoroughly review our progress against our regulatory work.

Sixth, we altered our evaluation and compensation practices and have significantly greater accountability, and will continue to make tough decisions around our leaders.

Seventh, we are redefining our culture, especially regarding how we work together. We will have a strong centralized control infrastructure. We will ensure we have the right people in the right roles. We will move with a sense of urgency, we will hold each other accountable for our commitments, and we will judge ourselves based upon our outcomes, not our words.

But most importantly, the guiding principle in how we make business decisions must be that everything starts and ends with our customers. We must put them first in our decision-making in all we do.

As we move forward, I have no preconceived notions about what size our bank should be, but I firmly believe that we must be able to manage all of it. I also know that progress in our plan will take time, and that ultimately our regulators will decide when we have met our obligations under the consent orders. My commitment to our regulators is that we will approach this work with the greatest sense of urgency.

To my colleagues at Wells Fargo, you deserve more from the bank's leadership, and the failings that occurred in the past have made your jobs difficult. I am committed to doing better as we seek to ensure that such things never occur again at Wells Fargo.

And to the committee, I want to give you my personal assurance that we will do the work necessary to put Wells Fargo on a sound footing with our customers, employees, regulators, shareholders, and communities.

Thank you, and I am happy to answer your questions.

[The prepared statement of Mr. Scharf can be found on page 72 of the appendix.]

Chairwoman WATERS. Thank you very much. I would now like to engage you with a few questions that I have about some of the findings that were reported in the investigation that was done by the Majority staff. According to the committee's Majority staff report, there are currently dozens of consumer abuses that each affect more than 50,000 customers or accounts, or require more than $10 million in remediation.

Mr. Scharf, this was one of the most troubling findings of the report, because after more than 3½ years under consent orders, Wells Fargo may still be harming millions of consumers.

Exactly how many consumers were harmed by the bank as a result of the dozens of abuses cited in the report?

Mr. SCHARF. Chairwoman, I do not know the answer to that question.

Chairwoman WATERS. Will any consumer who has been harmed by the bank and identified receive payment and have their credit report fixed within the next 30 days?

Mr. SCHARF. Chairwoman, taking care of our customers is the most important thing for us. We are in the process of doing all of the work that is required of us to remediate everything that we possibly can. It will certainly take longer than that, but the process has to be complete, it has to be thorough, and we are committed to doing it.

Chairwoman WATERS. How long will it take for these consumers to receive payment and to have their credit reports fixed? I asked about 30 days. You will not answer that directly. About how long do you think it will take?

Mr. SCHARF. Chairwoman, as of now, our plans take us into 2021 to ensure that all of the payments are made appropriately. We are taking a fresh look at how we do remediation, to make sure that we are being as thorough as we possibly can, and remediate everyone we should, and to ask the question, are there changes that we can make to our processes to get this done more quickly?

Chairwoman WATERS. My concern has only deepened in the past week as I think about the millions of customers who will be looking to Wells Fargo to support them through the economic pain inflicted by the coronavirus. While Wells Fargo and its foundation have offered about $11 million to support efforts to combat the virus, megabanks like yours will be asked to forebear payments on mortgages, credit cards, and other consumer debts.

How can your customers, regulators, Congress, and the public have any confidence in your institution's ability to support your customers when you have dozens of ongoing instances of consumer abuse?

Mr. SCHARF. Chairwoman, I appreciate and understand the question. All I can tell you is that we are approaching the virus, I think in the way you would expect us to, which is, we are thinking about it in terms of what it really means for every American out there. That is certainly how I think about it, and starting with those who are the most affected.

And so as we think about what we could be doing relative to late fees, missed payments, and things like that, we want our customers to believe that we are a source of strength for them, and we are going to approach it that way.

Chairwoman WATERS. I know that you understand we will be looking for a lot more specificity than you have just described.

Now, I know that you became CEO just 4 months ago, and that you think that there are lots of changes needed at Wells Fargo. However, I think that absent significant reductions in Wells Fargo's footprint, you and the bank will never be able to rein in the culture of consumer abuse.

What can you tell us about reducing the footprint?

Mr. SCHARF. Chairwoman, what I can tell you is that we sold off businesses over the last several years, and we continue to look at what the makeup of the company is. My first priority since I arrived at the company only 4 months ago, as you mentioned, is to ask the questions around, what do we have to do to get the regulatory work in far better shape than it is?

At the same time, we have launched a series of meetings where we are looking across the company at what we do, to answer the question, does everything belong under the roof at Wells Fargo? And just given the priorities that I have, my expectation is that it will take through the end of the year to accomplish that work.

Chairwoman WATERS. As you know, there is a cap on the assets of the bank. Have you been trying to undo that since you have been in, or have you left it alone? Do you think that it is fair?

Mr. SCHARF. I don't have any knowledge of us trying to do anything other than abide by it, although we obviously are trying to do the work necessary to satisfy our regulators. I believe that given where we are, it is appropriate, and I am focused on getting the work done that is required by the Federal Reserve.

Chairwoman WATERS. Thank you. I yield back the balance of my time. The gentleman from North Carolina, Ranking Member McHenry, is recognized for 5 minutes.

Mr. MCHENRY. Thank you for your testimony. We understand your plan, as you outlined it. You have outlined this to the markets. You have outlined it to committee members. You have outlined briefly in your opening statement your intentions to right this ship, to remedy customer harm as quickly as possible, to comply with regulatory orders.

The failure of Wells Fargo is not a failure of some sort of innovation. It was a lack of it, a lack of adapting to the new marketplace, a lack of adhering to existing laws and regulatory orders, and when regulators called out the institution on those breaking orders, they refused to comply in a timely manner. Therefore, your last CEO, your predecessor, was bounced as a result of that.

Both Democrats and Republicans on this committee have issued reports. Here is the Republican report. So in this report, we outlined the consumer harm and the risk management failures of your institution. Have you reviewed both of these reports?

Mr. SCHARF. Yes, I have.

Mr. MCHENRY. Okay. I know you may disagree with some conclusions that we have, in terms of policy, for the Republican side or the Democrat side, but as to the findings of fact, do you have any disagreements with the Democrat report or the Republican report?

Mr. SCHARF. I do not, and the only thing I would add is my reaction to what is in those reports is probably very similar to yours.

Mr. MCHENRY. Which is what?

Mr. SCHARF. Which is that the series of behavior that is described should have never happened at the company. The failures that are described are a direct result of us not managing the company properly. I do believe that it is possible to manage the company differently to fulfill the responsibilities that we have. But it is clear, when you read the report, and I said during my opening statement that it is consistent with what I found since I arrived at the company, that we have not done what needs to be done, but it is possible to do it.

Mr. MCHENRY. Okay. I want to zero in on this federated structure, as you outlined in your plan, that you intend to create an enterprise-wide risk control system, similar to your peers. Is that true?

Mr. SCHARF. Yes, it is, Ranking Member McHenry.

Mr. MCHENRY. Why?

Mr. SCHARF. Because there is no way that a company with multiple businesses can ensure that it is doing the right thing across the entire enterprise unless you are taking a consistent view of that.

Mr. MCHENRY. So you need greater visibility into risk across the enterprise?

Mr. SCHARF. Yes, you need greater visibility, and you need a group of folks who are independent of the businesses concurring or not and making judgments.

Mr. MCHENRY. Okay. Along those lines, your experience in your previous roles, CEO roles—you are trying to bring that expertise in risk management to this enterprise?

Mr. SCHARF. Absolutely, as well as the practices of other large institutions that have done this.

Mr. MCHENRY. Okay. So in light of what has happened in the marketplace, in the broader market over the last month, is this institution well-capitalized?

Mr. SCHARF. Ranking Member, I think we are extremely well-capitalized. In fact, there is no question that the whole banking system is far better capitalized than it was back at the time of the financial crisis, whether it is the additional $1 billion of capital that the banks have or the $3 trillion or so in deposits, and the liquid securities that the institutions have.

Mr. McHENRY. And you have access to liquidity sufficient to get through any crisis you would foresee?

Mr. SCHARF. Yes, absolutely, we believe that.

Mr. McHENRY. In terms of safety and soundness, you are mitigating customer harm from the previous regime. That is positive. In terms of safety and soundness and risk management, you are cleaning up the ship. So our expectation is that we should have no problems from you in terms of safety and soundness. Is that fair?

Mr. SCHARF. I think it is fair to say that once we finish the work that I have laid out, absolutely, you should feel that way.

Mr. McHENRY. Okay. How many employees do you have at Wells Fargo?

Mr. SCHARF. I have approximately 265,000.

Mr. McHENRY. And how many are customer-facing employees?

Mr. SCHARF. I don't know the exact answer, but it has to be easily 100,000.

Mr. McHENRY. So do you have plans in order to respond to the current threats because of COVID-19 and what is happening across the country, especially in your footprint in California?

Mr. SCHARF. Absolutely. We are, as I said—

Mr. McHENRY. As well as Washington State and other prime areas that are seeing an outbreak.

Mr. SCHARF. Our approach on COVID-19 is that we should do anything that we can to ensure the safety of our employees as well as be helpful for our customers. We have an open line with them. Wherever there is any concern, we encourage folks to work from home. I believe yesterday, we had 62,000 people logged in working from home, and to the extent that there are issues within the institution, we are going to do everything we can to protect everyone else.

Mr. McHENRY. Thank you.

Chairwoman WATERS. Let the record show that during this investigation, all of the information was shared with the Republicans, and they tried to rush a report out before we got ours out. The ranking member would like to have it both ways.

Mr. McHENRY. Madam Chairwoman?

Chairwoman WATERS. The gentlewoman from New York—

Mr. McHENRY. Point of personal privilege, Madam Chairwoman.

Chairwoman WATERS. Point of personal privilege.

Mr. McHENRY. We both issued reports, both the Majority and the Minority, as I outlined in my statement. I was not impugning your report. I was impugning the conclusions of your report.

Chairwoman WATERS. Whatever you were doing, Mr. McHenry, you are trying to have it both ways. You are saying that—

Mr. McHENRY. We can have this debate in front of everyone or we can get on with the hearing.

Chairwoman WATERS. Yes, we can. And as the Chair of the committee, if you want to have this debate, we will have this debate.

Mr. McHENRY. But you issued a report—

Chairwoman WATERS. The gentlewoman from New York—

Mr. McHENRY. —with similar findings—

Chairwoman WATERS. —Mrs. Maloney, is now recognized for 5 minutes.

Mr. McHENRY. Don't take shots at me without giving me the opportunity to respond.

Chairwoman WATERS. You have responded. The gentlewoman from New York is now recognized.

Mrs. MALONEY. I thank the chairwoman for yielding. Mr. Scharf, you were brought in to clean things up and to change the culture at Wells Fargo, and I certainly hope you do. I would like to talk about one area where I believe you do need to change direction. When your predecessor, Tim Sloan, testified last year, I asked him about Wells Fargo's policies on financing the gun industry, policies which are absolutely egregious. Your bank has been financing gun manufacturers that are making weapons that are literally killing our children and our neighbors.

Mr. Sloan said that he didn't think Wells Fargo should, "go above and beyond what the law requires on guns," even though the bank explicitly states that it goes above and beyond the law in many areas, including human rights. So, he refused to revise Wells Fargo's policies on financing the gun industry.

Many of your competitors, such as Citibank and Bank of America, already have sensible policies to ensure responsible lending to their businesses with the gun industry. Under the Citi policy, all of the bank's business partners in the gun industry must require a background check before they sell a firearm, and they prohibit the selling of firearms to teenagers. These, I believe, are commonsense policies that will increase public safety and save lives.

So I want to ask you, will you commit to changing Wells Fargo's policy on financing the gun industry?

Mr. SCHARF. Congresswoman, first of all, I do want to say I share your concerns about the impact of guns. Sitting here today, I don't personally believe that I know enough to make that commitment, but I know that is something that we need to be far more thoughtful about. I know that we have created some financing for some nonpartisan research, and as part of that we need to go back and to make sure that we are thinking about what the right thing to do is, in a series of sensitive industries. And I am not making a judgment one way or the other. It is just not something that I have spent enough time on yet, but I recognize your concerns.

Mrs. MALONEY. Thank you, and after you have reviewed this policy and made your decision, will you get back to the committee in writing about your decision and the reasons for making that decision, respectfully?

Mr. SCHARF. Yes, Congresswoman.

Mrs. MALONEY. Thank you. In the committee staff report there is an email, and I want to compliment the committee on this excellent report that has gotten really a lot of positive feedback. But in it there is this email from your chief risk officer, Michael Loughlin, where he said, "If any of the $200 million in proposed customer remediation is left over, we promise to give it to charity, only after the CFPB and the OCC let us out of the consent order. If they do not, no donation. Put the onus back on them."

So essentially, your chief risk officer was trying to play hardball with the regulators over compensating the victims of the fake accounts scandal and over a charitable donation. Mr. Scharf, this committee really expects you to do the right thing by your customers that your bank has defrauded, and we expect you to work with your regulators to compensate them for the scandals and the misuse of their funds and other frauds.

So I want to ask you, since you took over as CEO in October of 2019, what specific actions have you taken to address the OCC's concerns about how the bank remediates harm to consumers?

Mr. SCHARF. Thank you, Congresswoman. First of all, the gentleman you referred to is no longer the chief risk officer of the company, and certainly, when I read those comments, they are inexcusable and not something that should ever be thought by someone inside of our company.

To your question about what we are doing, first of all we put in someone new to run our remediation process. That person reports to our new chief operating officer whom we brought in from the outside, who has experience in dealing with customer remediations. And the mandate I have given them is to rethink what it is and how we do it. Don't stop the work that is ongoing, but going through piece by piece and asking the question, what can we do to ensure that we are doing everything we can for all of our customers as quickly as we possibly can?

Mrs. MALONEY. Thank you. Earlier, you were asked how many people were defrauded. Do you know now? At that time, you did not know.

Chairwoman WATERS. The gentlelady's time has expired.

Mrs. MALONEY. Could you please respond in writing?

Chairwoman WATERS. The gentlewoman from Missouri, Mrs. Wagner, is recognized for 5 minutes.

Mrs. WAGNER. Thank you, Madam Chairwoman. Mr. Scharf, thank you for joining us today to update this committee on your progress as the brand new CEO of Wells Fargo.

Placing one's money and wealth in the custody of an organization like Wells Fargo is one of the biggest displays of trust, and for many years consumers were betrayed and taken advantage of in order to meet sales performance goals, and ultimately to improve earnings and share prices. That was categorically wrong. Not only did Wells Fargo and its employees fail these customers, some of whom are my constituents in Missouri's Second Congressional District, but our regulators failed as well. They neither identified nor prevented this malpractice from occurring in the first place.

It was not the Obama Administration's OCC and CFPB that first uncovered this problem. It was, in fact, the L.A. Times, the media, that first brought your company's practices to light.

Mr. Scharf, your predecessors appeared before this committee and assured members that Wells Fargo was on track to complying with financial regulators' consent orders. The evidence outlined in the third report, produced by committee Republicans regarding Wells Fargo, says otherwise. Your predecessor was overly optimistic about the bank's progress towards complying with the CFPB and OCC consent orders, and the Federal Reserve Board's asset cap. His public statements assuring the bank's progress towards achieving compliance did not match up with what was taking place behind the scenes.

Mr. Scharf, I am cautiously optimistic that you are the right man for the job, to bring the bank into compliance and put these scandals to rest. What makes you different from your predecessors, to adequately address and resolve these deep-seated issues within Wells Fargo?

Mr. SCHARF. Thank you, Congresswoman. First of all, I have been lucky enough, through my career, to have a series of experiences at companies that have been both well-run and troubled, and coming out of those experiences, I believe that there are a series of things that I have learned that could be very applicable here.

The things that I have done since I have come to Wells Fargo I think are in stark contrast to how we have approached some of these issues in the past. I think if you are inside the company, you feel like we are approaching these issues very, very differently. I have been very, very open and honest about our lack of progress, not pointing out the positives but both being realistic but also focusing on the negatives, because that is where we can have an impact.

I believe the sense of urgency that people are working with inside the company is very different today than it was 4 months ago. I personally am spending the majority of my time on these issues, easily 75 to 80 percent of my time, not focused on growth, new businesses, or anything like that.

Mrs. WAGNER. Excuse me, Mr. Scharf, I am not hearing any specifics here. What other changes are you going to implement? Wells Fargo's fragmented structure proved to be one of the root causes, I think, of the bank's ongoing compliance challenges. Can we expect to see additional changes to address major outstanding issues? Some specifics, please.

Mr. SCHARF. Absolutely. We are going to have a much stronger centralized core in everything that relates to risk and control. We are going to run the company as if it is one company, with a consistent set of standards, a consistent set of policies. Everyone understands that, and we are going to have people in place who believe that is the best way to run the company.

Mrs. WAGNER. The committee's report found that Wells Fargo routinely requests extensions to deadlines for submitting remediation and reform plans. Regulators typically grant those requests but the bank's plans remain insufficient, even with the extra time.

Mr. Scharf, what steps are you taking to ensure that Wells Fargo can submit these plans on time without deadline extensions, and are you still using these consultant contractors to draft plans to the CFPB and the OCC, under the consent orders?

Mr. SCHARF. In addition to the things I just mentioned, Congresswoman, we are putting a substantially different group of people in charge of these issues. I personally, and the operating committee, are getting deeply involved in all of this. It is going to take time, because as you know there are a series of orders that are outstanding, but we are trying to be as methodical as we can, going through piece by piece, and managing it in a very different way, in a very tight way, just like you would manage any significant project in an institution like Wells Fargo.

Mrs. WAGNER. I yield back.

Chairwoman WATERS. Thank you. The gentlewoman from New York, Ms. Velazquez, is recognized for 5 minutes.

Ms. VELAZQUEZ. Thank you, Madam Chairwoman. Mr. Scharf, I don't like being misled, and I don't really like being lied to. Last year, I asked your predecessor about the status of Wells Fargo compliance with the Federal Reserve's 2018 consent order. He responded to me by stating that Wells Fargo had made the board governance and oversight improvements required by the Fed. We now know that is not true.

As the new CEO, let me ask you, when do you expect Wells Fargo to be in compliance with the Fed's 2018 consent order?

Mr. SCHARF. Congresswoman, I can't give you an answer to that sitting here today. Ultimately, when they believe we are in compliance is what is important, not when we believe we are in compliance. What I can tell you is we have an enormous amount of resources working on this. We are highly focused on it, as am I. But I cannot sit here today and give a time frame.

Ms. VELAZQUEZ. Mr. Scharf, according to correspondence between Wells Fargo officials and the Fed, Wells Fargo will resubmit plans to address governance and risk management by April 30, 2020. Do you still expect to resubmit a plan by April 2020?

Mr. SCHARF. Congresswoman, I can't answer that question today. We are focused on doing the work that is necessary, as we review it. If we feel that it is in the condition that they would expect—

Ms. VELAZQUEZ. So, your answer is no. Wells Fargo has already submitted two plans that have been rejected by the Fed and have been granted numerous extensions. Why will Wells Fargo not meet this deadline? Do you think we have a right to know?

Mr. SCHARF. Congresswoman—

Ms. VELAZQUEZ. This is your deadline, by the way, sir. This is Wells Fargo's deadline.

Mr. SCHARF. Congresswoman, I understand exactly why you feel the way you do. What I can tell you is what I have discovered since I have gotten to the company, and my obligation is to make sure we are doing all the work that is necessary and being as honest as we can about what we can get done in what period of time.

Ms. VELAZQUEZ. So, sir, as we have been discussing, and you are the third CEO to come before this committee, Wells Fargo's failure to comply with the Fed's 2018 consent order derives from a culture that is focused on profits instead of risk management. As the new CEO, how will you emphasize operational risk management over profits at Wells Fargo?

Mr. SCHARF. Congresswoman, I think it is both in our words and our actions. I have said publicly, including on my first investor call, that this work will come ahead of everything else, and our financial results might be harmed because of that.

Ms. VELAZQUEZ. That is exactly what this committee expects from you. You set a deadline of April 2020. That is the type of action that we need. A few consumers were misled and charged excessive fees for accounts that they didn't sign up for. So yes, I agree with the ranking member that we should be concerned about coronavirus, and your workers, and for that fact and for that matter, workers across America. But you are responsible for the fact that too many consumers were overcharged for products that they didn't sign up for. And you are the third CEO.

My question is if there is anything else that might be coming to light in terms of wrongdoing?

Mr. SCHARF. Congresswoman, not that I am aware of, and I share the concerns that you have and agree that we have to do far better than we have done.

Ms. VELAZQUEZ. Madam Chairwoman, I yield back, and thank you for holding this hearing, fulfilling our responsibility of oversight.

I yield back.

Chairwoman WATERS. Thank you. Mr. Scharf, I would like you to be as specific as you can possibly be about what you are doing to correct what was done to the consumers and how they are going to be repaid for it, in the questions that will come back to you time and time again today.

The gentleman from Kentucky, Mr. Barr, is recognized for 5 minutes.

