HOLDING MEGABANKS ACCOUNTABLE: OVERSIGHT OF AMERICA'S LARGEST CONSUMER FACING BANKS

HYBRID HEARING

BEFORE THE

COMMITTEE ON FINANCIAL SERVICES
U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED SEVENTEENTH CONGRESS

SECOND SESSION

SEPTEMBER 21, 2022

Printed for the use of the Committee on Financial Services

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HOLDING MEGABANKS ACCOUNTABLE: OVERSIGHT OF AMERICA'S LARGEST CONSUMER FACING BANKS

Wednesday, September 21, 2022

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

The committee met, pursuant to notice, at 10:05 a.m., in room 2128, Rayburn House Office Building, Hon. Maxine Waters [chairwoman of the committee] presiding.

Members present: Representatives Waters, Maloney, Sherman, Scott, Green, Perlmutter, Himes, Foster, Beatty, Gottheimer, Lawson, San Nicolas, Axne, Casten, Pressley, Torres, Lynch, Adams, Tlaib, Dean, Ocasio-Cortez, Garcia of Texas, Williams of Georgia, Auchincloss; McHenry, Lucas, Luetkemeyer, Huizenga, Wagner, Barr, Williams of Texas, Hill, Loudermilk, Mooney, Davidson, Budd, Hollingsworth, Gonzalez of Ohio, Rose, Steil, Gooden, Timmons, Taylor, Sessions, and Norman.

Chairwoman WATERS. The Financial Services Committee 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 Megabanks Accountable: Oversight of America's Largest Consumer Facing Banks."

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

Testifying before us today we have the CEOs of the seven largest U.S. commercial banks that each serve millions of consumers.

As chairwoman of this committee, I have prioritized conducting rigorous oversight over our nation's largest banks and their activities. Last year, four of these megabanks testified before us.

Since then, our nation continues to battle an ongoing epidemic—inflation—that is affecting every household's budget. Russia's invasion of Ukraine, rising interest rates, and other crises have battered our economy. In this environment, the role that banks play to protect consumers and provide access to affordable credit is absolutely critical.

Over the past several years, we have seen the system of banking in this country take a dramatic shift. Our nation's largest banks have gotten even bigger during the pandemic, in part through mergers. Regulators have rubber-stamped these merger applications for far too long. And it is past time we get to the bottom of whom these mergers are actually benefiting.

For starters, I remain concerned that branch closures across the country, which are often a consequence of mergers, are expanding banking deserts and harming communities that rely on branches for basic banking services.

The committee will also examine banks' commitments to underserved communities. As our nation's racial wealth gap widens, and Black applicants and others continue to be discriminated against, I am eager to hear about their efforts to ensure that communities of color finally get their opportunities to build generational wealth.

The CEOs will be asked for an update on the diversity and inclusion commitments they made following the murder of George Floyd, and details on additional measures they will take.

In addition, following news that Equifax sent inaccurate credit scores to lenders, who in turn used them to charge consumers higher interest rates or even deny them credit, I would like to hear what these banks are doing to ensure that harms to their customers are identified and that those customers are made whole.

As the compensation for these CEOs goes up dramatically when compared to the tellers and other customer-facing employees, many of the banks they represent have simultaneously earned the title, "repeat offenders," for their continued violations of the law. The committee has received a long list of unlawful actions resulting in fines, but these fines pale in comparison to the billions in profits these banks make, and amount to nothing more than another cost of doing business.

I would like to hear how these banks are working to update their compliance practices and that they commit to following the law.

There are many other issues the committee will explore today, including the rise of emerging technologies. Many consumers have reported being scammed through money transfer apps like Zelle, and all of the banks before us shrug their shoulders.

We also want to know what these banks are doing to protect their employees following the Supreme Court's shameful decision to abolish *Roe* v. *Wade,* along with efforts to combat gun violence and much more.

So, I look forward to hearing testimony from our witnesses today. And I yield back.

I now recognize the ranking member of the committee, Mr. McHenry, for 5 minutes.

Mr. MCHENRY. Thank you, Madam Chairwoman.

And, frankly, I disagree with the premise of this hearing. It is not because I disagree with holding folks accountable. Rather, it is the opposite. In fact, I think this committee has done woefully little over the past few years to hold agencies and those industries we oversee accountable.

I disagree with this hearing because it is theater, not oversight. The Majority has had 2 years to do its job of oversight, and they have failed miserably. Now that we are just over a month away from the midterms, they are posturing.