Mr. BARR. Welcome back to the committee, Mr. Scharf. You are new to Wells Fargo but you are not new to the job of running a global systemically important bank (G-SIB). You recently left the position of chief executive officer of BNY Mellon, another G-SIB. And given your past experience running a large and sophisticated global institution, do you believe that Wells Fargo is too big to manage, as some of my colleagues are suggesting?

Mr. SCHARF. No, I don't, Congressman.

Mr. BARR. What do you believe contributed more to Wells Fargo's past failures? Do you believe it was more of the culture and the management structure that was in place in the past, or do you believe it was the size of the institution?

Mr. SCHARF. Congressman, there is no question in my mind that it was the culture and the management structure of the company.

Mr. BARR. Because my friend from New York brought it up, I have to ask, do you believe that Wells Fargo's policy on financing firearms had anything whatsoever to do with the aggressive sales practices and the opening of unauthorized accounts?

Mr. SCHARF. Not at all, to my knowledge.

Mr. BARR. I will say, just as an editorial comment, I believe that if your bank allows politics to impact lending decisions, it runs the risk of only distracting your bank from actually doing the things that you need to do to—

Mrs. MALONEY. Will the gentleman yield?

Mr. BARR. —no, I will not—take on the task at hand, which is to reform the culture at the bank and to reform the management structure that you have identified as the problem. So please, I urge you to resist the temptation to politicize lending and focus on the actual issues at the institution.

Let me ask you, in the past Wells Fargo maintained a federated model in which core functions such as risk management were decentralized within business lines with little visibility from or accountability to Wells Fargo company leadership. This was a key management breakdown identified in the Republican report published last week.

I understand that the company has moved to build out an enterprise-wide risk program like many of your peers. I think you have identified this as a flatter organizational structure. Is that correct?

Mr. SCHARF. Yes.

Mr. BARR. How will this flatter organizational structure correct the mistakes of the past?

Mr. SCHARF. Congressman, I think it is a combination of both of the things that you referred to. I think there is no question that we need an independent control infrastructure that is not accountable to any individual line of business, and in the case of risk and the other functions like that, are accountable directly to our board of directors.

That group is independent, makes independent judgments, and in combination with the management team around my table, where we have more direct exposure into the issues, because you have people at the table talking about them, allows us to be much, much more engaged with the independent control infrastructure at the same table, hearing the same thing, and having the ability to influence things before they become a problem.

Mr. BARR. Mr. Scharf, under your predecessor, Wells Fargo's responses to regulators' consent orders left something to be desired. They were late, incomplete, and totally insufficient. I think you have testified that you agree to that. Further, the teams managing the consent order deliverables were frequently shifted around the organizational chart at Wells Fargo and subordinated within teams, suggesting a low relative importance in the overall pecking order. You have committed to maintaining a more hands-on oversight of the consent order process and to working with regulators to ensure sufficient, timely compliance with your directors.

I think your testimony was that you are going to take this up on an urgent basis—"Urgent" was your word. Would you please describe the changes you have made to the teams managing Wells Fargo's response to these various consent orders?

Mr. SCHARF. We have centralized the management of all of these consent orders under our new chief operating officer, who came in from the outside, and who has extensive experience in his prior role of dealing with similar issues. Under him, we have an organization that is organized around the work that has to get done for the consent orders. That structure is very different than what we have had in the past.

Mr. BARR. Thank you. My time has almost expired. I agree with you when you say, "I believe that our country and communities would benefit from a strong Wells Fargo." I wish you all the best as you make these very important changes to correct these failures in the past, and I yield back.

Chairwoman WATERS. The gentleman from California, Mr. Sherman, who is also the Chair of our Subcommittee on Investor Protection, Entrepreneurship, and Capital Markets, is now recognized for 5 minutes.

Mr. SHERMAN. The ranking member attacks the work of this committee, while at the same time saying it is great that these two directors were forced to resign because there were highly embarrassing disclosures. So, these highly embarrassing disclosures, Madam Chairwoman, did they arrive out of thin air? Were they presented to us by a demigod? No. These disclosures arose because of the work of our Chair, Maxine Waters, the Chair of the subcommittee, Al Green, and the Democratic staff. And had we continued the hear-no-evil, see-no-evil approach that this committee had the prior Congress, these embarrassing disclosures would never have come out, and these embarrassing board members would still be on your board.

But we can't allow the outrages of the past to blind us to the crisis of the present. We have a coronavirus. People are afraid. The economic system could get better, or it could get worse. Not only do we have a coronavirus, we have a sudden decline in oil prices that is shaking up the markets, and the fact that we have two problems doesn't immunize us from a third or a fourth thing happening. In fact, your bank has done stress tests to look at other things that could hit our economy.

You have a plan that was put in place 6 or 7 months ago, to send $31.4 billion out of your capital and to your shareholders. You don't know, and I don't know, what this coronavirus is going to do with the world economy. You may not be too-big-to-manage. You may be, but you are certainly too-big-to-fail.

Mr. Scharf, can you commit to this committee that you will suspend dividends and stock buybacks until we know what this coronavirus is going to do to the world's economy and to the solvency of your bank?

Mr. SCHARF. Congressman, we do a stress test, as you are aware, which puts all of the bank's—

Mr. SHERMAN. I am aware of that, but that stress test was for some other stress happening, which could happen, and you have two stresses already. So you have done a stress test, but you haven't done a stress test where the other calamity occurs in the middle of a coronavirus that is infecting the entire world. So, we already have the stress. You haven't done a double stress test.

You are too-big-to-fail. You have injured the economy by the practices that we are here to discuss in this committee. Do you want to do something good for the country and commit to ending stock buybacks and dividends until we know what the coronavirus is going to do to your bank's solvency?

Mr. SCHARF. Congressman, we are committed to—

Mr. SHERMAN. Yes or no? I have limited time. Yes or no?

Mr. SCHARF. Congressman, we are going to run the bank the way we think is prudent with our regulators.

Mr. SHERMAN. In other words, having dealt harshly with consumers in the past, you are going to do nothing to insulate our economy and our society from the possible meltdown of the bank.

You ripped off consumers. Carolyn Maloney has her Overdraft Protection Act, which would protect consumers. You have substantial lobbying power, brilliant lobbyists who have represented you. Will you commit that they will be lobbying, starting tomorrow, for Carolyn Maloney's Overdraft Protection Act? Do you want to be on the right side of history? And this is not a trick question. I asked your predecessor's predecessor this exact question, almost a year ago today, and we told your people this was coming.

Mr. SCHARF. Congressman, we announced two new accounts recently, one that has no overdraft protection—

Mr. SHERMAN. I didn't ask that. You are repeating exactly what your resigned predecessor said. Will you commit the lobbying power of your bank to work for the Overdraft Protection Act? Yes or no?

Mr. SCHARF. Congressman, I will commit that we will support the types of accounts that we just announced.

Mr. SHERMAN. But that does not mean that you will work for legislation pending design to protect consumers from unreasonable overdraft protection or the phony ordering of the checks that clear on a particular day to disadvantage the consumer.

Finally, will you enforce the arbitration provisions in your contracts, even as to the phony accounts where the consumer never signed for that account?

Mr. SCHARF. Congressman, we were able to settle our sales practice matter—

Mr. SHERMAN. Settled, mostly. What about the ones that are still pending?

Mr. SCHARF. Where there is arbitration, we will continue to pursue it, but it is something that we certainly will continue to look at.

Mr. SHERMAN. But you will bar people from Corda. Thank you.

Chairwoman WATERS. The gentleman from Missouri, Mr. Luetkemeyer, is recognized for 5 minutes.

Mr. LUETKEMEYER. Thank you, Madam Chairwoman. I think I want to spend some time with regards to the interim report that the Republicans have put together and try and go back and get some give-and-take and back-and-forth on this, Mr. Scharf. You know, this is the third report that we have done, our side has done since 2016, and in fact, half of the documents in here were obtained by Republicans now, as a result of the fact that the Obama Administration wouldn't turn them over. Now that the Trump Administration is in charge, we actually can get documents from the CFPB and the other regulators that actually have a better picture of what is going on here.

One of the things that kind of concerns me is that as a former regulator—this is the first of three more hearings, and we have already had several prior to this on Wells, and yet we have not had a single hearing on the regulators who were asleep at the switch during this whole episode.

In fact, in our report it says that in December 2013, the Los Angeles Times reported that the employees failed to meet their quotas and were going through all this sort of stuff, and that the CFPB supervisory staff was embedded in early 2014, and yet Wells Fargo had to notify the CFPB that the Los Angeles County city attorney was going to file a civil suit on the company's sales practices. And this was on May the 4th, and then finally on May the 8th, 6 months after the fact, the CFPB came rolling in on their white horse to save the day.

Director Cordray was asleep at the wheel again, and it is very unfortunate because this is a situation—when your predecessor, Mr. Stumpf, was in front of us, I asked the question, because as a former regulator, I am aware that the regulators live in your bank.

I asked him the question, how many regulators are in your bank today, and at that point he told me 75 were there full time. Do you know off the top of your head how many regulators are in your bank full time today, sir?

Mr. SCHARF. No, I don't. But it is significant.

Mr. LUETKEMEYER. Yes. Would you say more than that or less than that, just as a—

Mr. SCHARF. I would guess more. But we can certainly get back to you on that.

Mr. LUETKEMEYER. Okay. Thank you.

Well, it is very frustrating to see that the CFPB had regulators sitting in your facilities knowing this practice was going on, were told about it by the—the Los Angeles Times broke a story and, yet, 6 months later, they finally took action. Because of that, the situation continued to grow and went out of control, and now we are, after the fact, trying to find a way to stop the nonsense.

One of the other questions I asked of your predecessor, Mr. Stumpf, when he was here, because at that time there was a situation where, even according to our own report here it verifies that there were a thousand people a year, roughly, for 5 years, who were being fired for their actions and their involvement in this sales scheme situation.

And I asked him at the time—I said, I recall there was a third year that this had happened, and I asked him, what is wrong with your culture in that here we have a situation where you fired people. Not a thousand people the first year.

Okay, I understand you recognize your problem. The second year, another thousand. I said, you are not fixing your culture. You are still firing people. Your culture is not fixed. How are you going to fix it?

So, finally, we have a new individual take over and now we have you in his place. So I guess my question is, how are you going to change the culture that your predecessors never addressed, quite frankly?

What are you doing differently? How do you see yourself, going forward, with your teams of people?

Mr. SCHARF. I think, certainly, we have to be clear on how a series of things come together to form a culture and then we as a senior leadership team need to make sure that we are behaving that way.

That includes changing compensation, the way we evaluate people, the things that we look at to include risk and customer experience as part of that evaluation. Any time that we see any harm, we have to be the ones to deal with it as quickly as we can.

If there is wrongdoing inside the company, don't just look at an individual and say that they did something wrong. Ask the question, do we have something in our structure that is wrong? And I think all of those things come together with accountability probably being the most important thing.

Mr. LUETKEMEYER. I just want to follow up, in my remaining seconds here, on something my colleague from Kentucky, Mr. Barr, talked about, and that is basically allowing the government to come in and change your business model.

I am very concerned about the attempts, especially on the other side of the aisle, to intimidate you and your board into changing your business model by doing or not doing business with certain industries.

To me, these are decisions that your board, and you, as a leader of that company, need to make. Don't allow the socialization of your business model by the government to take control of it.

With that, I yield back the balance of my time.

Chairwoman WATERS. Thank you. It is not intimidation. It is called standing up for the consumers of this country.

Mr. LUETKEMEYER. Madam Chairwoman, would you like to discuss this? I would be happy to discuss this from at least the standpoint that Operation Choke Point was the very same thing that we are talking about here today. If you want to deny that, you can. But that is the truth.

Chairwoman WATERS. The committee will come to order.

The gentleman from New York, Mr. Meeks, who is also the Chair of our Subcommittee on Consumer Protection and Financial Institutions, is recognized for 5 minutes.

Mr. MEEKS. Thank you, Madam Chairwoman.

First, I want to thank the chairwoman, Maxine Waters, and the chairman of the Oversight Subcommittee, Mr. Green, for doing the work and the research that revealed a continuing pattern that has taken place at Wells Fargo over this period of time.

And I think that, to Mr. Scharf, this is something that should be an opportunity, because if you look at the investigatory work that took place, admittedly most of it or all of it before your 4 months, it should give you further ideas of what needs to be done to fix Wells Fargo, to move forward. So I think that it would be an opportunity for you to look at it and to take it very seriously.

For me, coming in, anybody who was on the board or had anything to do—the way that you first show that you want to clean things up is you clean everybody out, because anybody who is there, who was part of the decision-making process while these procedures were going on, does not have clean hands. They are dirty hands. And then continues to be there. So the only way you fix an organization in that regard, as far as I am concerned, is you clean house.

Now I will, in full disclosure, let you know that I have had the ability and the time to work with you in your previous capacity at Bank of New York Mellon.

For the life of me, I don't know why you took this job, because anybody who is there has to be held accountable and look to see what are you going to do to improve all of the horrendous—and I have taken Mr. Sloan and others to task in a very, very strict way and I do intend on taking, whether they resigned or not, these members of the board of directors who were there, who were a part of the policies—I am going to really take them to task tomorrow.

But I do think that you should take this report very seriously and to heart, and make the changes that are necessary.

Now, I have been talking to you about some issues that have been very important to me and the subcommittee which I sit on, two issues. One is with Minority Depository Institutions (MDIs) and there have been a series of hearings because MDIs, in my estimation, can come in to communities where maybe the big banks shouldn't be because they don't want to be there.

But as far as giving out mortgages and then making sure that they are able to provide services to communities or local communities where banking deserts are now appearing, we have been trying to make sure in these communities where they are underbanked and underserved, that financial institutions get capital from some of the big banks, and we have had that discussion. I know you told me that you were going to go and discuss it and come back.

So my first question to you is, have you had that discussion, and what, if anything, is Wells Fargo looking to do? Because I want all the big banks, because I am going to be asking every one of them, to figure out how we can put capital into some of these small community MDIs.

Mr. SCHARF. Congressman, we are going to do something about it, and I completely agree about the importance of the Minority Depository Institutions. And as you said, they reach neighborhoods that we can't necessarily reach and we have been focused historically on connections expertise. But it is more about capital, as we have learned.

So we are going to commit to invest up to $50 million of capital directly into these institutions as either Tier 1 or total regulatory capital, still keep them at a position where they are still minority-owned but provide the opportunity for those institutions—

Mr. MEEKS. I don't want to cut you off, but I am just sort of down on time, and I want to go through that with you on a continuous basis, because we have been talking about how we don't want the big banks to just give money to small churches; we want big major investments. So, I want to have a further dialogue and conversation with you in regards to that.

The other piece is—I only have 20 seconds—I want to know about the CRA modernization where Comptroller Otting said he is discounting 75 percent on CRA credit for mortgage loans that are sold off.

To me, that is going to stop people from giving out mortgages. It doesn't encourage it. But I would like to get an answer from you in writing later as to whether or not you think that is the appropriate thing and the way that the Comptroller is looking to do with CRA modernization.

Thank you.

Chairwoman WATERS. Thank you.

The gentleman from Michigan, Mr. Huizenga, is recognized for 5 minutes.

Mr. HUIZENGA. Thank you, Madam Chairwoman, and I guess let me start out with a tone of unity, and I will agree with my colleague and friend from New York, Mr. Meeks, when he said, "I am not sure why you would take this job."

I would agree. In all seriousness, this is a significant undertaking. I am glad you are doing it, however, because we know that the United States, to remain competitive on the world stage, needs to have financial institutions than can handle these large international and national accounts and those kinds of things. But there are problems in the past.

So, Mr. Scharf, I am interested in what changes to the consent order plan-writing process have you made since you have taken over as CEO? It is my understanding that none of the consent orders have received a non-objection. I think that is what the regulators specifically call it instead of approval.

They have objected to each of the consent orders, is my understanding, even those issued in 2016. So, I am curious. Walk me through that process of how you are dealing with that now and maybe an update on that.

Mr. SCHARF. Congressman, we have changed our entire management approach to the consent orders. First of all, I personally am deeply involved in all of our Comptroller-related work, including all of the consent orders.

Our new chief operating officer that we brought in from the outside, who has experience in dealing with issues like this at another bank that was going through a series of issues, is on board now and those responsibilities sit directly under him.

He is probably spending 90 percent of his time on these issues. Under him, there is a group of people dedicated to managing each of these individual consent orders alongside all of the people across the company to ensure that the work is getting done appropriately.

Mr. HUIZENGA. Can you identify what the biggest barriers are to achieving those acceptable submissions under the consent orders? Or what you believe the regulators may not have identified?

Mr. SCHARF. I think the biggest issue for us is just making sure that everyone across the company, including those on the front lines, understand that risk management, especially operational risk management, is everyone's job, and we need to educate them on what that means and how that fits into a seamless structure inside the company with the independence at the second line.

Mr. HUIZENGA. Has that been really the barrier for you to receive those non-objections from the regulators or is there more to it?

Mr. SCHARF. I can't speak to what happened before, although, based upon the actions that I have taken, I think, as I said, there is a different sense of urgency.

There is a different focus. We have different people with different disciplines with different review processes in place. So, we are fundamentally managing these differently. We have made clear that these are the priorities of the company above all else.

Mr. HUIZENGA. And you are updating those consent orders or working with the regulators to get those in order?

Mr. SCHARF. We regularly talk to our regulators about them, yes.

Mr. HUIZENGA. Okay. Let me move on a little bit. You had touched on sort of everybody on the front lines needs to know what the new culture is.

Could you describe how sales employees are incentivized and does the company still use sales goals and those kinds of things?

Mr. SCHARF. We have changed all of the practices that led to the bad sales behavior, including those sales goals that led to that bad behavior.

Today, our front-line bankers are paid based upon a series of criteria, none of which are sales goals. It is things such as customer experience. It is balances in the overall account and things like that. So, we do not have goals like that in place.

Mr. HUIZENGA. How do you measure the customer satisfaction?

Mr. SCHARF. Historically, we have used a third party to provide those where they come in and do mystery shopping in the branches and then provide the feedback directly to the branch.

Going forward, we are going to be moving towards a net promoter score where we actually do direct surveys of our own clients and get their—

Mr. HUIZENGA. I have about 45 seconds and I want to hit a couple of quick things. Could you talk about the board makeup? That was one of the questions from my colleague from New York, about cleaning house. What does cleaning house on your board look like so far?

Mr. SCHARF. I don't have the numbers in front of me but I believe something like 70 percent of the board is new to the board since 2017. But I can get that for you.

Mr. HUIZENGA. What I heard was 14 out of the 16, but if you could confirm that, it would be helpful. I see people behind you taking notes. That is good.

And then at the end of the day, can you describe what cultural change really fundamentally needs to happen there?

Mr. SCHARF. Absolutely.

Mr. HUIZENGA. Well, my time has expired. But I wanted to know what fundamental cultural changes you felt are necessary, and maybe we can follow up in writing, unless the Chair is willing to give you 30 seconds.

Chairwoman WATERS. The gentleman's time has expired.

The gentleman from Missouri, Mr. Clay, who is also the Chair of our Subcommittee on Housing, Community Development, and Insurance, is recognized for 5 minutes.

Mr. CLAY. Thank you, Madam Chairwoman, and thank you for your testimony today, Mr. Scharf.

Recently, the Student Borrower Protection Center (SBPC), an organization founded by former CFPB Student Loan Ombudsman Seth Frotman, released a report called, "Educational Redlining." The report found that borrowers taking out private student loans to attend community college may pay more than similarly-situated borrowers seeking loans to attend a 4-year institution.

SBPC applied for student loan products with Wells Fargo, and found that Wells will charge a student applying for a $10,000 loan to attend a community college $1,134 more than a similarly-situated borrower seeking the same loan to attend a 4-year college. Do you think that is fair?

Mr. SCHARF. Congressman, there is no room for discrimination in any of our lending businesses.

Mr. CLAY. Do you intend on changing the culture?

Mr. SCHARF. Congressman, I will go back and look at the specifics around this, because I am not aware of it. But if we had done something wrong, we will go back and make it right, and we will make sure that nothing like this is happening, going forward, anywhere.

Mr. CLAY. And also, under your consent decrees, you have a policy that steers people who would otherwise qualify for prime mortgages into subprime mortgages and, apparently, that is part of one of the consent orders. Are you aware of that?

Mr. SCHARF. No, I am not, Congressman. But we will certainly go back and look at it.

Mr. CLAY. And then, how would you make those people whole, who applied through your bank and were then steered into higher-cost loans? What can you do to correct that?

Mr. SCHARF. Congressman, if we have done something wrong, then it is our obligation to take the appropriate remediation, and specifically that is something that I have to look at to understand what the right thing to do is. So, I can get back to you on that .

Mr. CLAY. Okay. Would you assist or help those borrowers by reimbursing them or resetting the loans at a more reasonable interest rate?

Mr. SCHARF. Congressman, of course, we would look at all of the circumstances around it and figure out what the right thing to do is for those customers.

Mr. CLAY. Yes, and I think your customers as well as most of us on this committee are looking for fairness for the people who come to your bank looking for help. Do you agree?