Democrats first held this hearing back in 2019 in search of a headline, and when they failed to garner the positive press they were seeking, Democrats felt emboldened by the Biden Administration and their one-party rule of Washington to drag the CEOs back in 2022, demanding they parrot their aggressive agenda.

Now, one year later, we expect more of the same, this time at the expense of focusing on the real issues the American people are facing. And when it comes to the financial system, the list of issues is long. We are going to hear Democrats encourage banks to make lending decisions based on woke politics rather than creditworthiness. We're going to talk about social issues rather than economic issues, although we are an economic committee.

But that is not all. Unelected bureaucrats, Congressional Democrats, and the Biden Administration have conspired to create uncertainty and stifle innovation in our financial system. This will create long-term problems. They are targeting essential and popular products and services used by millions of consumers, such as overdraft protection, peer-to-peer payments, and buy now/pay later.

These policies limit options for consumers at a time when they can least afford it and make it more challenging for financial institutions to innovate and compete.

Coupled with reckless spending, Democrats' bad policymaking is devastating Americans' budgets. The price of gas is still higher today than it was a year ago, and it threatens to spike again this winter. Groceries are more expensive, up more than 13 percent from this time last year.

Biden's inflation continues to clobber American families. Last week's Consumer Price Index (CPI) numbers showed that prices continue to rise at 8.3 percent over the prior year and up over the month before. Everything costs more now, and low- to middle-income Americans are hurt the most.

Add to all this the looming housing crisis in an inflationary and rising-interest-rate environment, and consumers are already having a harder time accessing affordable credit. Families are being priced out of the housing market because the Federal Reserve is forced to keep raising interest rates as Democrats continue to dump jet fuel on their economic dumpster fire. It is offensive to all of the senses.

And if none of that bothers you, how about this? The Biden Administration is treating the U.S. Treasury like it is its own megabank, dolling out half-a-trillion in taxpayer dollars to repay student loans.

And that economic concept is that the same folks who are paying for someone else's American Dream can no longer afford their own. You are taking from some and demanding that the populace, some of whom couldn't afford to go to college, pay for those who have debt that they shouldn't have taken on.

We should focus on those issues. We should focus on the substance of how the American people live and seek to work. That should be the discussion today.

We have an economy that is in an inflexion point. We should focus on that.

We should talk about the regulatory challenges of giving consumers the options that they want and demand. That should be the focus of this hearing, if we are going to even have a hearing like this.

And then, it should be about the substance of making people's lives better by reducing regulatory barriers that make products more expensive and make life harder for average Americans.

My colleagues have instead called on large bank CEOs to publicly pressure them to promote divisive partisan priorities. We will hear a lot of that. In fact, you might hear it from both sides, by the way, where we are, a month before the election.

Instead of focusing on what your institutions do best, providing capital and serving customers, you are here. It is a shame, it is theater, and it offers zero solutions to millions of Americans who are bearing the financial brunt of the Democrats' virtue signaling.

I yield back.

Chairwoman WATERS. Thank you very much, Ranking Member McHenry.

I now recognize the gentleman from Colorado, Mr. Perlmutter, who is also the Chair of our Subcommittee on Consumer Protection and Financial Institutions, for 1 minute.

Mr. PERLMUTTER. Thank you, Madam Chairwoman.

Good morning, and welcome to our committee.

If there is anything that is built on trust, it is banking, and the banking sector lost a lot of trust in 2008. But with the passage of the Dodd-Frank Act, and disciplined and prudent operations, our banks are now well-capitalized. Banks have been a source of strength during the pandemic, and in many cases, have made progress in restoring consumer trust over the last decade.

But it is not all sunshine and roses. This committee has heard reports of modern-day redlining, high and misleading fees, and unfair use of credit scores. According to the FDIC, one-third of unbanked households don't use banks because they don't trust them. Other consumers are turning to risky cryptocurrencies to avoid the system altogether.

I hope today's hearing can be a productive dialogue on how to continue to instill trust in our banking system and to ensure that it works for everyone.

With that, I yield back.

Chairwoman WATERS. Thank you very much, Mr. Perlmutter.