Mr. SCHARF. I completely agree. If we have harmed people or if we have not treated people properly, we should take the appropriate remediation.

Mr. CLAY. Getting into another area, do you know Wells Fargo's lending volume in the State of Missouri and in southern Illinois, a region that I represent? Do you know the volume for minority- and women-owned businesses?

Mr. SCHARF. No, I am sorry, Congressman. I don't.

Mr. CLAY. Well, could you get me that information and share it with the committee?

Mr. SCHARF. We will certainly get back to you on that, yes.

Mr. CLAY. And what kind of incentive programs are in place for Wells Fargo employees in your retail and private banking, and are the programs linked to pay for bonuses? I am talking about an incident that I recently read about with your bank.

Mr. SCHARF. I'm sorry. I don't understand the question.

Mr. CLAY. Well, the typical retail branch employees at Wells tends to be on the lower end of the pay scale compared with corporate and investment banking. But you do incentivize them for bringing in high-dollar customers.

Mr. SCHARF. I'm sorry. Yes, Congressman, we have actually changed the compensation plans of the people in our branches—our bankers—so that they are no longer paid on sales goals or anything like that. They are paid on customer experience and balance growth as well as some other factors that I don't recall right now. But it is nothing related to sales goals.

Mr. CLAY. How do we better address the culture of the bank so that you treat all customers with some respect and dignity?

Mr. SCHARF. Well, we are moving our—the customer experience goal—method of rewarding people to based upon what customer feedback directly is.

Mr. CLAY. I see. Thank you, and I yield back.

Chairwoman WATERS. The gentleman from Colorado, Mr. Tipton, is recognized for 5 minutes.

Mr. TIPTON. Thank you, Madam Chairwoman.

Mr. Scharf, thank you for taking the time to be here.

Just a little follow-up in terms of some of the sales goals. A lot of the reason that Mr. Sloan was here and now you are here was from the sales goals and some of the initiatives that were put in place with the false accounts that were open.

Can you maybe expand on that a little more so I can understand how customer experience and expanding some of those balances, how that is going to be rewarded and how to be able to offset any further abuse?

Mr. SCHARF. Yes, Congressman.

We have changed the entire compensation plan. But even beyond the compensation plan, we have changed the management structure and the reporting so that anything related to those sales goals, what drove that kind of behavior, and the management processes that went along with it are no longer there.

So the people who work in our branches, regardless of level, have a series of things that they use to judge their performance, the most important, which I think if you were to go around and ask the folks in our branch they would say it is customer experience, and today it is mystery shops that take place inside the branch.

We are going to be moving towards direct customer feedback, which will be a part of that, because we do believe that if the customer is not happy inside of our institution, then that is, obviously, very bad for us.

Mr. TIPTON. And are you pretty confident that you have a reporting structure through the chain of command to make sure that is going to be implemented properly?

Mr. SCHARF. Yes, I am, Congressman.

Mr. TIPTON. Okay. Great.

On your first earnings call, you had mentioned that you would be introducing a new set of disciplines on how the overall company is going to be run.

Could you outline what that new set of disciplines might look like and how they are different from the previous occupant in your seat?

Mr. SCHARF. Yes, Congressman.

We now have an operating committee that meets regularly every single week for 2 hours. We meet once a month for a full month. Everyone is expected to talk about what is going on in their businesses, how they are doing with any of the control issues that we are aware of or if there is anything new that we should be aware of.

The CFO and I hold monthly business reviews that were not held in the past where we meet with every business along with their senior folks and we review their financial results, their risk controls, progress they are making on people including the diversity component of that on a going-forward basis.

Added to that is a fulsome budget process which is far more robust than anything that we have had in the past, which becomes a mechanism for us to proactively discuss things and make decisions that prior to that, were made in the individual businesses.

Mr. TIPTON. Thank you for that. I come from a rural area and we had a lot of conversation in this committee in regards to urban impacts that are going on. Could you maybe highlight for us the importance of—Wells Fargo, I think, has a number of branches in my district, in rural communities. Does that play a pretty important role in regards to CRA in terms of credit access for small businesses?

Mr. SCHARF. I think it is extremely important. I think it is not just important for numbers but it does go—when we think about some of the things that Wells has done well and not done well, helping in underserved communities is something which has been a core of the company.

So the branches that we have in the communities where we have been for a long time are very important to us. The investments that we do in affordable housing, the lending that we do in low- to moderate-income (LMI) neighborhoods is something which is core to who the company is and, certainly, will be going forward.

Mr. TIPTON. And we would like to be able to give you the opportunity—you had a question earlier on some of the stress tests and whether or not in regards to the coronavirus and other challenges that may come up, known or unknown, to our financial institutions in terms to be able to maybe expand a little bit on whether or not you feel you are well-capitalized and able to take that into consideration.

Mr. SCHARF. Right. The point that I was going to make is that when you look at the stress tests that we went through, I believe it takes unemployment going to something like 10 percent, GDP going down 8 percent, real estate values dropping by a quarter, commercial real estate values dropping by a third—very, very significant.

And so as part of the Comprehensive Capital Analysis and Review (CCAR) process, we have to be able to continue to maintain the ratios that were required in that event with the suggested capital actions. And then as an institution, we do our own stress scenarios, which lead us to make decisions in terms of how we want to run the company.

We have always done that prudently, again, with all of the issues that Wells has done. We have been very well-capitalized and we will continue to be well-capitalized.

Mr. TIPTON. Thank you. I yield back.

Chairwoman WATERS. The gentleman from Georgia, Mr. Scott, is recognized for 5 minutes.

Mr. SCOTT. Thank you, Madam Chairwoman.

Mr. Scharf, how are you?

Mr. SCHARF. Fine, thank you, Congressman.

Mr. SCOTT. Our banking system is the heart and the soul of our financial system, and this hearing this morning, at its core, is about trust. It is about consumer trust. It is about Wells Fargo customers' trust. And what I want to ask you is this: Can the consumers, can the people in this country, trust Wells Fargo now?

Mr. SCHARF. People can trust Wells Fargo to do the right thing, yes.

Mr. SCOTT. Then, why is it that you have had consent orders from the Office of the Comptroller of the Currency, you have had consent orders from the Consumer Financial Protection Bureau, and you have even had consent orders from the Federal Reserve.

And to my information, you have not adequately answered those. Am I correct?

Mr. SCHARF. You are correct.

Mr. SCOTT. And may I ask you to explain why you have not responded?

Mr. SCHARF. Congressman, I joined the company 4 months ago. I am not in a position to explain what was done right and what was done wrong because I wasn't there. But I can tell you of the changes that we are making, which I think are different than existed prior to my arrival.

Mr. SCOTT. It is important for you to really understand that you have a myriad of customers out there, one of whom is me. I am a customer of your bank and have had great experiences with it.

You have been a leader in my community with helping to get some of the hardest hit funding to help folks out there who are suffering from their mortgages. This committee worked hard to get that done. We all didn't agree and didn't vote for the first bailout.

President Obama got a little peeved with many of us. But we said, "Mr. President, we love you. We want you to do good. But you can't just throw all this money up to the banks and not do something about the struggling homeowners who were the victims."

And he said, "Go back and do something about it." We did, and we came up with about $2.8 billion, and we called the hardest hit—in Georgia, it is called HomeSafe.

So there are some good things that you all have done. But my issue with you is that you are on this in a new position. But it is important. Once you get in a bad situation, in order to get out of that bad situation into a new situation, you have to know how you got into the bad situation in the first place.

So for you not to respond to these consent orders is unacceptable, and I just want to urge you to do so.

Now, I think that will be a good idea because to have your new chief accountability officer—I think you appointed one recently, didn't you? Wells Fargo, according to media reports, created a new role of chief accountability officer for the branch banking business. Are you aware of that? I would think you are, being the chief executive officer.

Mr. SCHARF. Yes, I am, Congressman.

Mr. SCOTT. Okay. Why is it that you can't assign him to respond to this? See, if you don't respond to these consent orders that are being asked of you by the banking regulators, then that trust factor that I mentioned at the very beginning gets weakened.

Will you move to respond to those consent orders after this hearing?

Mr. SCHARF. Congressman, all of my energy and my management team's energy is, again, responding to them in a way that is acceptable to them, yes.

Mr. SCOTT. Okay. Thank you.

Chairwoman WATERS. The gentleman from Texas, Mr. Williams, is recognized for 5 minutes.

Mr. WILLIAMS. Thank you, Madam Chairwoman.

When John Stumpf came here before this committee in 2016, not long after the first Wells Fargo scandal broke, it seemed like the only answer he had to our questions was simply, "I don't know."

I called on him to resign immediately for such lack of knowledge into his own company's practices. This was a slap in the face to all members of this committee but, more importantly, to the consumers that were taken advantage of because of his gross mismanagement.

Mr. Stumpf's answers were simply unacceptable. Fast forward to 2019 when the next CEO, Tim Sloan, came before us to testify. I was somewhat optimistic that he would be able to fix the root causes of the issues that allowed so many scandals to occur.

He made it seem like there was great progress in institutional changes being made to ensure that these actions would never be able to go unnoticed again. This might be even more offensive than his predecessor was—I don't know the answers—since he was not taking the company's transgressions seriously when such damage was done to customers.

Now, all that being said, on a more positive note, I am glad to see Wells Fargo bring you in as an outsider of the company to try to fix the mess that has been surrounding the bank over the past few years. It will not be an easy process. You have talked about that, regaining this committee's or your customers' or the regulators' trust. But I hope that you will be able to get the bank moving back in the right direction.

Mr. Scharf, I know that you have prior experience at BNY Mellon, JPMorgan, and many other financial institutions. So my first question would be, how do the management structures differ between Wells Fargo and other firms where you have worked? And can you go into detail about some changes you will institute at Wells Fargo, moving forward?

Mr. SCHARF. I think what we have today is more similar to what some of the other large well-managed institutions have versus what we had in the past. What we had in the past was—it was a federated model but there was not enough representation at the senior management table of all the different businesses. So, the discussions that were able to occur in terms of how the company was run, decisions that were getting made, the structure didn't encourage that to happen.

Things today are very, very different than that. There is a clear understanding that we are going to run the company as one. We have business leaders in charge of the significant business that report directly to me, where we have the opportunity to question everything that goes on.

There is an independent infrastructure around all of the risk and control work that needs to happen. People understand that is independent and the level of responsibility and accountability that they have.

Now having said that, it is still early on, and so I do not think we are as well run as other firms yet. We have just implemented this. But everyone understands why it is better for the company and is supportive of it.

Mr. WILLIAMS. I think the fact that you question is important. So, I am glad to hear that.

The other side of the aisle has reiterated that they believe Wells Fargo is too big to manage and should be broken up. Now, I completely disagree, considering that other banks of similar sizes have been able to successfully cooperate when they have appropriate risk management structures in place.

I asked this same question of Mr. Sloan, and I am curious to get your perspective on the issue. When former President Obama was questioned about breaking up big banks in a New York Times interview he said, "One of the things that I have consistently tried to remind myself of during the course of my Presidency is that the economy is not an abstraction. It is not something that you can just redesign and break up and put back together again without consequences."

That is what President Obama said. Do you agree with the sentiment from the former President that breaking up the biggest banks is unrealistic?

Mr. SCHARF. I believe that the country benefits from the large banks and that they can be run properly and they should be run properly.

Mr. WILLIAMS. Okay. Now, I am a Main Street guy. I have been a car dealer in Texas for 50 years, and I know how important access to capital is for the company looking to grow and expand operations, and how important risk and reward is.

So one of my questions to you would be, are you a capitalist or a socialist?

Mr. SCHARF. I am a capitalist.

Mr. WILLIAMS. Thank you. And since Wells Fargo is one of the largest small-business leaders in the country, I would like to know, quickly, what controls are in place to ensure that your small-business clients like me are being treated fairly and not subjected to abusive sales goals or incentive programs?

Mr. SCHARF. Our small-business franchise has the same controls over it today that the consumer franchises and our corporate franchises have. We have first-line risk management—first-line meaning it is part of the business—which is far more robust than it was at the time of the sales practices problems, and we have an independent risk function, which is separate from them, which has an independent reporting line up to the Chair of the risk committee of our board.

Mr. WILLIAMS. Okay. Thank you. I yield back.

Chairwoman WATERS. The gentleman from Texas, Mr. Green, who is also the Chair of our Subcommittee on Oversight and Investigations, is recognized for 5 minutes.

Mr. GREEN. Thank you, Madam Chairwoman.

Madam Chairwoman, please allow me to thank the persons who have worked so hard to pull this report together, the staff. They literally had to fight to get the many thousands of records that they have received. It was not easy, and the Republicans played no role in securing those records. They are simply playing catch-up and they are not doing a very good job.

Mr. Scharf, we cannot allow the punishment for this level of fraud to simply become the cost of doing business. No one has gone to jail. It is true that the CEOs of the too-big-to-fail banks have thus far been too-big-to-jail.

We must do more than simply pay the government a fine. Most of the front-line workers in these banks live paycheck-to-paycheck while the banks have made profits in excess of $150 billion a year. A hundred and fifty billion dollars a year since the recession.

In 2018, a bank CEO made 776 times the salary of a minimum wage worker. That CEO made approximately $24.2 million. I shall not mention his name, but I am prepared to, if I have to.

I have visited with you. Thus far, you have been straight with me and I do believe that out of adversity, there is opportunity. The greater the adversity, the greater the opportunity.

You now have an opportunity to help us change not only the culture at your bank but to change the culture across banking. Workers need a living wage. All workers in banks should have a living wage. Workers need stronger whistleblower protection.

This is a part of the solution. Not nondisclosure agreements that silence workers. If we had had stronger whistleblower protections, I do believe someone would have reported this circumstance and we wouldn't be sitting here today.

We need to improve your mentor-protege standing. Black banks are going out of business. We have approximately 18 or 19 now, depending on who is counting and how you count.

We need help. You are in a position to change this. You can change the course of destiny for Minority Depository Institutions (MDIs). The lowest-paid workers in banks are women and people of color. The highest-paid disproportionately, in both cases, are white men. White men are doing well. People of color and women are not doing as well. We can change this.

These are the kinds of issues that we refuse to confront because there is a danger associated with it. There is a culture that has developed that will punish you if you try to develop equity and equality. It will silence you.

You can speak with a very loud voice. You were not a part of the transgressions that took place but you can be a part, and I believe you really want to be a part, of a solution that can change not only the culture at Wells but the culture across banking.

We need a bill of rights for the workers within the banks. We ought to have something that is posted, that is clear, concise, and conspicuous, unambiguous, that says to workers, you mean something not only to this institution but to this country. Here are your rights. You have the right to report without fear of being somehow punished for your doing the right thing.

So I am going to ask that we meet again. Will you assure me that you will meet with me again, sir?

Mr. SCHARF. Absolutely, Congressman.

Mr. GREEN. And will you assure me that you will work with me to develop this bill of rights for workers? Will you assure me, sir?

Mr. SCHARF. I will absolutely work on a bill of rights that makes sense in Wells Fargo.

Mr. GREEN. I thank you, and I yield back the balance of my time.

Chairwoman WATERS. The gentleman from Georgia, Mr. Loudermilk, is recognized for 5 minutes.

Mr. LOUDERMILK. Thank you, Madam Chairwoman.

Mr. Scharf, thank you for being here. Thank you for the time that we have spent discussing your short time at Wells Fargo and your vision of how to correct these problems and move forward to make Wells Fargo an organization in compliance and focused upon its customers.

Before I get into my questions, though, I would like to remind my colleagues of something I heard earlier, that the Republicans took a hear-no-evil, see-no-evil stance on this.

I want to remind everyone that it was the Republicans in 2016, the first year I was on this committee, who began the investigation into Wells Fargo, and we obtained several thousand pages of documents.

And this report that was submitted today is not the first, it is not the second, but it is the third report that was issued that was based on those document and the thousands more that the Trump Administration has released voluntarily in the last year.

So, this isn't something new. This isn't just something that has popped out of the woodwork. This is something that has been going on, that we have given our utmost attention to. And through all of that, it has been somewhat frustrating.

I have been frustrated and concerned over the, specifically, lack of progress that we saw over that time, especially when it came to complying with the consent orders by the regulators.

Now, from our meeting and from other information that I have received I am encouraged that the OCC has indicated that under your short tenure, the bank has made progress toward complying with these consent orders.

With this large of a committee, and your short tenure—everyone knows the past—you are going to get the same questions repeated over and over again so everybody can get their sound bites.

So, some of mine may be questions that have been asked before, but I really want to kind of hone in on some of the details. Could you briefly describe specific actions you and your staff are taking from a risk management perspective to come into compliance with the 14 outstanding consent orders that the regulators have imposed?

Mr. SCHARF. For specifically the issues in risk management related to operational risk and compliance, we have significantly increased the staffing. But, more importantly than just the people is putting the right framework in place so that everyone across the company understands how we are going to run risk and understands what their role is in ensuring that risk management is done properly in the organization.

That framework makes it clear what everyone within a business has to do with their level of responsibility is, how we are going to do that review work in the second line of defense independent of the business itself. That is the independent risk management function.

And then, we have our third line which plays an extremely important role, internal audit, which takes a third independent look at everything that is done. All of that , and those levels of independence, are extraordinarily important.

But, most importantly, the robustness of what we have in place—not just the people who exist but the processes and the documents that we are building create a very, very different control environment than existed historically at Wells.

Mr. LOUDERMILK. Good. Thank you.

And you have stated this before, but I would like to ask it again, and as Mr. Scott, my colleague from Georgia stated, I am also a

Wells Fargo customer and I have always had a good customer experience.

Under your leadership, is meeting regulators' expectations and requirements as well as the needs of the customers the top priority?

Mr. SCHARF. There is no question that that has to be the top priority. But I take it a step further inside the company, which is what I explain to people, that we are not doing this just because the regulators want it. We are doing it because it is the right way to run a company.

So we need to do this because we believe it is right, and when we run the company that way, then the regulators will be fine with it.

Mr. LOUDERMILK. Probably my final question, based on time, is you have talked about restructuring it from a more federalist type organization to a more streamlined centralized organization.

How did that decentralized organization contribute to this problem and, thus, how does centralizing—how is that going to resolve it?

Mr. SCHARF. Congressman, that structure didn't have the appropriate checks and balances that we have today. Business leaders controlled their own staff functions. They controlled their own risk functions and everything else that went along with it.

So, there wasn't a consistent set of policies. There wasn't a consistent set of application of policies and there wasn't the independent functions to come in and look and to say, we like and agree with what they are doing or we don't and therefore you need to change it. That is what we have today, and that overrules what individual businesses want.

Mr. LOUDERMILK. Thank you. I yield back.

Chairwoman WATERS. The gentleman from Missouri, Mr. Cleaver, who is also the Chair of our Subcommittee on National Security, International Development and Monetary Policy, is recognized for 5 minutes.

Mr. CLEAVER. Thank you, Madam Chairwoman.

Yesterday, two of your board members resigned. Your two predecessors testified before this committee and, shortly thereafter, resigned. Here you are, less than 6 months on the job, and you are sitting in that chair. Why in the world would you take this job?

Mr. SCHARF. I appreciate the question, Congressman. You are the third person who has said that since we started. So, I am glad to be able to answer it.

I genuinely believe that Wells Fargo is an important institution for this country. I really do, and just because the company has not been well run in the past, doesn't mean it can't be well run now.

When I talk to customers of all sizes, from consumers to small businesses to middle-market companies, when I look at some of the things we have done in communities, when I talk to our own people—I was in a branch yesterday and we asked someone why she came to work every day, and I swear to God, she said, "Because I love this company. I love the opportunity that they have given me." And that, clearly, wasn't the entire culture of Wells Fargo, but it is an important part of what the culture is.

And so in the context of doing what is right for our employees, doing what is right for all the people we do business with in their communities, I believe that if we run the company properly, we have the opportunity to benefit more than if we didn't do this well.

Mr. CLEAVER. Thank you.

For you to walk in there, you have to have something that most folks don't. But let me turn to an extremely difficult part of this hearing for me. I have the Minority report from Senator Sherrod Brown, from March 2020, which I would like to enter into the record, Madam Chairwoman.

Chairwoman WATERS. Without objection, it is so ordered.

Mr. CLEAVER. Here is what is troublesome. It is about one of the log posts of one of the employees who said, "Hate crimes hoaxes are about 3 times as prevalent as actual hate crimes, and I hate that I actually dignify their existence by quoting a statistic that recognizes them."

And then, "Fine. Let us say that they called him the 'N' word. Would that make them racist or just ——— holes, looking for the most convenient way to get under his skin?" This is a guy who worked at the CFPB, in an appointed position at the CFPB, which, for somebody like me, with my skin color, that is insulting and also disheartening.

I am using this because there is a report that suggests that there is a back channel of communication between Wells Fargo and the CFPB. Is there this back channel, and is it still in existence today, to your knowledge?

Mr. SCHARF. I am not aware of a back channel of communication, no.

Mr. CLEAVER. So, that is the first time you heard about this alleged back channel communication going on?

Mr. SCHARF. I read the report, Congressman. All of the conversations that we have with the CFPB, to my knowledge, are open, on-the-record conversations directly with the regulator that everyone is supposed to be aware of who should be aware of it.

Mr. CLEAVER. Okay. That is the answer that I am looking for, because the person who made these statements is no longer there. But I am very concerned, very much concerned.

I was here when we—I guess the chairwoman and I are maybe the only two Members who were here when the CFPB was created, and whether the people who were not here choose to accept it or not, there were great, great pains taken to make sure that the CFPB was not politicized, all the way down to keeping Congress from getting involved in the funding of that department.

You have already read the report. But I would advise everybody to read this report. It is chilling when they start quoting some of the people who were actually at the CFPB making decisions.

Madam Chairwoman, I yield back the balance of my time.

Chairwoman WATERS. Thank you.

The gentleman from Ohio, Mr. Davidson, is recognized for 5 minutes.

Mr. DAVIDSON. I thank the chairwoman.

Mr. Scharf, thanks for being here. It has been a long tradition, an unfortunate tradition, for the CEO of Wells Fargo to spend a disproportionate amount of time here in the nation's capital, and, frankly, the Federal Government spends a lot of energy running all sorts of businesses that they probably have no business running.

But Wells Fargo kind of proves that even with all sorts of regulations, all sorts of oversight, layer upon layer of redundancy, it feeds this narrative that we just need more regulation.

And in spite of all the regulation, in spite of all the Dodd-Frank reforms and the State regulators and the Federal regulators and the OCC and the FDIC and the Federal Reserve and all kinds of laws that make it illegal to do the things that Wells Fargo's employees did, these bad things happened anyway.

There are human beings in all sorts of other companies, but we don't believe these bad things have happened on the scale that these bad things have happened at Wells Fargo. So what makes Wells Fargo so special? Now that you have been there, why could all this happen at Wells Fargo?

Mr. SCHARF. Congressman, I think your point is very fair. We did not have the appropriate controls in place. We didn't have the appropriate culture. We didn't have the right people in these jobs.

Mr. DAVIDSON. So, the humans there just needed the other controls that other places had? What drove these people to do it? Was it just passive, you didn't have the controls there, or was there an affirmative push to do bad things?

Mr. SCHARF. No, I think, certainly, the controls should have caught it after the fact, but the initial problem was that the structure of the company was decentralized. The culture promoted these types of activities and the culture was not one of accountability.

Mr. DAVIDSON. So for that reason, there has been a lot of culpability, at least financially, for Wells Fargo. How many fines in total has Wells Fargo paid as a consequence of these bad actions?

Mr. SCHARF. Congressman, I don't have that number right here.

Mr. DAVIDSON. Is it a couple hundred bucks like a speeding ticket? Is it a couple hundred million bucks? Or is it a few billion?

Mr. SCHARF. It is billions.

Mr. DAVIDSON. Billions of dollars. And I think it is fair to say that if these culpabilities resulted in billions of dollars of fines, some people lost their jobs?

Mr. SCHARF. Congressman, yes, many people have lost their jobs.

Mr. DAVIDSON. At the very top? CEOs—you are now the third. Board members, bank managers, managers of departments, people who were supposed to manage risk. Lots of people have been held accountable in the sense that they lost jobs. Has anyone gone to jail?

Mr. SCHARF. Not that I am aware of.

Mr. DAVIDSON. Does any of this rise to the level of a crime?

Mr. SCHARF. Congressman, when we settled with the Department of Justice, we stated a series of facts, which included that individuals at the bank committed crimes.

Mr. DAVIDSON. So do you believe it is up to the Department of Justice to follow through and actually hold someone accountable?

Mr. SCHARF. Congressman, I think it is up to the Department of Justice to determine what they think is right and appropriate.

Mr. DAVIDSON. Well, all of America is looking for the Department of Justice to hold people accountable and, frankly, it is not just in banks.

We are all wondering, when is somebody going to jail, because there has been all sorts of abuse of trust in our country and, frankly, the government has violated a lot of it themselves.

You have taken some actions that are encouraging in a short time as CEO, and I think, when you look around by reputation, you come across as somebody who seems to have the potential to really come in and change a very, very large organization.

One thing you created was a sales practice oversight management function. Could you describe what you envision for this new role and what policies you think need to be put in place at Wells Fargo to ensure employees are actually held accountable for their actions?

Mr. SCHARF. Yes, Congressman. Since our sales practice scandal, we have looked across the company at the different sales practices to ensure that we don't have the kind of behavior that existed in the company prior.

One of the things that we wanted to ensure on a going-forward basis was as we continue to evolve as a company that that continued. So to centralize the responsibilities of sales practice oversight in one place under our chief operating officer where they set the standards, they monitor what is necessary on a consistent basis across the company to ensure that even though something might not exist today, that we don't wake up and find out something exists in the future.

Mr. DAVIDSON. Thank you. I yield back.

Chairwoman WATERS. The committee will stand in recess for 5 minutes.

[recess]

Chairwoman WATERS. The committee will come to order. The gentleman from Illinois, Mr. Foster, is recognized for 5 minutes.

Mr. FOSTER. Thank you, Madam Chairwoman. Mr. Scharf, I echo the concerns of my colleagues on this committee about the extensive shortcomings of Wells Fargo over a number of years past, and I do hope that you are as committed and as successful in turning your ship around as you have stated in your testimony.

Now, I would like to bring up the issue of dreamers. This is an issue that hits close to home. Last summer, Eduardo Pena, a dreamer, a DACA recipient from Illinois, filed suit because he was wrongly denied an auto loan by Wells Fargo because of his DACA status. I was glad to see some of the changes that Wells Fargo has decided to implement recently, including its plan to provide DACA recipients with access to credit products, including auto loans, education loans, and mortgages. I cannot emphasize enough how important this commitment is, and I hope that you work diligently to implement this new policy.

But because a press release is one thing, at the end of the day a new policy that does not achieve results in the form of actual loans to actual DACA recipients can mean it has been a failure. So can we have your assurance that you will track progress on this issue and that you will periodically report back to us on progress on providing credit to dreamers?

Mr. SCHARF. We will absolutely track the progress and we can certainly talk to you about how we should report back to you.

Mr. FOSTER. Thank you. I appreciate that. This is an important issue to my constituents.

Now as you are no doubt aware, the bank's Community Reinvestment Act (CRA) exam ratings and findings are disclosed to the public, after, I believe, a delay of a couple of years. One measure that we are contemplating would be to require banks to disclose their consumer compliance rating and findings in the same way. Would you agree that this would be an effective method to limit consumer abuses?

Mr. SCHARF. Congressman, we certainly agree on accountability and ensuring that the regulators understand and have access to all of the information they need to draw those conclusions.

Mr. FOSTER. No, I am referring to the public. The public also has a need to understand which banks deal properly with their consumers and which have a different record.

Mr. SCHARF. Congressman, respectfully, I think that is a decision, a discussion between you and the regulators.

Mr. FOSTER. Okay. So you don't have an opinion on whether or not this might be a good idea, and so you would not be opposed to it?

Mr. SCHARF. Congressman, I don't—honestly, I think, given the condition that we are in and the work that we have to do, it is really not up to me to—that I am not the best person to give advice. I am focused on doing the work.

Mr. FOSTER. Well, you are also in the process of repairing an organization where some of the incentives were wrong and some of the results were wrong. So, you must have an opinion on whether this sort of thing, a little bit of public visibility towards findings that have shown abuse of the consumer, might be an incentive that might have improved behavior in the past, and might improve behavior going forward?

Mr. SCHARF. Congressman, I just think, like any other issue, there are plusses and minuses on this, and I think that it is really appropriate for you and the regulators to talk about what those are and come to a decision.

Mr. FOSTER. Okay. So, we will handle this without your input, I guess.

The compensated incentives are really, to my mind, at the heart of getting corporate behavior right, and I was encouraged to hear that you have made some changes there. One of the pieces of legislation that is being considered in this hearing, H.R. 3885, does a number of things, one of which is to put the executive bonus pool in a first-loss position for any regulatory fines or penalties. And while I have lots of questions about the details and the mechanisms and the formulas involved in this piece of legislation, I was wondering if you have a reaction to how effective this might be in preventing future—in getting attention by top management towards consumer abuses?

Mr. SCHARF. Congressman, I think what we have to do, and what will drive accountability inside the organization, is to ensure that when we judge people, we make sure that there is accountability in what we pay people, and that is what we are doing today.

Mr. FOSTER. Okay. So that is, I guess, my next question, which I will be giving you to answer in writing for the record, because there will be some detailed numbers.

Could you answer, for the record, how the financial burden for regulatory fines—just go over the top 20 fines that happened over the last decade, and describe the economic pain for those fines was distributed among the shareholders and top executives and everyone else who might have absorbed the pain, both as they occurred in the last decade and how they would occur with the current system that you now have in place?

Mr. SCHARF. Congressman, I can tell you that the fines that we have incurred over the past year, when I was at the company, have impacted people's compensation directly.

Mr. FOSTER. Right. So I would like to see a table of numbers and percentages, to see what fraction of the burden lands on the shareholders, what lands on top management, on line management, and so on, down there. And I think I am now out of time, so I yield back. We will be giving you a question for the record on that.

Chairwoman WATERS. The gentleman from Tennessee, Mr. Kustoff, is recognized for 5 minutes.

Mr. KUSTOFF. Thank you, Madam Chairwoman. And thank you, Mr. Scharf, for appearing today. I have heard a number of people ask you today why you would take the job that you have taken, and I appreciate you stepping into that role.

With that said, how would you characterize the reputation and the brand of Wells Fargo, today, as we sit here?

Mr. SCHARF. I think as we sit here today, we have not yet re-earned the trust that we would like the Wells Fargo name to represent.

Mr. KUSTOFF. In your opinion, is the brand and the reputation of Wells Fargo irreparably damaged?

Mr. SCHARF. Congressman, I do think that the brand and reputation is extraordinarily important in this business and something that we have to work to earn, and we, in fact, can do that.

Mr. KUSTOFF. You can restore it, or Wells Fargo can restore its brand and reputation?

Mr. SCHARF. Congressman, I absolutely believe that we can restore the brand and reputation of Wells Fargo by taking the kinds of actions that we have started to take in the short time I have been at the company.

Mr. KUSTOFF. In my district, you have a number of retail institutions. You have a number of branches in my district. If the customer is an hourly wage employee, if it is a small businessperson, a professional, and they come in and they want to do business with Wells Fargo, in layman's terms, how would you instruct your bank officer, customer service representative, or whomever is trying to get that business or maintain the business, what would you tell your employee to relate to this hourly wage employee, to the small business owner, or somebody trying to take out a mortgage? Why should they want to do business with Wells Fargo?

Mr. SCHARF. Congressman, I think we should treat our customers and our employees the way we would want to be treated. And so to the extent that we are thinking about their needs and what is right for them, and how the things that we can do can be there to serve them, that is the way we want all of the people who work for Wells Fargo to be thinking about how to deal with their customers who walk in the door.

If we are not doing that, I genuinely believe we are not going to be successful. We clearly haven't done that historically, at all times, and we have seen the results of that. And so, that is something which has to be built into the culture of the company, the compensation of the company, the management of the company, in a very different way than it has been in the past.

Mr. KUSTOFF. Well, let me ask it in a different way. What would that bank officer tell that customer that they are trying to either maintain or obtain, what would they tell them about Wells Fargo and why they should want to do business with Wells Fargo, considering everything that customer or potential customer has seen and read about in the media?

Mr. SCHARF. Congressman, I think that we want our customers to know that we are committed to doing the right thing for them, and all the actions that were taken since I have been at the company are directed towards that. Ultimately, that is what is going to earn back the trust of the people who stand in judgment of us, and that is not just our customers. It is the communities we serve and regulators and shareholders and legislators.

And so, if we are not doing the right thing for our customers every single day, then we are going to fall short of who we should be.

Mr. KUSTOFF. Okay. Say, I am a bank customer and I am thinking about cutting off my relations with Wells Fargo because of everything that I have heard about, and I have read about, that has been going on for several years. Mr. Wells Fargo and Ms. Wells Fargo, why do I stay as your customer? In layman's terms, what would that person say to—

Mr. SCHARF. Well, the number one reason why they would stay is they love the people that they do business with, who work at Wells Fargo. The personal relationships that they have developed are extraordinary. I was in a branch yesterday in Washington, and we asked that very question, "Why do your customers come in?" And it is because of that personal connection, and then because they believe that what we do is great for them—our products, our services, our convenience, our technology, but ultimately it has to have this wrapper of, we are going to do what is right by them.

Mr. KUSTOFF. Thank you, Mr. Scharf. My time is expiring. I yield back.

Chairwoman WATERS. Thank you. The gentlewoman from Massachusetts, Ms. Pressley, is recognized for 5 minutes.

Ms. PRESSLEY. Thank you, Madam Chairwoman, and Chairman Green, for your steadfast oversight. I also want to recognize the diligent and good work of this committee's Oversight and Investigations staff.

In 2018, large banks posted record profits that were only topped by their profits in 2019. But a decade ago these same banks were rescued by trillions in bailout loans. It does seem that in the case of banking, your profits are private, while your losses are socialized. Over the years, you have helped lead CitiGroup, JPMorgan Chase, BNY Mellon, and now Wells Fargo, four of the nine recipients of the initial round of Troubled Asset Relief Progrqm (TARP) rescue funds.

Mr. Scharf, this is your second time appearing before the committee in less than a year. Given that this report shows the limits of traditional confidential bank supervision in effectively curbing Wells Fargo's egregious behavior, do you agree that the public has a right to hear from you directly through annual testimony and reporting?

Mr. SCHARF. Congresswoman, when I took this job, I understood that this was part of what the job is. What the appropriate frequency is, I will leave it to you to make that determination.

Ms. PRESSLEY. It is a reasonable ask for other large, systemically important U.S. banks. Yes or no, just for the record?

Mr. SCHARF. Congresswoman, I am not the right person to ask that question. I am focused on Wells Fargo right now.

Ms. PRESSLEY. And so yes or no, do you agree that it is fair that you should come annually and report?

Mr. SCHARF. Congresswoman, I do believe that it is appropriate for me to come when asked to come by the committee.

Ms. PRESSLEY. Congress established your national charter, Congress created the deposit insurance your bank enjoys, Congress stood up the Federal Reserve to be a lender of last resort, and Congress developed the legal framework that governs your bank. So, an annual check-in not too much to ask, and that is exactly why, with the support of the AFL-CIO and the Communications Workers of America, I introduced the Greater Supervision in Banking Act, requiring annual public testimony of G-SIB CEOs, like yourself, and reporting about bank size, diversity, any regulatory enforcement or fines, and notably, the workforce's treatment at all levels.

Your contract with Wells specifically states you will not be required to relocate, allowing you to work remotely. However, while at BNY Mellon, you pushed to restrict employees' ability to telecommute.

So yes or no, just in the interest of time here, have you instituted similarly restrictive policies at Wells?

Mr. SCHARF. Congresswoman, first of all, I do not telecommute. That is a very important distinction. We are a national company that has people all across the country, including our operating committee, and I am in a location with a series of our operating committee members.

Ms. PRESSLEY. Mr. Scharf, I just want to get back to the employees here. Have you instituted any restrictive policies at Wells?

Mr. SCHARF. Congresswoman, I have not implemented any restrictive policies at Wells.

Ms. PRESSLEY. In the midst of this global pandemic, will you commit to allowing all employees who can perform their duties remotely to do so? Yes or no?

Mr. SCHARF. Yes.

Ms. PRESSLEY. Do you commit to providing all workers, down to custodial staff, call center employees, and third-party contractors with necessary sick days as well as paid leave? Yes or no?

Mr. SCHARF. I need to think about that whole list of people, but for our employees, we absolutely will do that.

Ms. PRESSLEY. All employees, down to custodial staff, third-party service workers, our most vulnerable workforce.

Mr. SCHARF. I did not say third-party workers. I said employees.

Ms. PRESSLEY. No, I did.

Mr. SCHARF. Right. I said employees, Congresswoman, and I said we certainly would be willing to look at the rest. It is not something I have thought of sitting here.

Ms. PRESSLEY. Okay. Well, I hope you will give it deep thought, because they do represent our most vulnerable workforce.

I want to be clear. Being a nationally chartered bank and one of the largest at that is a privilege. It is not a right. It is a privilege that comes with accountability to this Congress, your employees, and the American public. When all Americans, not just those who are Wells customers, serve as a backstop to your bank, again, the least you can do is show up once a year to answer these questions thoughtfully.

Thank you, and I yield back.

Chairwoman WATERS. The gentleman from Ohio, Mr. Gonzalez, is recognized for 5 minutes.

Mr. GONZALEZ OF OHIO. Thank you, Madam Chairwoman. And thank you, Mr. Scharf, for your testimony.

When I read through the reports, I kind of bucket the issues in three places: (1) ops/compliance; (2) reporting; and (3) board of directors (BOD) issues. I want to kind of hit on each of these quickly.

On the ops/compliance side, you have talked about how you have flattened the organization, and are no longer in the federated structure. Part of the federated structure was that risk management was embedded in the individual business units, I believe. Specifically, has that practice ended? Have we elevated risk management and sort of pulled it away to monitor more broadly?

Mr. SCHARF. Congressman, we have to have independent risk management, and we have completed that at the company, and we are continuing to build out all of the appropriate first-line functions as well as we work to make that second-line function as effective as it needs to be.

Mr. GONZALEZ OF OHIO. And then another issue that was mentioned was this enterprise-wide risk management component. I realize that probably looks different at each bank. How are we progressing on that, specifically?

Mr. SCHARF. We are continuing to work to make sure that everyone in the company understands what their responsibility is. The only way we can have an effective risk management infrastructure across the company is that there is consistency of application, a consistent level of understanding and implementation. And that takes some time and that is working through.

Mr. GONZALEZ OF OHIO. Great. And then on the reporting side, again it was clear that the board felt—the board had all kinds of faults, obviously, but they felt at times that they weren't getting the right information or that they were being misled. Obviously, they don't prepare reports. They consume reports, reports that management provides them.

How confident are you that the reporting issues, the accuracy, the frequency, et cetera, have been taken care of going forward?

Mr. SCHARF. I certainly think, Congressman, that the quality of the reports we give them has continued to improve. I think that is an ongoing task that we have to make sure we are doing our very best at. Board members generally—it can be very often as good as the quality of the materials we give them. And so, that is an ongoing effort. That is underway, and we have to continue to improve it.

Mr. GONZALEZ OF OHIO. Thank you. And then with respect to the board, I want to ask a general question, because we are going to have two former members of your board here tomorrow, and I think that sets a very interesting precedent that I hope doesn't become routine, where we are hauling in board members of companies. Your situation is unique, so I hope that this is, in fact, unique.

What is the role of a board of directors in a public company?

Mr. SCHARF. The board's responsibility is to oversee management, to approve strategy, and certainly, in our case, to have confidence in the regulatory work that is ongoing.

Mr. GONZALEZ OF OHIO. Not to run the bank.

Mr. SCHARF. Congressman, no. I believe the management team is tasked with running the bank, overseen by the board.

Mr. GONZALEZ OF OHIO. Thank you. And then, how important is it for you to be able to have proprietary conversations with your board?

Mr. SCHARF. Congressman, I think it is extremely important. I personally believe that the best way to help the board members do their job and for the company to get what it can out of every single board member is to be as open and honest as you possibly can, think very, very early on about having conversations with them so they can be brought in very early, and doing that in a confidential way, I think is critical.

Mr. GONZALEZ OF OHIO. Yes, and I think I am sort of caught in two minds here. I think if I were a shareholder of Wells, I would be happy with the outcome of new board members. As a Member of Congress, again, I worry that we are going to set a precedent where we haul board members in for any company that is not doing things exactly how we want. I think that sets a dangerous precedent. I don't know that we have done that. I think we did it with Enron a while back—again, a unique situation which feels appropriate.

I want to switch to something else. Hopefully, we can get through it. Do you have any immediate plans to run for Congress?

Mr. SCHARF. No, I don't, Congressman.

Mr. GONZALEZ OF OHIO. Good job. Do you seek to become a legislator at any point?

Mr. SCHARF. No, I don't, Congressman.

Mr. GONZALEZ OF OHIO. Do you like running your bank? Do you like running banks?

Mr. SCHARF. Congressman, I am very proud and I do enjoy running the bank.

Mr. GONZALEZ OF OHIO. So I am going to urge you to run your bank. Run your bank according to the laws of this country. We are the legislators. I don't want to run your bank. I don't think you want any of us running your bank. I don't think you want us telling you who to do business with, what to do, how to operate, all those sorts of things. You run the bank consistent with the consent orders and the laws of this country. We will create the laws. It is a beautiful system. If we start mucking it up by telling you who you can and can't do business with, I think we set a very terrible precedent once again.

And with that, I yield back.

Chairwoman WATERS. The gentlewoman from Iowa, Mrs. Axne, is recognized for 5 minutes.