I want to welcome today's distinguished witnesses to the committee: Andy Cecere, the chairman, president, and CEO of U.S. Bancorp; William Demchak, the chairman, president, and CEO of the PNC Financial Services Group; Jamie Dimon, the chairman and CEO of JPMorgan Chase & Company; Jane Fraser, the CEO of Citigroup; Brian Moynihan, the chairman and CEO of Bank of America; William Rogers, Jr., the chairman and CEO of Truist Financial Corporation; and Charles Scharf, the president and CEO of Wells Fargo and Company.

Each of you will have 5 minutes to summarize your testimony. You should be able to see a timer on your screen that will indicate how much time you have left, and a chime will go off at the end of your time. I would ask you to be mindful of the timer and quickly wrap up your testimony if you hear the chime.

And without objection, your written statements will be made a part of the record.

Before we begin with your oral testimonies, I would like to swear in the witnesses.

Would all of you please raise your right hands?

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?

Let the record show that all of the witnesses answered in the affirmative.

We will now begin with your oral testimonies.

Mr. Cecere, you are now recognized for 5 minutes to present your oral testimony.

TESTIMONY OF ANDY CECERE, CHAIRMAN, PRESIDENT, AND CEO, U.S. BANCORP

Mr. CECERE. Good morning, and thank you.

Chairwoman Waters, Ranking Member McHenry, and distinguished members of the committee, thank you for inviting me to speak with you today.

U.S. Bank is based in Minneapolis, Minnesota, and holds one of the longest active banking charters in the United States. We have spent nearly 160 years serving individuals, families, businesses, and communities, and striving to be a responsible and innovative leader in the financial services industry.

At U.S. Bank, we operate a simple, straightforward company with four core businesses: consumer and business banking; corporate and commercial banking; payment services; and wealth management and investment services.

We have earned a reputation for being well-managed, financially sound, and responsible in our approaches to underwriting and risk. Because of this, we have one of the highest debt ratings, and we have been recognized for 8 consecutive years as one of the world's most ethical companies.

These achievements are possible only because of our exceptional team members. We work hard to take care of their needs and invest in their career growth and development. This commitment has been further reflected in our newly-expanded leave benefits and our recently-announced increases in entry-level pay.

Thanks to our incredible team, we provide an exceptional banking experience for our customers. Our retail banking services are accessible when, where, and how our customers prefer, whether virtually or in person in one of our retail branches which we operate in 26 States.

There are a few areas of our retail banking business that I want to highlight today.

First, we have pioneered several digital enhancements. In addition to our award-winning mobile app, we created a tool for our bankers to co-browse remotely with their customers on video. This solution helps customers feel heard and understood when they need help making important financial transactions.

Second, we have made it easier for individual customers and small businesses to access credit. I know that policymakers on this committee have been seeking a short-term, low-cost, small-dollar solution for people who have emergency cash needs. Four years ago, we provided a solution for our customers. Our Simple Loan product allows customers to receive a loan of up to $1,000 in a matter of minutes on our mobile app.

We have similarly streamlined our services for small businesses. We now can process and fund a small business loan in less than 15 minutes.

And thanks to our investments in new point-of-sale technologies, our small-business customers can more easily manage their money and serve their customers.

Third, we are working to make homeownership a reality for more Americans both across rural communities and in our country's cities. One such initiative we have launched is Access Home, a program designed to increase Black homeownership by engaging with community partners. We continue to provide mortgage services to local housing finance authorities, as we did throughout the pandemic, and we are a leading FHA lender.

Our commitment to serving the financial needs of Americans truly includes all Americans. We recognize that being a good corporate citizen goes beyond providing world-class financial services. In 2021, we developed our Access Commitment, a multidimensional initiative to work to close the racial wealth gap across communities.

Fulfilling these commitments is important to me, and we have made substantial progress. Last year, we provided nearly $200 million in capital to Black-owned or -led businesses and organizations. We made $305 million in loan commitments to community development financial institutions (CDFIs), and we have made supplier diversity a priority and are spending nearly $500 million on these efforts annually.

Still, we have pledged to do more. In addition to our commitment to closing the racial wealth gap, U.S. Bank is also committed to promoting diversity. The commitment starts with me, and I have seen firsthand the benefits of championing diversity at U.S. Bank. Diversity strengthens our business, attracts talent, and allows us to better serve our customers. Our efforts in this area were recognized earlier this year, when DiversityInc named U.S. Bank to the top 50 companies for diversity for the fourth year in a row.

In closing, we believe relationships are a key differentiator for our bank. That is why we are taking the best of our person-to-person interactions and enhancing them with new digital capabilities to connect our customers with their trusted partners and advisers.