Mrs. AXNE. Thank you, Madam Chairwoman, and thank you, Mr. Scharf, for being here today. I appreciate it. My colleagues have already addressed most of my questions, and I know you are new to the bank, so I am not going to rehash most of the issues that Wells Fargo has had. From everything I have been hearing so far, and from talking with you individually as well, it sounds like things are improving, and I really hope that continues, because I think all of us here expect better than what we have seen from Wells Fargo and from your predecessors.

My interest in Wells Fargo doing better, as you are probably aware, is very acute due to the fact that I have almost 15,000 Wells Fargo employees in my district, so thank you for that. We have a vested interest in making sure that Wells Fargo is a successful bank, to keep those jobs.

Can you give me some assurances that fixing the previous problems will be your top priority and that you are going to work to ensure that any future plans aren't creating the kinds of risks that were so poorly monitored before?

Mr. SCHARF. Congresswoman, there is no question in my mind, there is no question in our board's mind, I don't think there is a question in the employees of Wells Fargo's mind, or shareholders, at this point, that our number-one priority is to fix these issues. I have said it internally. I have written it internally multiple times. I have talked about it on our quarterly earnings calls, where they have called for specifics relative to strategy and growth and other things like that, and I have said I am not in a position to give you information on that. I am focused on fixing these issues that we have, which are these regulatory problems and the underlying control infrastructure work, and that has to come before everything.

So I deeply believe that, and I have told everyone who is associated with the company that that is the case. And I think given the work that we have to get done, that is totally appropriate.

I'm sorry—your second question?

Mrs. AXNE. No, thank you. You answered that question exactly the way that I would like you to answer that question, and we will be, obviously, as you are fully aware, making sure that we are on top of that. And I appreciate you bringing that up. As the leader of the company, it is important for you to be making sure that message is being pushed down all the way through the ranks, and allowing for those folks who are in the front-line jobs to be able to push up to management as well, to ensure that there is a good culture.

So thank you so much, because representing those employees and providing a voice for them truly is one of my biggest responsibilities out here. And I was really happy to see that Wells just announced an increase to its minimum wage. That said, I do want to ask you, will you continue to look for ways to ensure that all of your employees are paid a living wage, and put more money in their pockets, and what might be some of those things you are doing?

Mr. SCHARF. Congresswoman, we absolutely have to continue to look for ways to help our employees, especially the lower-paid employees. When I got there and we looked at this issue, we did think it was appropriate to look at the cost of living in different parts of the country, so that we could represent to ourselves that we were thinking about what that living wage looks like.

And so differentiating and paying $20 an hour in the highest-cost locations is, we think, very appropriate, and scaling it based upon that cost of living also seemed to make sense. As we go forward, that is something we should continue to look at. That is not something that we do once that just is set in stone. We need to make sure that we are being as conscious of that cost of living as we possibly can.

We also have to look at the health care benefits. This past year, when we set premiums and put money into people's HSAs, the majority of the lower-paid people, if not all of the lower-paid people, didn't see any increase, and many saw a decrease, and that is something else. That was done before I got there, but that is something that as we go through the process this year, we are going to take a look at and say, are we sharing health care costs appropriately across the company?

And then certainly giving people an opportunity inside the company is extraordinarily important, whether it is within a location so that people can continue to grow, take on more responsibility and earn more money as time goes on, or do something in a different part of the bank is something that should be core to what our employees think of when they think of Wells.

Mrs. AXNE. I appreciate that. Last year, I asked Mr. Sloan, in front of this committee, about Wells Fargo's announcement to lay off 400 people in Des Moines, and whether those jobs were going to be moved overseas. To make matters worse, although those workers were found to be eligible for retraining and other help, that certification didn't come until just 2 months ago, so way too late to be of much use to a lot of those folks.

Wells Fargo has always been an American bank. It still gets a significant majority of its revenue from the United States. And my priority will be to those people who work at Wells Fargo.

Will you commit to fully considering where Wells has built its business and what it is going to do to make sure that we don't move jobs overseas?

Mr. SCHARF. Congresswoman, we would like to keep as many jobs in the U.S. as possible, and we will commit to offering retraining to anyone who winds up in a situation where we have to make a change in their location.

Mrs. AXNE. Thank you.

Chairwoman WATERS. The gentleman from Tennessee, Mr. Rose, is recognized for 5 minutes.

Mr. ROSE. Thank you, Chairwoman Waters and Ranking Member McHenry, and thank you, Mr. Scharf, for being here today.

Contrary to some of my colleagues, I want to applaud you for taking on this role. I note that it is a challenge, but with great risk comes great reward, and I applaud you for having the courage to step up to the plate and to hopefully rebuild one of our great American institutions.

In many ways you are here today to not only answer about your plans moving forward with Wells Fargo, but, fair or not, you are also here to answer for the mistakes of your predecessors. Mr. Scharf, I understand you have led an intensive review of the bank since you became the CEO in October of last year, and to some extent, I know you have already addressed this, but could you discuss again what you learned from this review in terms of the culture at Wells Fargo and risk management and other related issues?

Mr. SCHARF. Congressman, I have had the opportunity to talk to so many of the employees at Wells Fargo whom I have found to be extremely open and forthcoming of their opinions of what we, as a company, and what the management team has done right and has done wrong. They recognize that the problems that we have are extraordinarily significant, and they look at management and they say, "You need to do something very different than you have done."

So as we think about the work that we need to do, it is around culture, it is around structure, it is around people and jobs, and probably most importantly, because it sets the tone for so many things, it is about accountability, both for people in staying in jobs but also whether we are appropriately impacting them for both the good and the bad that they have done inside the company. And there are actions that we are taking on every one of those items to ensure that the company is run differently than it has been in the past.

Mr. ROSE. Thank you. One thing we have learned since 2016 is that Wells Fargo's leadership then repeatedly provided incomplete information to the public. As the Republican staff report finds, evidence showed that former CEO Tim Sloan and his team provided incomplete and exceedingly optimistic information to Congress, the public, and the board of directors at Wells Fargo. Wells Fargo was no closer to complying with the regulators' consent orders when Tim Sloan resigned in March of 2019, than when his team took over in 2016.

For better or for worse, the financial services industry has been under a microscope since the financial crisis. And whenever a major bank like Wells Fargo fails to uphold its duty to their shareholders, their customers, the public, and their regulators, it reflects poorly on the entire industry. And when that happens, some of my colleagues here on this committee claim that the bank is too big to manage, and the financial services industry, as a whole, is rife with abuse. That is not the case.

So the burden falls on you, Mr. Scharf, and Wells Fargo at large to prove to us, and to your regulators, that Wells Fargo is a changed institution.

Mr. Scharf, we have talked a lot today about the changes the bank is making under your leadership to strengthen the bank going forward. As I listen to you talk, I am reminded of an old quote that I heard many times as a young man growing up, that trust takes years to build, seconds to break, and forever to rebuild.

So I ask you, what are you doing? What is Wells Fargo doing to not only earn back the trust of your customers but also that of this Congress?

Mr. SCHARF. Congressman, we need to run the company fundamentally differently than we have run it in the past, and my approach, both here at Congress, with our employees, and with everyone outside the company, is to be completely open, forthright, and honest. I am not trying to paint a picture which is better or worse than anything I see, because you and others will find out.

I live my life as simply as I can. There is one story. It is what I believe, and if find out that I am wrong, then I will deal with that and change the course.

So what you are hearing from me is exactly what I think. I am not trying to minimize the work that is necessary. It is a lot of work. There is no question about that. But I do believe, based upon what I have seen at other institutions and the issues that we have, that we can run the bank in a way which will earn back the trust and respect of all those outside of our company.

Mr. ROSE. There is, of course, tremendous work left to be done from a reputational standpoint, and I hope you will commit to being transparent with Congress, your regulators, and the public every step of the way.

Chairwoman WATERS. Thank you. The gentlewoman from Virginia, Ms. Wexton, is recognized for 5 minutes.

Ms. WEXTON. Thank you, Madam Chairwoman, and thank you, Mr. Scharf, for joining us here today.

Mr. Scharf, have you had the opportunity to review the House Majority staff's report?

Mr. SCHARF. Congresswoman, yes, I have.

Ms. WEXTON. Okay. And it is entitled, "The Real Wells Fargo: Board & Management Failures, Consumer Abuses, and Ineffective Regulatory Oversight." Is that correct?

Mr. SCHARF. I believe so.

Ms. WEXTON. Now, you know that in this report, they cited the July 2019 OCC report of the examination which concluded that the OCC had not observed a drive towards greater consistency, and a large number of plans had to be submitted multiple times to the OCC. You do acknowledge that, right?

Mr. SCHARF. Yes, Congresswoman.

Ms. WEXTON. And that the OCC remains concerned about the overarching vision around remediation.

Mr. SCHARF. Yes, Congresswoman.

Ms. WEXTON. Okay. And you also then are aware that the report concluded that Wells Fargo's board abdicated its responsibility to oversee the bank's compliance with the 2016 sales practices consent orders.

Mr. SCHARF. Yes, I am aware that is what the report says.

Ms. WEXTON. Do you agree that the board did not provide robust oversight of those consent orders?

Mr. SCHARF. Congresswoman, what I can talk about is what I have seen of the board since I have joined.

Ms. WEXTON. Okay.

Mr. SCHARF. I wasn't there.

Ms. WEXTON. That is fine. We will just focus on being forward-looking.

Mr. SCHARF. And what I—

Ms. WEXTON. Because as a result of this report—well, I don't know if it is a result of this report, but right after this report was released, two of your directors resigned yesterday. Is that correct?

Mr. SCHARF. They did resign Sunday, I believe.

Ms. WEXTON. Sunday. Okay.

Mr. SCHARF. Sorry. Yesterday morning.

Ms. WEXTON. Okay. And you also said, in response to an earlier question, that 70 percent of your board was new. Is that correct?

Mr. SCHARF. I said I believe that is approximately the number.

Ms. WEXTON. So, there has been a lot of turnover on the board since you took office?

Mr. SCHARF. Yes, there has been. Excuse me. I'm sorry. Can I correct myself? Since I joined the board, we have had one new board member join.

Ms. WEXTON. Okay. And as CEO, you serve on the board of directors, correct?

Mr. SCHARF. Yes, I do.

Ms. WEXTON. Do you have a role in selecting new members, in recruiting and selecting new members for the board of directors?

Mr. SCHARF. Our directors are selected first by our governance and nominating committee, which I am not a member of, and then they are voted upon by the full board. So, I would be aware of it. I would be part of a conversation but I don't have the responsibility to do that.

Ms. WEXTON. Okay. But you believe that the board's role is to provide oversight of the directors in the company—of the executives in the company. Is that correct?

Mr. SCHARF. Yes, I do.

Ms. WEXTON. And when looking for somebody to serve on the board, are you looking for somebody who can credibly challenge you? Would that be something that you would look for?

Mr. SCHARF. Congresswoman, again, I would be speaking just for myself.

Ms. WEXTON. For yourself, yes.

Mr. SCHARF. Not for the entire board. I think as a board, we absolutely need people who are going to challenge us, who come from different places, have different backgrounds, have different kinds of diversity, and that people with that diversity or background should help us get to the best conclusion.

Ms. WEXTON. The reason I ask is because Warren Buffett just sent out his annual letter to shareholders, just very recently, and in there he talked about the fact that corporate chiefs rarely bring in outside advisors who provide dissenting opinions, and that as a result, when seeking directors, CEOs don't look for pit bulls. It is the cocker spaniel that gets taken home.

So for you, in your decision, when you cast that vote for who is going to replace the two members of the board of directors who resigned, will you commit to look for a pit bull and not a cocker spaniel?

Mr. SCHARF. Congresswoman, I absolutely want someone who is going to speak up, who is going to speak their mind, who understands things that I don't understand, and adds to the conversation. There is no question that I think boards are better off for having people like that.

Ms. WEXTON. And pushes back on behalf of shareholders and other folks and account holders?

Mr. SCHARF. Congresswoman, I absolutely believe that boards have to be independent and push back whenever appropriate on the management team.

Ms. WEXTON. Thank you very much. I yield back.

Chairwoman WATERS. The gentleman from North Carolina, Mr. Budd, is recognized for 5 minutes.

Mr. BUDD. Thank you, Madam Chairwoman, and thank you again, Mr. Scharf, for being here today.

So who knew, 33 years ago, as a teenager in Advance, North Carolina, opening my very first checking account, with my dad taking me there, that it would be at First Union National Bank, later part of Wachovia, and then later Wells Fargo? And who also knew that it would be right next to my congressional office? So, this bank is important to me, not just for those sentimental reasons, but because it is important to my constituents, and to thousands and thousands of families there in my district. And it is also important because it is important to our economy.

I want to again thank you for coming a few months ago to meet with my staff and to talk about what you are bringing to Wells Fargo, and I want to commend you, from what I understand, on your fierce commitment to fixing the wrongs of your predecessors. It is not an easy matter to deal with, but I have no doubt in my mind that you are the right person for the job.

So, Mr. Scharf, in your day one letter to Wells Fargo employees, you stated this: "The seriousness of what we do brings tremendous responsibility. To that end, our top priority is to run the company with the highest standards of operational excellence and integrity. Risk, control, and compliance are the price of admission, and will always be the highest priority. We cannot serve our customers in the manner they, and all other stakeholders, expect of us if we do not operate the company to these standards."

So my question is, can you please elaborate more on some of the new standards you are putting in place at Wells, and how that will reshape the culture or the institution for the betterment of the consumers?

Mr. SCHARF. Thank you, Congressman. I do think it is extraordinarily important that there is clarity inside the organization of what is expected, and that starts with the management team and the responsibility and accountability that we take for either driving the success or the failures across the organization.

We have dramatically changed both the compensation and the performance management review system for our senior folks. I think if you look back historically at how we pay people, there was not the accountability that most people would expect, given the results that we have had.

When we look at what we are doing going forward, I think you will see a meaningful change in that. We carve out a specific piece of the individual's performance, the company performance, which we are very honest about, and then we say, "What are you doing in order to do the appropriate risk and control work?" To the extent people aren't doing that, and that includes the remediation on these consent orders, that can only be a takeaway. Because as you talked about in my note, I believe it is the price of admission. That sends a very powerful signal through the organization in a way that didn't exist before.

And I don't want to take up all of your time by going on about that one question, but I think if I had to say one thing which I think will set the tone inside the company, which is extremely different, I think that ranks towards the top.

Mr. BUDD. Very good. Thank you. So, a little more on incentives. It has now been several years since the bank's unauthorized scandal came to light. In that case, it was clear that the bank's sales culture was one of the root causes, and the bank has admitted as much.

Your predecessors ultimately failed to change the sales culture of the bank in an impactful way. How can you ensure that the culture shift that you are implementing at the bank will have a lasting and meaningful impact? I get what you were saying earlier, thank you, but how do we know that this is going to last and be meaningful?

Mr. SCHARF. Congressman, I do agree that we have to ensure that we don't just fix this problem once but we fix it everywhere inside the institution, and we have a systematic process to ensure it doesn't happen again.

In addition to all of the risk management controls that we have spoken about, that now are being built out across the whole company, we have just added a new role called our sales practice oversight officer, which looks independently at all of our sales practices across the entire company, is responsible for ensuring that we do not have any gaps in our practices, and ensures that they all operate in a manner which represents the way we want the company to be run in the future. That is not just looking and approving the plans, but it is ensuring that the right reporting exists and the right management processes exist to support the kind of behavior that we know we need at Wells Fargo.

Mr. BUDD. Just as quickly as possible, it is no secret that regulators were asleep at the switch when the bank was tied up with the scandal. What measures are you taking to ensure that all current and future practices are above board with regulations?

And it seems that I am out of time, so I would ask you to respond in writing. Thank you.

Chairwoman WATERS. The gentlewoman from Pennsylvania, Ms. Dean, is recognized for 5 minutes.

Ms. DEAN. Thank you, Madam Chairwoman. And thank you, Mr. Scharf, for being here. Like many of my colleagues here, I really do wish you well. Wells Fargo needs powerful leadership to right the ship and to correct the wrongs of the past. We have had a lot of conversation today about governance, about culture, about what is going on presently, a review of those systems and leadership moving forward.

What I would like to focus on is the people left in its wake, and the harms that have been done. As important as it is that you right the ship moving forward, I believe everyone who has been harmed by Wells Fargo is entitled to remedies, a full return of their damages.

We know from the OCC reports—and I will read just a part of it, from the Majority report, page 63—that one year after setting up a center of excellence, a customer center of excellence, the OCC found that the bank's remediation program is critical to the organization, as the current approach to remediation is inefficient, inconsistent, often lacks appropriate accountability, and takes far too long.

I am going to use one simple example, because I think personal stories often do it. In 2017, Samir Hanif had his car repossessed. It was under a loan from Wells Fargo. I think unbeknownst to him or duplicating to him was insurance sold, car insurance that he did not need, driving him into delinquency on the car. After paying hundreds of dollars to get the car back, he found that the greater harm to him was his credit score. He had lost 100 points on his credit score as a result of the corrupt, fraudulent practices of Wells Fargo. That is one case.

So my question is, in your own analysis, has your company done a full look-back on every single person who was harmed, whether it is the 3.5 million fake accounts; the fraudulent sale of car insurance; the wrongful disclosures, which your predecessor said came as a result of a computer glitch, a years-long computer glitch; the taking of people's homes improperly; the failure to modify mortgages improperly; lost houses; lost cars; lost creditworthiness.

How many people have been harmed, and are you looking individual by individual to know their damages and get them compensation?

Mr. SCHARF. Congresswoman, I share both the passion as well as the frustration. When we look at the things that we have done and the mistakes that we have made, it is one thing to say that we have made mistakes and we will make them better going forward, but we have to do the right remediation work. There is no question in my mind that we need to move faster and we need to be as complete as we possibly can in the thinking.

We have a significant number of people working on this, but with me coming into the company, and a new chief operating officer coming into the company, we want to take a fresh look at what that actually means.

Ms. DEAN. Well, that is what I am asking you. What have you commanded your team to do in terms of the—we are taking millions of customers.

Mr. SCHARF. Right.

Ms. DEAN. What have you commanded that they do in terms of looking at the harm? And I hate the word, "remediation." That sounds like something that you do out in the yard when there is a spill. This is damages to human beings. This is customers who have suffered harms. What are you doing to identify the harm and compensating them for that harm?

Mr. SCHARF. What I have directed our people to do is to take a fresh look at every one of the instances where we have harmed consumers, and to ask the question, have we sized the answer properly, and what can we do to make sure that the work is done much more quickly than it has been to date?

Ms. DEAN. Let me contrast what your predecessor said. For example, on mortgage foreclosures, he said that they took a look and where they had made some mistakes they sent $15,000 checks to people, and if they heard nothing back, they thought that was probably satisfactory. Is that your approach?

Mr. SCHARF. Our approach is to make sure that everyone who is harmed gets compensated properly.

Ms. DEAN. How do you calculate that? That is what I want to know.

Mr. SCHARF. Congresswoman, I would be glad to take that offline and talk about some examples of what that is, piece by piece.

Ms. DEAN. I would love to know that, but in a global way. So, each and every person gets compensated. Thank you very much, and I wish you well with your work. I sincerely do.

Chairwoman WATERS. Thank you. The gentleman from Texas, Mr. Gooden, is recognized for 5 minutes.

Mr. GOODEN. Thank you, Madam Chairwoman. I am going to yield my time to Mr. Steil. Thank you.

Mr. STEIL. Thank you, Mr. Gooden, and thank you, Mr. Scharf, for being here today. Wells Fargo needs strong, ethical leadership to turn the tide. The board thinks you are that person. I think time will tell. But I appreciate you being here today to talk about what you are doing.

In your day one letter to Wells Fargo employees, you wrote that your firm needs to be doing the following: "Set clear priorities and execute, execute, execute. Words are nice but actions are what matter. Priorities, strategies, and ideas are useless without clear execution."

I want to talk to you today about the priorities and about your execution, your leadership at Wells Fargo. Can you walk me through what your priorities are that have been set, and the status of those priorities? What are the most important priorities, and what needs to be achieved to fix Wells Fargo and restore the public trust? And importantly, what has actually been achieved and what has not yet been achieved? And for those that are unresolved, what is getting in the way of that successful execution?

Mr. SCHARF. Congressman, I think the most important thing that I did when I arrived at the company, when I talked about setting the clear priorities, is making sure that everyone understands that our first priority, by far, is to do all of the regulatory work that is required. We need to do it both because our regulators have asked us but also because it is the right thing to do to build the proper foundation.

It wasn't clear to me, inside the company, that everyone understood that, and when we looked at the activities that people were spending their time on, and where we were investing our money, it equally wasn't clear to me.

So setting that as a priority, and then as we go through our budgeting exercises and business reviews, asking the questions, are we doing everything that we should and putting the appropriate resources towards the activities? You wind up with a different answer, I think, than we had last time.

I think the way we go about managing these activities today is very, very different. The amount of time that I am spending on these activities is 70 to 80 percent of my time. We brought in a new chief operating officer, under whom all of the responsibility for driving the work across the company on the remediation now sits. He is probably spending 90 percent of his time on these activities.

We, as a company, are working together differently than we worked together before, and so the priority, the process, the people. And then if I were to dig down and talk about each of the individual consent orders and how we are going about thinking about doing the work, it is a far more professionally managed set of circumstances than it was when I got there.

This is just setting the framework for doing the work, and I remind everyone internally, all the time, that what we have done is we have put in place our ability to get the work done, but we have to go do it piece by piece. It is a lot. It is going to take a period of time. I have not committed to that period of time because I am not sure what it is yet. But we will stay as focused as we have to be to ensure that we get to the finish line on it.

Mr. STEIL. Thank you. A lot of my colleagues here have discussed concerns about the culture at Wells Fargo when you arrived, and it is well-documented about some of those abuses. Can you just touch on some of the recruitment efforts, in particular at the senior staff level, that played into Wells Fargo's efforts to change that corporate culture?

Mr. SCHARF. Sure. I think one of the problems that we had across the company is we didn't always put the right people in the right jobs. I said that in my opening remarks. The culture of the company was more family-like, and family can be good but family can be bad. Making the tough decisions about who really is capable and who is not capable, who is performing and who is not performing, is extremely important, at all levels in an organization, and I don't think we have done that as well as we could.

So if people don't have the right skills or don't have the right experience for things that we need, we need to get people who do, as long as we treat people with the utmost respect. So when we look at the people that we have brought in from the outside, or people that we promoted up from within, I think people, both inside and outside the company say that they fit the bill. They have the experience, they have the know-how, they have the proven ability to get the work done.

And so, again, we are set up with the right infrastructure now to get the work done, in a way that we weren't 4 months ago.

Mr. STEIL. Thank you very much. I appreciate you being here, and we will continue to observe the progress that you will be making. Thank you very much. I yield back.

Mr. SCHARF. Thank you.

Chairwoman WATERS. The gentleman from Utah, Mr. McAdams, is recognized for 5 minutes.

Mr. MCADAMS. Thank you, Madam Chairwoman, and thank you, Mr. Scharf, for being here today.

It was almost one year ago when another Wells Fargo CEO sat in that same chair, promising to turn the company around, and I will repeat to you what I told Mr. Sloan. I want Wells Fargo to succeed because I want these bad practices to cease, and for customers, for veterans, for small businesses, I want them not to be taken advantage of. I want Wells Fargo to succeed because Wells has 3,000 employees in my State, and I want those employees to be proud of where they work, and not to have a workplace that pushes them to act unethically or illegally. And I believe that you share these same sentiments.

So, Mr. Scharf, you generally accept that Wells Fargo failed its customers, failed its employees, and must do substantially better, correct?

Mr. SCHARF. Congressman, yes, I do.

Mr. MCADAMS. Thank you. Look, I am glad you answered that way because to answer otherwise would start us off on a very bad foot.

The extent of Wells' failures over the last decade runs far and wide. So, let's talk about how we do better. Before the hearing today, I re-read the note that you sent to all employees on your first day as CEO, and I really appreciated that note. One of the points you made in that communication was that Wells needed to move with a sense of urgency, and you said that all stakeholders expect you to move forward faster than ever, but at the top of that list is to remediate past issues.

And one of the things in the Majority staff report was that Wells Fargo's board and management prioritized financial and other considerations above fixing issues that were identified by regulators. Can you commit to me and to this committee that you will prioritize fixing the past mistakes of Wells rather than prioritizing short-term profits?

Mr. SCHARF. Congressman, these are the most important issues we have. We will prioritize them at the top of everything. I will not only commit to you here, I have told employees that verbally, I have told them that in letters, and I have told our shareholders that on an earnings call.

Mr. MCADAMS. Thank you, and we expect to see that happen, but thank you for your commitment to that.

Also in your note to employees was that your people set you apart, and that the best and brightest people work for Wells. I pressed Mr. Sloan on employee issues last year and the ability for employees to raise concerns, and his answers displayed a lack of understanding of the magnitude of the problem that he had at the company.

At the heart of the past Wells scandal, I think was a culture issue, a culture where profit was king and where employees didn't feel like they could raise their voices to flag concerning activities. Can you please tell me how you are soliciting employee feedback and incorporating the feedback into your plans?

Mr. SCHARF. Congressman, we do employee surveys, and even more important than actually doing the survey is making sure employees know that you read them, you listen to it, and you are going to do something about it. So I have spoken about the results that I have seen in the employee survey, and many of the actions that we have taken are a result of what we have seen.

We have town hall meetings. I host a town hall meeting every quarter of every employee inside the company, and I encourage people to give me feedback, and I get feedback. I get hundreds and hundreds and hundreds of emails any time I send something out, not just after those quarterly meetings, and even between them.

Mr. MCADAMS. And are you ensuring that employees can give that feedback anonymously? It sounds like they can give it outside of the ordinary chain of command, but also do so anonymously so they are not afraid of retaliation?

Mr. SCHARF. Congressman, absolutely. I get both signed as well as anonymous, and then we also have a hotline where people can talk to us anonymously.

Mr. MCADAMS. Thank you, Mr. Scharf.

Changing topics, one thing that has been dominating my discussions with constituents has been coronavirus and how best to prepare for its potential effects on families, our economy, and on our government. And as more employees are affected and forced to quarantine, the economic effects of that will weigh heavily on those individuals and on their families. How are they going to put food on their table, or how are they going to pay their mortgage, et cetera? How is a small business owner going to keep the lights on as his or her supply chain is disrupted?

Can you tell me what steps Wells Fargo is prepared to take to respond to this pandemic, and how it will assist its individual and small-business customers who are struggling due to lost income or business disruptions? Are there such things as loan forbearance, flexible repayment schedules, late payment fee waivers, et cetera?

Mr. SCHARF. Congressman, this is something that we are—we absolutely want our customers to look at us as a source of strength for them. We don't know where this ends, and it is something that we think about and understand the impact it will have on individuals' lives. And we do ask the question both for our employees as well as our customers, what can we do to be there for them?

So as of today—not as of today, but sitting here today, we have a number set up that we are publicizing to our customers where they can call us, and talk about their hardships. We will talk to them about extension of fees. We will talk to them about other things that we could do for their loans.

Mr. MCADAMS. Thank you, and I yield back.

Chairwoman WATERS. The gentleman from Wisconsin, Mr. Steil, is recognized for 5 minutes.

Mr. STEIL. Thank you, and I yield to my colleague, Mr. Gooden from Texas.

Mr. GOODEN. Thank you, Mr. Steil, and I thank you for being here, Mr. Scharf. I just have a few questions, and a yes or no will suffice, but feel free to answer as long as you would like. Is Wells Fargo the largest bank in the world?

Mr. SCHARF. No. Wells Fargo is not the largest.

Mr. GOODEN. Is it the largest bank in the Western hemisphere?

Mr. SCHARF. No, we are not.

Mr. GOODEN. What about North America?

Mr. SCHARF. No, we are not.

Mr. GOODEN. So not the United States either, I am guessing.

Mr. SCHARF. No, Congressman.

Mr. GOODEN. Of the banks that are larger than Wells Fargo, are you aware of any that were involved in a scandal of such magnitude as Wells Fargo's, and if so, about how many?

Mr. SCHARF. I am not aware of another bank that has had the extent of the issues that we have had.

Mr. GOODEN. I guess what I am getting at is, it is obvious that there are large banks in this country that are doing a pretty good job, and is it fair to say that Wells Fargo's problems are perhaps unique and you all are trying to get to a point where, like the other large banks in our nation, they are able to operate fairly smoothly and honestly, despite being large?

Mr. SCHARF. Congressman, I do believe that we have not been run the way we should be run, and our culture wasn't what it should be, but it is possible to change those things, and it is possible to run the company well.

Mr. GOODEN. I appreciate that, and I thank you for being here. I also wanted to kind of just make an observation. I am looking through some of the Majority's report, and it has been very helpful, and I appreciate all the work they put into it. Before I made that observation, I was just going to point out that we had the head of the OCC here last month, and kind of one of the overarching themes was that there was mismanagement going on and he was, to paraphrase, doing the bidding of the Trump Administration.

A report that this committee put out, a news release, on February 3, 2020, kind of really blasted the FDIC's and the OCC's plans to weaken components of the Volcker Rule. And in the press releases that I have read it made clear that they held these accountability groups, the FDIC, and the OCC, responsible for putting out the—for doing the wishes of the Trump Administration. So, they kind of blamed the Administration for decisions by the OCC.

The reason I bring that up is because when I look at this report, on page 23, Committee Staff Findings—and I don't dispute these findings; I am sure they are accurate—it says before the 2016 and 2018 consent orders, financial regulators knew about serious enterprise-wide deficiencies at Wells Fargo for years, without alerting the public.

Well, our great President was elected in 2016. And so, when I read all of these deficiencies and regulatory efforts, page 24, on April 19th, 2017, a report issued by the OCC's Office of Enterprise Government and the Ombudsman reviewing the OCC's supervision of the bank sales practices concluded that the OCC did not take timely and effective supervisory actions. The OCC failed to conduct comprehensive reviews in testing and monitoring systems and controls over sales practices between 2011 and 2014. That is right in the middle of the Obama Administration. I just can't help but wonder how this report would read if a Republican were in the White House during the years of mismanagement by the regulatory groups that just allowed this to go on. And so my conclusion that I would like to make is that the Trump Administration has really done a great job.

In their first 2 years, they have executed on enforcement action, and I think that things are really turning around, and I want to applaud the Trump Administration for their progress. I am disappointed that so much of this was apparently asleep-at-the-switch actions during the Obama Administration, but I wish you luck and

I thank you for coming here before us today. And I yield back to the chairwoman.

Chairwoman WATERS. The gentleman from Illinois, Mr. Garcia, is recognized for 5 minutes.

Mr. GARCIA OF ILLINOIS. Thank you, Madam Chairwoman, for holding this hearing along with the ranking member, and thank you, Mr. Scharf, for being here. In 2018, the Federal Reserve imposed an asset cap on Wells Fargo due to, in part, pending compliance issues at that time. Despite this, Wells Fargo remains one of the country's biggest banks, but that wasn't always the case. In 1998, Wells Fargo merged with Northwest. In 2017, the independent directors of Wells Fargo released a report on the company's sales practices, and they found that the company's focus on cross-selling and aggressive sales goals came largely from Northwest. Mr. Scharf, is that correct to your knowledge?

Mr. SCHARF. That is what I have been told, but I don't have any evidence of that.

Mr. GARCIA OF ILLINOIS. In the decade after the Northwest merger, Wells Fargo acquired the National Bank of Alaska, First Security Corporation, HD Vest Financial Services, Placer Sierra Bank, Greater Bay Bancorp, United Bank Corporation of Wyoming, and on and on, but you get the point. Lots of mergers. Then in 2008, Wells Fargo acquired Wachovia, doubling the size of the bank. Is that correct, approximately?

Mr. SCHARF. I believe so.

Mr. GARCIA OF ILLINOIS. Again, according to the independent directors report, Wells Fargo's "sales-oriented culture" quickly spread through Wachovia branches. Is that correct?

Mr. SCHARF. I do believe the Wells Fargo management model was implemented in the Wachovia branches, yes.

Mr. GARCIA OF ILLINOIS. So from my perspective, these constant acquisitions have not only made Wells Fargo bigger and more complex, but have also brought irresponsible and illegal corporate practices to more and more customers, thus the consent pieces that are out there. Mr. Scharf, if the Federal Reserve releases Wells Fargo from its asset cap, will you commit to not pushing for more acquisitions?

Mr. SCHARF. Congressman, I am not thinking about anything like that today. What I am thinking about is the work that we have to do, and I think that there are examples, plenty of examples of acquisitions that have taken place where companies have been run properly. Our issues relate to the fact that we didn't have the appropriate management in place. We didn't have the appropriate controls in place. We didn't have the appropriate risk infrastructure in place.

Mr. GARCIA OF ILLINOIS. As you have pointed out, so that of sort of sounds like a no to me. But, frankly, Wells Fargo, unchanged by your response, continues to illustrate how endless acquisitions and mergers are dangerous. That is why I introduced, with Senator Warren in the Senate, the Bank Merger Review Modernization Act, to stop the rubber stamping of bank mergers. Between 2006 and 2017, the Fed reviewed 3,819 bank merger applications. It approved all of them.

As banks get larger and larger, they become more difficult to manage, as I am sure you will experience, to regulate and enforce existing rules, and they risk becoming too-big-to-fail and put our entire economy at risk. This endangers all of us, but especially working-class families like the ones that I represent in Chicago and a part of the suburbs. After the 2008 crash, dozens of my friends, neighbors, and constituents were foreclosed on. We sold my parents' flat. The impact of big banks' greed wiped out wealth for millions, including more than half of the wealth that Black Americans owned in our country. We cannot let that happen again.

My bill requires Consumer Financial Protection Bureau approval of mergers, requires regulators to evaluate systemic risk factors of proposed mergers, requires disclosure of discussions between institutions and regulators that go on before the merger is filed, and more. We need this bill so that what happened at Wells, illegal practices on an enormous scale, won't happen again. Thank you, and I yield back, Madam Chairwoman.

Chairwoman WATERS. The gentleman from New York, Mr. Zeldin, is recognized for 5 minutes.

Mr. ZELDIN. Thank you, Chairwoman Waters and Ranking Member McHenry, for holding this hearing. Thank you, Mr. Scharf, for being here today, and for your testimony. We met recently, and I found you to be highly motivated to do a good job, genuine, and candid with all of your answers. And as someone who represents the 1st Congressional District of New York, where you have been spotted from time to time on the beautiful East End of Long Island, we are proud to see you in the position that you are now.

I wanted to talk to you a little bit about some of the veterans' issues that I had discussed with your predecessor the last time he was here. You can't be blamed for what happened before you arrived, but you are here today to answer questions about the path forward, and that is much appreciated. You have publicly highlighted initiatives that you are undertaking, including a flatter line of business organizational structure that reorganizes leader responsibility specifically by creating five principal lines of business to ensure clear authority, accountability, and responsibility. It is clear you want to communicate progress, but also be upfront about what went wrong. Under previous leadership, Wells Fargo had an unfortunate history of wrongly treating active-duty servicemembers and veterans. For example, it has been widely documented that the bank improperly repossessed cars from active military servicemembers and overcharged veterans for refinancing their mortgages. Can you elaborate on some of the initiatives that you have been working on to help veterans in the wake of the scandal?

Mr. SCHARF. Yes, thank you, Congressman. First of all, I should start with just the statement that we have zero tolerance for Servicemembers Civil Relief Act (SCRA) errors inside the company. The things that you described, as well as some of the other things that others have described, and the harm that we have caused is completely inexcusable, and just flies in the face of who we should be as a company.

Specifically, for current members of the military and former military, we have the utmost respect for what they do. And so, we have to make sure that for that population, as well as for other populations, that we have all of the right controls in place. What I believe that we have in place and is effective at this point is a centralized group to review all of those that are covered by SCRA to ensure that those mistakes where harm was caused doesn't happen again.

As we continue to go through my process of reviewing the company piece by piece, we will go and look at that to ensure it is as robust as it needs to be across all the businesses inside the company. I am told that people believe that is the case today, but we will verify it.

Mr. ZELDIN. Thank you, and I appreciate a continued open line of communication between you and not just myself and my team, but everyone on this committee on that issue, which is close to my heart, as I would imagine it is for everyone on this committee. Transitioning a little, I just wanted to talk about a topic that is of growing concern to me and my constituents, which is the de-banking of legitimate, lawful businesses due to pressure from social activists.

I will give you an example. I am the proud leader of H.R. 5595, the Israel Anti-Boycott Act, which would prohibit boycotts or requests for boycotts imposed by international governmental organizations against Israel, and would protect American companies from being coerced to provide information to those organizations for the purpose of furthering boycotts against Israel. This legislation does not impede the right of any individual American to boycott or criticize Israel. It is okay to have reasonable, legitimate criticism of any government, including our own, or our allies like Israel, but this hate-fueled movement is not all about affirming the rights of Palestinians. Likewise, the pressure and coercion from those cloaked under the guise of social activism to de-bank lawful, legitimate businesses in the U.S. is not only wrong, but I worry this type of tactic could seep into insidious movements, like the boycott, divestment and sanctions (BDS) movement, when it comes to pressuring those who provide financial services.

I understand you are running a bank, and that lending requires discretion in underwriting, but can you assure me that Wells Fargo's internal processes will not discriminate against creditworthy individuals and businesses, no matter how those in the public with loud, extreme opinions may try to cut off access for them?

Mr. SCHARF. Congressman, we intend to treat all individuals fairly.

Mr. ZELDIN. Thank you. There has been an immense amount of public power in government, advantages entrusted to banks to facilitate commerce, and they should not abuse those privileges acting as de facto regulators. My time is up, so I yield back.

Chairwoman WATERS. The gentlewoman from Texas, Ms. Garcia, is recognized for 5 minutes.

Ms. GARCIA OF TEXAS. Thank you, Madam Chairwoman, and thank you for holding this very important hearing so that we have an opportunity to visit with the CEO of Wells Fargo Bank. And, Mr. Scharf, I know that we were originally scheduled to have you come by the office to visit, and it got canceled and not rescheduled, so could we work on that?

I wanted to quickly ask you, on February 12th, Wells Fargo announced that it would no longer require mandatory arbitration for future sexual harassment claims by employees. I applaud you for that. I think that is a step in the right direction. However, Wells Fargo still includes mandatory arbitration provisions in their credit card agreements and in their consumer account agreements. When can we see changes there? This body has passed a bill to end arbitration clauses in contractual agreements. I know that I personally have been forced to sign some, and I didn't want to. So, when can we expect you to remove those clauses from those type of agreements?

Mr. SCHARF. Congresswoman, as you pointed out, we did make those changes to employees regarding sexual harassment. We have also been able to settle the sales practice exams without referring those to arbitration as well, so there are places that we have looked around the company. We want to have a process in place that is fair and effective for both employees and our customers, so this is something that we have just started to look through, and there is nothing more to report on that today. But as we continue to think about it, we would be willing to continue to engage with you on the topic.

Ms. GARCIA OF TEXAS. Great. So was this a practice that you also maintained in your previous employment in the banking industry?

Mr. SCHARF. I don't believe BNY Mellon had arbitration, but I am not exactly sure.

Ms. GARCIA OF TEXAS. Could we check on that, too?

So you are saying today that you can't commit to get us on the right track on those particular agreements?

Mr. SCHARF. Congresswoman, I believe that we have a goal of being fair and effective in how we handle disputes with our customers and our employees. There are different ways to accomplish that, and we are going to look and determine what we think is the best way to do that.

Ms. GARCIA OF TEXAS. Well, this body has found that arbitration clauses were not fair to the consumer, and I can tell you as a consumer myself, I find them really repugnant, and as an attorney and a former judge, I find them repugnant. I know that you also deny consumers the right to participate in any class action lawsuits or class arbitrations against the bank. Is that true, and when can we see a change in that?

Mr. SCHARF. Congresswoman, I don't know the specifics of that.

Ms. GARCIA OF TEXAS. You don't?

Mr. SCHARF. I do not.

Ms. GARCIA OF TEXAS. Okay. Well, when you go back to your office, could you check into that or add it to your list, so we can work on that also?

Mr. SCHARF. I would be glad to talk to you about that.

Ms. GARCIA OF TEXAS. Well, great. Thank you. Now, I want to go back to an answer that you gave to one of my colleagues earlier when we were talking about a lot of the accountability issues with the prior management of the bank. And you said that you will no longer use any reviews based on sales, that you would be focused on customer service, and that you would look at balanced growth. What does that mean?

Mr. SCHARF. Congresswoman, I was referring to the incentive plans that have been changed, specifically in the consumer bank, where the meaningful part of the compensation was based upon sales goals that led to this behavior. Those have been removed, and there are now several different pieces that go into the evaluation, one of which is customer experience. The second has to do with balances that exist inside the customer accounts.

Ms. GARCIA OF TEXAS. You mean the dollar balances, or what kind of balances are you talking about?

Mr. SCHARF. Yes, the balances. The dollar balances.

Ms. GARCIA OF TEXAS. So, they will score more points on their reviews if they handle a $1 million bank account versus a consumer account of $100?

Mr. SCHARF. No. Instead of just looking at the numbers of accounts, because the numbers of accounts is a big part of what led to the problems that existed, we want to attract more balances inside of the branches. We have different bankers who cover different customers at different wealth levels so that we aren't judging those who deal with—

Ms. GARCIA OF TEXAS. But you are not suggesting that the bigger the bank account number, the better treatment that person is going to get?

Mr. SCHARF. No, absolutely not.

Ms. GARCIA OF TEXAS. And if the average Joe walks in with a $200 bank account, they are not going to get treated differently because the person reviewed is going to get more points for the higher value?

Mr. SCHARF. They should not be treated differently.

Ms. GARCIA OF TEXAS. Thank you. Thank you, Madam Chairwoman. I yield back.

Chairwoman WATERS. The gentlewoman from California, Ms. Porter, is recognized for 5 minutes.

Ms. PORTER. Mr. Scharf, have you seen, "Harold & Kumar Go to White Castle?"

Mr. SCHARF. Excuse me?

Ms. PORTER. Have you seen the movie, "Harold & Kumar Go to White Castle?"

Mr. SCHARF. No, I have not, Congresswoman.

Ms. PORTER. There is a famous scene in that movie where Neil Patrick Harris borrows a car and completely trashes it. And Wells Fargo lends money to consumers to buy cars, and Wells Fargo wants the consumers to take good care of the car. That is the collateral, protect that value, but there is always this Neil Patrick Harris risk. Someone crashes the car, defaults on the loan, and the value is not enough, and there is a risk of a loss. To guard against that loss, Wells Fargo has consumers pay for GAP waivers. "GAP" stands for "guaranteed asset protection," and the GAP waiver cancels the remaining balance on the loan if the regular auto liability payout after the car is damaged is insufficient.

But when someone pays off the loan, there is no need for that GAP waiver. There is no need for debt cancellation because the debt is paid off, but you, Wells Fargo, keep charging for that GAP waiver. You didn't tell consumers after they paid off the loan early that you owed them money back, about $350 each. Effectively, the bank stole this money from 1.7 million consumers nationwide, leaving Wells Fargo sitting on over $600 million in ill-gotten gains. How much of that $600 million that Wells Fargo owes consumers in GAP overcharges has been returned?

Mr. SCHARF. Congresswoman, I don't know the exact number, sitting here, of what we have returned.

Ms. PORTER. Okay. The chart on the side, this is how much you owe, $600 million. This is how much you have returned, zero. You told me in my office that Wells Fargo in the past has been penny wise, but pound foolish, and I agreed, resisting doing what is right and paying consumers. And I really saw that when I was the monitor for the State of California during the foreclosure crisis. So if you are here today to tell us that Wells Fargo has changed its ways, you should have no problem committing to giving these people their own money back in terms of GAP overcharges. Will you commit to give them their money back?

Mr. SCHARF. Congresswoman, there is no question if we have harmed customers, then we should, in fact, do that, and we will go back and take a look at the specific example and understand why it hasn't been done, and how we can move quickly to rectify it.

Ms. PORTER. This is the pleading in that case that is pending in which Wells Fargo is currently arguing that even though it charged people for many years of GAP insurance, and the consumer paid off the loan early, they have not, in fact, refunded that GAP insurance. And that $350 means a lot. It is 18 bags of groceries for families. So I would love you for you to commit to doing that. I also wanted to ask you, have you heard of the song, "Mammas, Don't Let Your Babies Grow Up to be Cowboys?"

Mr. SCHARF. I don't believe I have.

Ms. PORTER. It is written by an American hero, Willie Nelson. I have three kids, Mr. Scharf, and I am thinking of writing a new song, "Mammas, Don't Let Your Babies Grow Up to be Bank Tellers." Mr. Scharf, how many of your tellers are currently receiving public assistance in this country?

Mr. SCHARF. I am not aware, Congresswoman.

Ms. PORTER. Right now, one-third of bank tellers in the United States receive public assistance. Madam Chairwoman, I would like permission to enter into the record the study from the University of California-Berkeley that shows that the cost of public benefits to families of bank tellers is almost $900 million per year.

Chairwoman WATERS. Without objection, it is so ordered.

Ms. PORTER. So, taxpayers are subsidizing Wells Fargo's wages to the tune of $900 million per year. I don't want my kids to grow up and be Wells Fargo tellers because, statistically speaking, one of the three would end up needing public assistance. Is Wells Fargo profitable?

[No response.]

Ms. PORTER. Is Wells Fargo profitable?

Mr. SCHARF. I believe it is, yes, Congresswoman.

Ms. PORTER. You believe it is? It is $19.5 billion last year, so we can round that up to $20 billion. That is profit. So the bank can afford to pay its tellers significantly more. Do you think the hard-working taxpayers of this country should be shoring up Wells Fargo's teller salaries when the bank has profits of $20 billion a year and paid out $30 billion in buybacks and dividends last year?

Mr. SCHARF. Congresswoman, I believe we should pay people fairly, and I believe the actions that we have taken, especially recently by raising the minimum wage, does, in fact, do that. We also in addition to compensation—

Ms. PORTER. You raised the wage only in high-cost areas, however, not across-the-board.

Mr. SCHARF. Excuse me?

Ms. PORTER. You raised the wage only in high-cost areas, not across-the-board.

Mr. SCHARF. We raised our wages in four different tiers.

Ms. PORTER. With that, I yield back.

Chairwoman WATERS. The gentleman from Illinois, Mr. Casten, is recognized for 5 minutes.

Mr. CASTEN. Thank you, Madam Chairwoman. And thank you, Mr. Scharf, for the long day here. I want to shift a little bit to some of the recent market activity specifically in the oil sector, and I am an energy guy by history. I don't want to make too much of one-day volatility, but certainly the fact is clear after yesterday's news that Russian and Saudi interests are not aligned with our own, and we need to brace ourselves for a potential downturn. As I am sure you know, in the 2016 period, Wells Fargo, your energy fund was exposed to significant losses because of the Cubic Energy bankruptcy. And what I would like to understand is how much capital exposure does Wells Fargo currently have exposed to the oil and gas sector?

Mr. SCHARF. Congressman, I don't have that number sitting right here. The last time I looked, I looked at our exposure as a percentage of our total loan exposure, as well as our percentage of equity, and it looks similar to what the other larger banks have.

Mr. CASTEN. Okay. And you tell me if this is right. If there is exposure, would it all be in the, I guess you now call it the Wells Fargo Energy Group? Is that where all the energy lending would take place?

Mr. SCHARF. I am not sure, Congressman.

Mr. CASTEN. Okay. This is from your website. It is an October 2018 report, so I don't know if it is right, but it says that you have $42 billion committed to public and private companies across the upstream, midstream, and downstream services. And if I am just looking at this, it says 41 percent in exploration and production, 15 in midstream. If I think exploration production pipelines, that is perhaps $23 billion of exposure to this space. Does that feel about right to you? And I am trying to do the math in my head. I am not trying to put you on the spot.

Mr. SCHARF. I will take your word for it, if you have the document, Congressman.

Mr. CASTEN. Okay. Do you have any sense of how much of that is in equity versus debt?

Mr. SCHARF. No, I don't, Congressman.

Mr. CASTEN. Okay. And, again, I am just trying to do the math. In your most recent 10-K, it said that your total loan portfolio for oil, gas, and pipeline was $13.56 billion. I am assuming that is just the debt side. So is it a reasonable guess that there is maybe $10 billion in equity, ballpark?

Mr. SCHARF. Congressman, I don't know the specifics sitting here today.

Mr. CASTEN. Okay. Can you estimate on the debt side how much would be second lien versus senior debt?

Mr. SCHARF. No, I can't sitting here today, Congressman.

Mr. CASTEN. Okay. Well, I suspect we are going to have a lot of you don't knows, but if you could get back to us on all these. Do you know how far the oil price would have to fall for your senior loans to be in technical default, just on an asset-to-value test?

Mr. SCHARF. Congressman, we have a risk function and a business function that I am sure has run models like that specific question that I don't have the answer to.

Mr. CASTEN. Okay. I won't hold you to this. Do you have any general sense, given the oil market volatility right now, how concerned your risk function is about that oil market volatility?

Mr. SCHARF. Congressman, there is certainly a heightened degree of activity around the oil and gas exposures that we have. We took those exposures, we took them in the context of what we thought the risk we could tolerate, and so beyond that, I can't answer additional questions on it.

Mr. CASTEN. Okay. Well, do you think your exposure is sort of representative of the industry, the broader banking industry?

Mr. SCHARF. Again, I can't speak for the rest of the industry, and I don't know the specifics of their exposures.

Mr. CASTEN. Do you have any idea how much you have reserved for potential losses in the sector?

Mr. SCHARF. I don't sitting here today, and I am not sure it is something I would want to share broadly anyway.

Mr. CASTEN. Okay. Well, I will follow up, so if you could get answers back to me in writing, I would appreciate it.

What I am trying to understand is what is this systemic risk created to the entire banking sector, of which you are a participant, if there is a sustained reduction in the value on the books of the oil companies in this country. When Cubic Energy went bankrupt, Jon Ross, and, again, where you took a complete wipeout on the equity, John Ross, their vice president of operations, said, "What is really worth anything at $40 oil and $2 gas? It is hard for me to say right now." Now, the answer for the equity holders, including Wells Fargo, was zero.

As of today, West Texas crude is at $34, and natural gas, Henry Hub, is at $1.90. It is a concern for me that you don't know. I realize this is just recent news, but if you could get back to us with some sense of what the exposure is, and how concerned we should be about broader market exposure in the banking sector, I would appreciate it.

Mr. SCHARF. Congressman, I can assure you that it is a topic of conversation inside the company.

Mr. CASTEN. Thank you. I yield back.

Chairwoman WATERS. The gentleman from Colorado, Mr. Perlmutter, is recognized for 5 minutes.

Mr. PERLMUTTER. It's good to see you, Mr. Scharf. I have sort of three questions, two that kind of follow along Ms. Porter's questions and then Mr. Casten's questions, and one more general question about the company. A wise man once told me that problems don't age very well, and this GAP insurance, the guaranteed asset protection, where Wells Fargo has received a premium to cover the loss of a car, then the car is either sold and Wells Fargo is paid off, or they refinance it, the car is paid off, Wells continues to hold that full premium, and there are cases out there brought against the company to recover that. They are small-dollar amounts, and as somebody who has been outside counsel to financial institutions, your outside lawyers are going to say, we can fight this, we can require arbitration, we can make everybody come in to get their $322. And you know what? We will be better off as an institution. But I would remind you of this by saying problems don't age very well, and as chief executive officer, I would just ask that you consider Ms. Porter's discussion and also that pleading, and take a look at just getting it settled, because these things need to get behind the bank, which brings me to sort of my second point.

I think the thing that really has been difficult for both the Democrats and Republicans is just the series of consent orders, the delay from the first one to today. And, the question, I think, both reports to different magnitudes, is there was an issue with management, issue with the boards, issue with the regulators. And I think for us, the question is, were the board of directors derelict in their duty, or is the culture of the company such that it is difficult to get your arms around it, or is this company too big to manage? And I would just like to get your response to that.

Mr. SCHARF. Thank you, Congressman. I think it is absolutely possible to run a company like Wells Fargo well, and there is a series of things that we haven't done to categorize itself as running well, and that is evident in our lack of ability to make progress in some of these activities that we have spoken about today. Our culture did work against us. It is not what it needs to be. We haven't had the right management structure of the company in place, we haven't had the right people in place, and we certainly didn't have the right priority set across the company. And then, I have also spoken today about the fact that we didn't have the right accountability for people then to be able to map what those priorities were and what it meant for them. I think when you put those things together, and you get the right people in the right seats, and you run the company very differently, it is possible to have a very different outcome than we have seen.

Mr. PERLMUTTER. Okay. The last one is, well, and the proof will be in the pudding. Further delays are only going to be problems that continue to age and are not good for the company. I have been a customer of the bank for 40 years, and I have had some of those issues in my own accounts, so I want to see the company right its ship and just do good.

The last thing is the softball I want to give you, and that is, if you were sitting up here, and you have coronavirus, and you see small businesses as potential victims of a recession—the tourism industry, hospitality—and then you couple that with this fight between Russia and Saudi Arabia on oil, if you were sitting up here as a Member of Congress on the Financial Services Committee thinking that a recession is a potential, what should we be looking for in the financial sector generally to help stem off something that would get worse?

Mr. SCHARF. Congressman, I would certainly look and ask the question, what are the banks doing in order to do what they can to support all of the individuals who are affected by this? We don't know how far it will go, but we know that it is significant, and we know that there are things that we can do to help the individuals, both at our own companies, the consumers who are our clients, but also the impacted consumers of the corporations that we do business with.

Mr. PERLMUTTER. And sort of a last point, those who could be really affected—some things were done by your bank during our shutdown. I would ask that you consider doing some similar things to help those affected individuals. Thank you.

Chairwoman WATERS. Thank you. The gentlewoman from Michigan, Ms. Tlaib, is recognized for 5 minutes.

Ms. TLAIB. Thank you, Madam Chairwoman. First of all, I do think it is important that many folks understand that I think what our chairwoman is trying to do is not called intimidation. It is called doing her job. This report alone is doing her job as chairwoman of Financial Services and as somebody who epecially oversees actions by banks like yours, that many people are calling it a cultural issue, right? It is called cheating. The definition of "cheating" is to act dishonestly or unfairly in order to gain an advantage. I don't understand why we are calling it culture when it is a criminal scheme.

Page 13 of the report alone, what you did to servicemembers in our country who were facing evictions is a loan, something that to me is just a criminal scheme that you all got away with. And understandably, my colleagues will try to be a little bit more forgiving, but when somebody in my community, a resident, defrauds the government, they actually go to jail. They get prosecuted. So, I am really taken aback by folks who don't understand the consumer abuse by the company and dismissing it, and kind of belittling it as a cultural issue. It is not. It is a criminal scheme. You all got caught doing something that was extremely disgusting, and that disadvantaged so many of our folks, especially front-line communities like mine.

Your predecessor at Wells Fargo made about $18.4 million in 2018. Did you know that?

Mr. SCHARF. I have read that, yes.

Ms. TLAIB. Yes. You do know that is 283 times more than the median income for your employees?

Mr. SCHARF. Yes.

Ms. TLAIB. So my question to you is, do you think it is appropriate for a bank caught cheating to not address the excessive executive pay at Wells Fargo, at the bank you now oversee?

Mr. SCHARF. Congresswoman, I am focused on making sure that we treat everyone fairly going forward.

Ms. TLAIB. Yes, let's talk about that. Do you know that when you don't pay a living wage to our residents, many of whom are your employees, that they end up going on assistance? So, we have to cover health coverage maybe that you all don't provide, adequate health coverage, or they have to get a second job. And that is something you should absolutely write down, Mr. Scharf, and find out what is actually happening in the lives of the people who serve in your company.

One of the things that I have been trying to figure out is, is there an amount of CEO pay that you would consider inappropriate? So yes or no, would you recommend that you or any other bank executives should have to forfeit some of your own compensation to pay any penalties Wells Fargo faces under your leadership?

Mr. SCHARF. Congresswoman, I think all of the activities that occur should be factored into the CEO's compensation.

Ms. TLAIB. How many CEOs has Wells had since all this began? I am looking at the dates here. It has been 10 years, and people are trying to say this is an issue with our chairwoman. That is 10 years of doing this to real people who lost their homes, lost their lives. This stuff is probably still on their credit report while you still settle out of court and get away with it.

I have a CEO tax bill, and it is really important—I encourage my colleagues to look at this, because I think it is critically important—the Tax Excessive CEO Pay Act that I co-lead with Representative Lee and Senator Sanders. This bill would actually put a penalty on all banks and corporations with big gaps between CEO and worker pay. It is important that we give banks and corporations incentives to end practices that put all of us at risk. I say this to you all because I am really tired of subsidizing, I mean, literally subsidizing for you all not even paying a living wage to the residents who work for the company, and, on top of that, you are actually also around the corner scamming them.

And I am not convinced, and it is no fault of your own, Mr. Scharf, or maybe it is because you chose this role, coming here and continually saying, "That was before my time." If I went to my community in 13 District strong and said to them, "I just got here, I don't know," they would literally just push and hold me accountable and say, "You need to know." So we are telling you, you come before this committee, you should have been much more prepared and acknowledging and owning what this company has done before, because that is not changing culture when you don't even acknowledge that that is exactly what you inherited, is a criminal scheme by your company that is literally leaving people on the streets.

And this is not personal, Mr. Scharf. This is literally, like, life and death for our residents at home. So when you come here and you don't have answers, then it is really a disgrace, and, honestly, it is disrespectful to this chamber. You cannot come here and continue to say, "I am new." That is not the right answer. It should be—

Mr. SCHARF. Congresswoman, I am sorry you feel that way. I think I have provided many answers about what I am doing.

Ms. TLAIB. Thank you, Madam Chairwoman.

Chairwoman WATERS. The gentlewoman from Ohio, Mrs. Beatty, who is also the Chair of our Subcommittee on Diversity and Inclusion, is recognized for 5 minutes.

Mrs. BEATTY. Thank you, Madam Chairwoman. And thank you to the witness. I am interested in how you plan to run the bank. So, first, let me start with, did you know what you inherited when you took this job? And mine are going to be yes-or-no questions to move us along. You have had a long day. But did you know? Do you think you were adequately prepared to know what you were inheriting? Yes or no?

Mr. SCHARF. I was—

Mrs. BEATTY. Yes or no?

Mr. SCHARF. I was as prepared as I could be. It is not—

Mrs. BEATTY. So, is that a yes? You were adequately prepared. Is that a yes?

Mr. SCHARF. I was as prepared as I could—

Mrs. BEATTY. Okay. So, that is a no. Can you tell me if you think you were adequately prepared for this hearing today? Yes or no, please, and it is for the sake of time. I have waited a long time.

Mr. SCHARF. I have done the best that I can for the 4 months I have been there.

Mrs. BEATTY. So were you adequately prepared by your team for this hearing? Yes or no?

Mr. SCHARF. Congresswoman, that is for others to determine.

Mrs. BEATTY. No, I am asking you. You are sitting in the chair. You are our witness. Do you think you were adequately prepared? And this is not a "gotcha" question.

Mr. SCHARF. I believe I was—

Mrs. BEATTY. Okay. So, then you—

Mr. SCHARF. —but I think that is for others to determine.

Mrs. BEATTY. Then, let me ask it this way. What do you believe? Do you believe you were adequately prepared?

Mr. SCHARF. Yes, I do.

Mrs. BEATTY. Thank you. Now, are you familiar with the interests of the subcommittee Chairs on this committee? Do you know what subcommittee I Chair?

Mr. SCHARF. You Chair the Diversity Subcommittee.

Mrs. BEATTY. Okay. So, see, that is a thank you. It appears that you were adequately prepared to know what I Chair. Did you read the Wells Fargo report that was submitted to my subcommittee?

Mr. SCHARF. No, I did not, Congresswoman.

Mrs. BEATTY. That is disappointing, and I am very serious, so now I can answer the question. You were not adequately prepared. For you to come here and say to me one of the biggest things that we are doing is moving this needle, then you want to understand why people ask you questions, because when we talk about moving the needle for inclusion, we are also looking at closing the wealth gap. We are looking at pay equity. It is far beyond race and ethnicity and gender. It is about rural people. It is about veterans. It is about how we move the needle to make sure that people have equality and not injustices. I am very sad because you can't answer half of the rest of my questions since you didn't even take the time to look at the report.

I have been very consistent. I have asked the same questions for the last 6 years to every CEO who has been in his room. This is my life mission, to make sure that women and minorities, and, specifically for me, African Americans, stand a fair chance in the world that you operate in and in the world that you run. So from the transcript, when they talked about hiring you, I don't know if you will remember this, but let me quote. It said that you were passionate about diversity and inclusion, and that you were committed to work with a talented management pool of people, and then you answered and said you were excited to come on board to do those things. See how I am connecting the dots? If they thought you were passionate and committed to diversity—

Mr. SCHARF. I am, Congresswoman.

Mrs. BEATTY. —and inclusion, and yet you don't read or look at the DNI report, and you knew you were coming before this committee, and I have asked every single person the same question. So, let me ask you this. Can you give me a commitment as you are talking about cleaning the house, bringing on new people, do you or will you have a diversity and inclusion executive on your team? Yes or no?

Mr. SCHARF. Yes.

Mrs. BEATTY. Do you have one?

Mr. SCHARF. Yes, we do.

Mrs. BEATTY. Does that person report to you?

Mr. SCHARF. No, she does not.

Mrs. BEATTY. Wrong answer. If you really believe in diversity and inclusion, that person, especially with all the inequities that you have in the lack of addressing the questions that my colleagues have asked, you should look at that person reporting to you. Now, you have a seat on the board. I get the point that you don't serve on the nominating committee. So the question to you is, will you push for something like the Rooney Rule, sitting there as a board member, or do you even know what the Rooney Rule is? Have you heard of it?

Mr. SCHARF. I do, and—

Mrs. BEATTY. So then, you know the Rooney Rule. I have a piece of legislation, thanks to our chairwoman, called the Beatty Rule that was put into legislation and actually passed. Will you participate in doing that? Yes or no?

Mr. SCHARF. I can certainly have the conversation. I would be supportive of it, but it is the board's decision.

Mrs. BEATTY. How many people of color and women and other diverse people are on the board?

Mr. SCHARF. Thirty percent are women and 20 percent are diverse.

Mrs. BEATTY. Sorry. My time is up, and I yield back.

Chairwoman WATERS. Thank you very much. Before we adjourn the hearing, I yield 4 minutes to the gentleman from North Carolina to close.

Mr. MCHENRY. Thank you for your testimony today, Mr. Scharf. First, I think we have to say that you have outlined an aggressive plan for the institution that is needed. You will be held accountable by your regulator. You will be held accountable by your board. You will be held accountable by your shareholders, and you are certainly going to be held accountable by those who make the law here on Capitol Hill and have oversight over those regulators.

What is clear is in the history of your institution, wrong was committed, but this hearing today was about the forward-looking nature of this. So I want to be clear about the legislative side of this and how we got here today. There have been five reports issued by this committee, three by Republicans, and two by Democrats. Now, we had access to the same information from the Majority and Minority. After the Wells Fargo sales practice scandal came to light in 2016, the committee's Republican chairman opened an investigation. That was Jeb Hensarling, when the Republicans were in charge of the House. He called the CEO to testify and requested documents and information from your company and the company's regulators.

All told, Mr. Hensarling obtained about 170,000 pages of documents from your institution and from regulators. He had to issue subpoenas to get some of those documents. He had to issue subpoenas to get documents from our regulators that we have oversight over, and that was during the Obama Administration. So, Democrats were in those jobs, but it had to be a Republican subpoena to get that information. But both the Majority and the Minority at the time get those same documents, so we have that same sort of insight into this process. At the time, the Democrat Minority issued a report. Republicans issued two reports during that last Congress.

Fast forward to 2019, and Democrats are now in charge of the House of Representatives. The changeover is at the regulators as well. We had a request for additional information from Wells and the regulators, and another 370,000 pages were turned over without a single subpoena from your institution or from regulators. Now, the key difference is that every single one of those pages came without a subpoena from the regulators. That was different under the Trump Administration than it was, for instance, under Richard Cordray and the CFPB where we had to subpoena those documents. Now, this CFPB and this Director freely handed those documents over, necessary documents for us to have oversight over your institution, and ensuring that our laws are appropriate and the enforcement is appropriate.

So between us, we obtained about a half a million pages of documents that both the Democrats and Republicans on this committee have. We have key findings of fact that are a real indictment for your institution, Wells Fargo, an absolute indictment for your institution. Key findings of fact of wrongdoing, breaking laws, not adhering to regulation, failing to comply with consent decrees, failing to comply with what the institution pledged. So, we agree on those facts.

Now, we come to two different conclusions about how to deal with your institution and institutions of your size, and that becomes a decision for policymakers to make on what to do about those key findings of facts. And we have a disagreement, and that is an honest disagreement between Republicans and Democrats, but the key findings of facts were bipartisan in nature. So, we know that. Now, it is a question of what to do with it. I think we need to have strong oversight of you. You need to have better management practices and adhere to existing law, and we can continue to go along with the current law and legal structures that we have for institutions of your size. With that, I yield back the balance of my time.

Chairwoman WATERS. Thank you very much. Before we conclude today's hearing, I yield myself 4 minutes to describe the process the

Majority undertook to conduct our Wells Fargo investigation and create the report with those findings.

Over a year ago, at my direction, the Majority staff initiated an investigation into Wells Fargo's compliance with five consent orders. Majority committee staff requested and reviewed about 330,000 pages of records in the course of the investigation. Majority committee staff also received briefings from the Federal Reserve, the OCC, the CFPB, the SEC, and Wells Fargo, and conducted interviews with key executives at Wells Fargo, and the former Chair of the board's risk committee. In addition, they interviewed officials at the Federal Reserve, the OCC, and the CFPB.

The documents which served as the basis for the Majority staff report, and which the Minority also used for their report, were obtained because the Majority staff spent months working to obtain them from regulators and the bank. The regulators and the bank did not offer these documents up on their own, but instead only provided them to us after months and months of intense and productive negotiation. The Majority staff determined the focus of this investigation, drafted the document request to the OCC, the CFPB, and the Federal Reserve, Wells Fargo Bank and Wells Fargo's board of directors, and determined the scope of those inquiries. The Majority staff selected the witnesses the committee interviewed, and negotiated their appearances for interviews. At the same time, Republicans had access to all of the documents and had the opportunity to participate in all formal interviews.

I would like to publicly acknowledge the work of the following key Majority staff members, without whose year-long effort, this report would not have been possible: Bruce Johnson, deputy chief oversight counsel; Carolyn Hahn, senior counsel; Kevin Burris, chief oversight counsel; Christine Baltazar, paralegal; Glen Sears, director of consumer protection policy; Avy Mallik, senior counsel; Yana Miles, senior counsel; Pierre Whatley, professional staff member: Eric Hersey, communications director; Erica Loewe, deputy communications director; Marcos Manosalvas, digital director; and Eden Harris, press assistant.

The Majority's investigation revealed deeply-troubling failures on the part of the bank's board management and regulators, and shows that the bank is still broken and continues to harm consumers. It also made clear that Congress needs to act to ensure that a megabank can never again escape accountability to the public or responsibility of harm to consumers. At this hearing, we have made it clear to Mr. Scharf that this committee is keeping a close eye on Wells Fargo, and we will be holding them accountable for ending the bank's egregious pattern of consumer abuse. He has an immense task ahead of him, and the committee will not relent in its scrutiny of the bank until its appalling practices end for good, and megabanks understand that they are not above the law.

No matter what is being said about who did what and when, I am in charge of this committee. I have the gavel, and we have put together this report. We are going to follow up with it. And all of the information, incorrect information, that has been shared today about who is responsible for what, we are responsible for this report. We stand by it. So, I would like to thank our witness for his testimony today.

The Chair notes that some Members may have additional questions for this witness, which they may wish to submit in writing. Without objection, the hearing record will remain open for 5 legislative days for Members to submit written questions to this witness and to place his responses in the record. Also, without objection, Members will have 5 legislative days to submit extraneous materials to the Chair for inclusion in the record.

The hearing is now adjourned. Thank you.

[Whereupon, at 2:00 p.m., the hearing was adjourned.]

# A P P E N D I X

March 10, 2020

**STATEMENT OF**
**CHARLES W. SCHARF**
**CHIEF EXECUTIVE OFFICER & PRESIDENT**
**WELLS FARGO & COMPANY**

**BEFORE THE UNITED STATES HOUSE COMMITTEE ON FINANCIAL SERVICES**

March 10, 2020

## I. Introduction

Chairwoman Waters, Ranking Member McHenry, members of the Committee: Good morning. Thank you for the opportunity to be here today. I am Charlie Scharf, and I have the privilege of serving as Chief Executive Officer (CEO) and President of Wells Fargo. I joined the company just over four months ago after serving as CEO of BNY Mellon and Visa. I welcome the chance to discuss next steps for Wells Fargo.

The members of this Committee are familiar with Wells Fargo's history. Our past failures were recently detailed in our settlements with the Department of Justice and the Securities and Exchange Commission as well as the administrative actions taken against former employees by the Office of the Comptroller of the Currency (OCC). These matters describe deeply disturbing conduct that is utterly unacceptable and has no place in our company. In addition, the recently released reports from this Committee reinforce what I have said since I arrived: We have not yet done what is necessary to address our shortcomings.

Simply said, we had a flawed business model in how the company was managed. Our structure was problematic, and the company's leadership failed its stakeholders. Our culture was broken, and we did not have the appropriate controls in place across the company.

Today, I'd like to talk about our plan to chart a better course. I took this job because I believe that our country and communities benefit from a strong Wells Fargo. I am confident we can do what is needed to move this company in a significantly improved direction.

While it will take time, the transformation has begun. And, though I recognize the path forward will be difficult, I am optimistic about our future.

Here are some important steps we have taken so far.

## II. Transforming Our Approach

First, I provided an honest assessment—both internally and externally—of our significant shortcomings and our failure to effectively address them. We have not met our expectations or the expectations of others.

Second, I made clear—also internally and externally—that we must prioritize the work outlined by our regulators above all else. Completing that work is essential to ensuring that the company is run with the highest standards of operational excellence and integrity.

Third, I am making substantial changes to our leadership. I have already brought in three new leaders and expect to add two more soon from outside the company to join our Operating Committee. Almost 75 percent of that group will be new to the company since the beginning of 2018. Hiring experienced people that have proven track records with the issues we face is necessary to bring about the change required.

Fourth, we reorganized the structure of our businesses to ensure we have clear responsibility and accountability across the company. We created a new role, a Chief Operating Officer (COO), who will ensure that high-quality, consistent execution and operational excellence become part of our culture—especially regarding our regulatory work.

Additionally, we announced a flatter organizational structure with more direct business representation on our Operating Committee. This will give me a clearer line of sight and more direct involvement across the company. These organizational changes will provide greater transparency into how our businesses are working, what kinds of risks they are taking on, how they are treating customers, and whether they are operating at the highest standards.

Fifth, we are introducing a new set of processes to thoroughly review progress against our regulatory work. For example, we have taken steps to bring clarity to our underlying issues and gain a better understanding of how those map onto our outstanding enforcement actions. We also introduced detailed monthly business reviews, which include a review of the critical issues in each of our businesses, not just financial performance.

Sixth, we altered our evaluation and compensation practices. We have significantly greater accountability and will continue to make tough decisions around our leaders.

Seventh, we are redefining our culture—especially regarding how we work together. We will have a strong centralized control infrastructure. We will ensure we have the right people in the right roles. We will move with a sense of urgency. We will hold each other accountable for our commitments. And we will judge ourselves based upon outcomes, not words.

## III. Meeting the Expectations of Our Regulators

The steps outlined above will enable us to more effectively meet the expectations of our regulators, who rightfully expect us to remediate all regulatory and control issues in the company and to do so expeditiously. To date, we have not yet met their expectations or our own. That will change.

It is important that we are honest with ourselves about the scope of our challenges. We have a number of regulatory issues that require our urgent attention, and we will put all available resources toward ensuring that we operate with the strongest possible operational, risk, and control infrastructure. We are fully committed to completing all of our work, but this will take time.

Our goals are not different from those of our regulators. We are responsible for our actions, and it is our job to run the company so that we fulfill their expectations and those of the public.

To that end, we are making significant investments in our risk, compliance, legal, remediation, and complaint response teams. For example, our compliance teams have added more than 3,300 employees since the end of 2017.

Additionally, we recognize the compliance challenges that were posed by Wells Fargo's historical decentralized, federated model. We have centralized our approach to consent order compliance under the COO. We also formed our Strategic Execution and Operations Office, which provides centralized oversight and facilitates a coordinated response to our compliance issues.

## IV. The Committee's Investigation

This Committee's investigation has primarily focused on five of Wells Fargo's open consent orders, all of which are incredibly important priorities for me and for the company. We are working diligently to achieve full compliance with these orders, and we are making progress. But historically our progress has been slower than it should be. I have reviewed the reports issued by the Majority and Minority of the Committee and agree that what is described is beyond disappointing and not the company we need to be. We simply have to do better, and we will.

### A. Sales Practices Consent Orders

In September 2016, Wells Fargo entered into consent orders with the Consumer Financial Protection Bureau (CFPB) and OCC regarding improper sales practices, which primarily involved unauthorized products in our Community Bank.

Wells Fargo has paid more than $46 million in remediation for direct and indirect harms associated with improper sales practices, and our remediation efforts are ongoing. Additionally, the company entered into a $142 million class-action settlement related to improper sales practices, and payments in connection with the settlement are planned for this year.

Wells Fargo has also made changes geared toward ensuring that these types of practices do not recur. We eliminated the product sales goals that caused these problems. The most important thing we can do as a business is to do what is right for our customers. To help ensure we always do that, the satisfaction of our customers is an important part of how we reward our employees.

### B. Compliance Risk Management, Collateral Protection Insurance, and Mortgage-Rate Lock Extension Fee Consent Orders

In April 2018, Wells Fargo entered into two consent orders with the CFPB and OCC regarding compliance risk management, collateral protection insurance (CPI), and mortgage rate-lock extension fee issues. As part of these orders, the OCC identified deficiencies in the company's enterprise-wide compliance risk management program. In addition, the OCC and CFPB stated that Wells Fargo caused the improper placement and/or maintenance of CPI policies on automobile loan accounts and charged premiums, interest, and other fees on borrowers' accounts, where the borrowers had demonstrated adequate insurance under the terms of their automobile loan. The OCC and CFPB further found that Wells Fargo charged certain customers mortgage interest rate-lock extension fees, when, under the company's rate-lock extension policies, such costs should have been borne by the company.

With respect to CPI, Wells Fargo is paying more than half a billion dollars to harmed customers, and remediation efforts are ongoing. We also no longer place CPI and have not since September 2016.

Likewise, Wells Fargo has made progress toward remediating customers impacted by improperly charged mortgage rate-lock extension fees. The company has paid more than $101 million in remediation as of January 2020. We offered refunds to all customers who paid a rate-lock extension fee for extensions requested between September 2013 and February 2017, no questions asked and no documentation required, whether the fee was appropriately assessed or not. We also revised our rate-lock extension fee policy and established a centralized group to review all rate-lock extension requests. This helps ensure the policy is interpreted consistently and enhances our ability to monitor the effectiveness of the process.

### C. Board Effectiveness and Risk Management Consent Order

In February 2018, Wells Fargo entered into a consent order with the Board of Governors of the Federal Reserve System. The order requires Wells Fargo to further enhance the Board of Directors' effectiveness in carrying out its oversight and governance of the company and to further improve its company-wide compliance and operational risk management program. The order also places restrictions on Wells Fargo's asset growth. We are working hard to address the Federal Reserve's concerns. The decision to lift the asset cap is one our regulators will make when they feel it is appropriate. We are focused on getting the work done right.

## V. More to Be Done

I recognize that we must act with great urgency with respect to our consent order compliance. Though many have asked for precise timelines around resolution of these matters, I cannot provide that today. What I can say is that we are going to do the work that is required.

As we do, I have no preconceived notions about what size our company should be, though I firmly believe we must be able to manage all of it. In recent years, there have been areas in which we have simplified our business model and exited certain businesses that are not core to our corporate priorities. I can tell you that I am taking a fresh look at how we operate and what additional changes we need to make.

Ultimately, our regulators and other stakeholders will decide when our work is done to their satisfaction. As I have said before, my experience is that our regulators are clear and direct, tough but fair. The work is on us at this point. Our future success depends on us getting it done right.

Relatedly, we must make sure that we have appropriately remedied any harms we may have caused. In my brief time at Wells Fargo, I have been impressed with the dedication of the many employees I have spoken with about our remediation efforts. They understand, as I do, that we have to focus on our customers and our regulatory compliance work, and they have done a lot of good work in this regard already. That said, I understand that we are not yet where we need to be, but I assure you that we will complete all remediation of customers we have harmed.

## VI. Our Core Principles

The work ahead will be grounded in a clear set of principles. I communicated these to every Wells Fargo colleague on my first day on the job, and I would like to share some of them with you today.

**One**, everything starts and ends with our customers. Delivering for them in the right way must ground the work of every person who works at Wells Fargo. We must put our customers first in our decision-making in all we do.

**Two**, enhancing our risk, control, and compliance infrastructure will ensure we are delivering for customers in the right way.

**Three**, we have to execute, and we have to do so urgently.

These core principles will shape the investments and changes we make in the future. This will have a negative financial impact, and that is okay. We are going to get things right.

To my colleagues at Wells Fargo, you deserve more from the company's leadership. I know the failings that occurred in the past have made your jobs difficult, and I am committed to doing better as we seek to ensure that such things never again occur at our company.

## VII. Looking Ahead

To the Committee, I want to give you my personal assurance that we will do the work necessary to put Wells Fargo on sound footing with our customers, employees, regulators, shareholders, and the communities we serve. What we have done to date is not enough, and we will continue to drive progress.

### A. Putting Our Customers and Employees First

Our progress includes continued investment in our customers and our products. Last week, we announced plans to introduce two new bank accounts, which will offer convenient, secure banking services and customer support while eliminating or limiting overdraft fees. The first new account will be a checkless account, which will limit spending to the amount available in the account and customers will not incur overdrafts or insufficient funds fees. The new checkless account's features will help meet the needs of consumers who are new to banking, such as young people opening a first account or those seeking an account that will help them manage spending. When it is available, Wells Fargo plans to proactively reach out to existing customers—including those who have experienced overdrafts—and educate them about the new product and its features.

In addition, Wells Fargo will introduce an account that includes checks and will cap overdraft or insufficient funds fees at one per month. This account is designed for those who want controls to limit certain fees, as well as the protection an occasional overdraft provides.

We also announced plans last week to expand our credit offerings to provide Deferred Action for Childhood Arrivals (DACA) recipients access to products that include education loans, personal lines and loans, credit cards, auto loans, and small business credit. In addition, Wells Fargo will make mortgage and home equity loans to eligible DACA customers except where prohibited by specific investors.

We plan to roll-out the new product offerings in phases starting in the first half of 2020 and continuing into first quarter of 2021. This expanded credit access was informed by ongoing engagement with the Mexican American Legal Defense and Education Fund, which provided valuable insight into the needs of these young individuals.

For our employees, who are our greatest asset, we recently announced plans to raise minimum hourly pay levels in a majority of our U.S. markets. Minimum pay will be tiered based on various factors, including the cost of living in different markets, with the minimum hourly pay ranging from $15 to $20 based on employee location.

Companies have an obligation to help communities and employees reach their potential. An important part of this is ensuring that we are doing our part to pay employees at a rate which recognizes the difference in cost of living across the country. Our employees are our most valuable resource, and these pay increases are just one way we are investing in our people and ensuring that Wells Fargo continues to be a great place to work.

We are also making other investments to enrich compensation programs and enhance benefits offerings for employees. For example, this year, the company made changes to make healthcare more affordable for all U.S.-based employees at the lower part of the pay range, lowering or keeping premiums flat for about 70% of employees. Additionally, Wells Fargo pays on average 84% of total annual healthcare premiums for its U.S.-based employees who earn less than $40,000 annually, which equates to approximately $5,700 and $16,600 for individuals and families, respectively.

In addition, we recently announced that the company will no longer require arbitration for employees in connection with any future sexual harassment claims. We have a zero tolerance policy for sexual harassment, and we have taken many steps to maintain a workplace environment that promotes and protects the safety and well-being of our employees. All employees should come to work knowing they are safe, respected, and supported.

### B. Investing in Our Communities

As we have with our customers and employees, we also must continue to invest in the areas in which we are located, including low- and middle-income communities. We are the number one investor in affordable, multifamily housing in the United States, and we have committed $1 billion through 2025 to help address the U.S. housing affordability crisis. Through our diverse lending commitments, we have helped 435,000 minority households purchase a home since 2016. We have committed approximately $500 million to assist average- and lower-income homebuyers with down payment assistance and counseling through LIFT programs since 2012, creating more than 23,000 homeowners. And we recently gave $11.5 million to Habitat for Humanity to help families stay in their homes and neighborhoods and to champion advocacy work that helps people meet basic shelter needs, among other initiatives.

In 2019, the Wells Fargo Foundation also launched a new philanthropic strategy anchored around unlocking economic opportunity for people and communities by addressing housing affordability, small business growth, and financial health. The Wells Fargo Foundation invested $455 million in grants in the last year, funding national organizations to deliver programs at scale and nonprofits that specifically address the needs of local markets.

Wells Fargo also made more than 2,800 grants to nonprofits in response to the housing affordability crisis and unique local challenges in communities across the United States. From Los Angeles to Atlanta, Wells Fargo supported organizations that are developing new, affordable rental homes, expanding homeownership opportunities for ethnically diverse households, creating long-term affordability by investing in community land trusts, and stopping the devastating flow of families into homelessness.

Last year, philanthropic capital for Community Development Financial Institutions supported more than 107,000 loans. Through Wells Fargo's Diverse Community Capital program, small businesses owned by people of color, immigrants, women, veterans, and the LGBTQ community, among others, empowered diverse entrepreneurs to create or sustain more than 79,000 jobs and to rebuild small businesses in places like Puerto Rico, California, Florida, and North Carolina after natural disasters and wildfires.

Additionally, we recognize that there are still far too many barriers on the path to economic opportunity, particularly for communities of color, low- and moderate-income communities, and other vulnerable populations. To help reverse this trend, we have committed more than $40 million over the next three years to partner with a number of leading nonprofits to develop solutions that will create pathways for low- and moderate-income people and communities of color to build financial resiliency and wealth. Through these collaborations, our aim is to address systemic barriers to financial health and economic mobility while developing new financially inclusive products and services that enable all people to fully participate in the economy.

Finally, just a couple of days ago, the Wells Fargo Foundation announced up to $6.25 million in donations to support domestic and global response to the coronavirus (COVID-19) and to aid public health relief efforts. This philanthropic funding includes $1 million for the National Centers for Disease Control and Prevention's Emergency Relief Fund and $250,000 to the International Medical Corps for their work in more than 30 countries. The company will also donate up to $5 million at the local level to help address community-specific needs in the coming months.

We understand the seriousness of concerns felt by customers and employees about the coronavirus. Our first priority remains keeping Wells Fargo employees and customers safe and well-informed, while continuing to meet the needs of our customers.

We will continue all of this important work as we seek to move Wells Fargo forward.

**VIII. Conclusion**

Wells Fargo is a great institution with many opportunities ahead. I know that we can and will do what it takes to create the right environment inside the company that will allow us to provide leadership in the marketplace for years to come. Thank you, again, for the opportunity to testify. I look forward to answering your questions.