Today, as always, our focus is on serving people. Relationships are the center of our business and the core of all of the communities we serve, and that commitment will never change.

With that, thank you for your time and for the work you do for our country. I look forward to your questions.

Thank you.

[The prepared statement of Mr. Cecere can be found on page 104 of the appendix.]

Chairwoman WATERS. Thank you very much, Mr. Cecere.

Mr. Demchak, you are now recognized for 5 minutes to present your oral testimony.

TESTIMONY OF WILLIAM DEMCHAK, CHAIRMAN, PRESIDENT, AND CEO, THE PNC FINANCIAL SERVICES GROUP, INC.

Mr. DEMCHAK. Thank you, Chairwoman Waters.

And, Chairwoman Waters, Ranking Member McHenry, and distinguished members of the committee, I am pleased to be here on behalf of PNC Financial Services.

PNC is a Main Street banking organization focused on traditional banking activities. We have essentially been in the same business for 170 years, which is when we were founded. Our priority has always been to help customers save, borrow, and move money.

Now, we are a large bank by historical standards, but we are just one-sixth the size of some of the banks represented on this panel. We have limited capital markets activities, and limited derivatives and foreign operations.

PNC is not a global systemically important bank (G-SIB). What we are is a financially strong and resilient bank that is committed to serving consumers in a fair and transparent way.

I am proud that PNC was the first large bank to actually modify its overdraft practices. Since the rollout of our Low Cash Mode products, overdraft fees at PNC have dropped by nearly 50 percent.

We have also made it easier for consumers to send and receive payments. PNC, along with the other owner-banks of Early Warning Services, developed and rolled out Zelle, a real-time person-to-person (P2P) platform. Zelle provides consumers with a free and convenient way to send money to individuals and businesses.

And despite the headlines, disputes within the Zelle network make up less than 10 basis points of all transactions. This is not true of unregulated P2P digital payment services, which in at least one instance, in PNC's case, has 13 times the disputes that we see on the Zelle Network.

But better is not good enough, and the scams, in particular, continue to grow across the financial ecosystem. Scams are different than traditional fraud in that a bad actor gets a customer to actually initiate the transaction themselves. These scams are growing daily, and the industry, regulators, and, importantly, legislators, need to respond. It is not enough that we apportion blame after the fact. We need to stop fraud and scams before they occur.

Secure networks like Zelle, Real Time Payments, and potentially, FedNow, allow for direct authentication with a host bank. They also allow members of the network to identify, close, and police against scam accounts.

This is not the case with non-bank networks. These networks are not held to the same security standards as banks. When a scam occurs with these other networks, banks like PNC have zero visibility into where the money went, zero capability to recover the money, and zero capability to close the bad account.

Banks follow the standards set under the Gramm-Leach-Bliley Act and are regularly, almost continuously, examined for compliance.

Non-bank data aggregators are not subject to examination and supervision. Instead, they hold the financial data of tens of millions of U.S. consumers and rely on, "screen scraping," to gather and then sell that consumer information.

Twelve years ago, the Consumer Financial Protection Bureau (CFPB) was given authority, based on Section 1033 of the Dodd-Frank Act, to end screen scraping, to secure data, and to stop the reselling of confidential consumer data through the fintech ecosystem. This hasn't happened and consumers are paying the price.

PNC has had a social purpose since the day it was founded. As a service organization, we believe our success is directly tied to the success of our customers and communities. We succeed when our customers and communities thrive, and when our employees feel valued and are rewarded for helping to fulfill our purpose.

Our commitment to our communities is reflected in PNC's outstanding rating under the Community Reinvestment Act (CRA)—a rating, by the way, that we have enjoyed since the enactment 40 years ago.

We also succeed by being diverse and inclusive, which starts at the top of the organization. Today, nearly half of our independent directors on our board are women or people of color, and half of the executives who report to me are women or people of color.

I am honored to represent the nearly 60,000 PNC employees who work hard every day to help our customers and deliver for our communities. It is a safe assumption that all of those constituents are as divided on the views of today's challenges as everyone else in our country.

Our job as a bank—and my job as a leader—is not to arbitrate on who is right or wrong, but rather to find common ground and deliver on our promise to serve customers, keep them safe, and to provide capital to our great economy so that everyone may prosper.

With that, I welcome any questions that you may have.

[The prepared statement of Mr. Demchak can be found on page 115 of the appendix.]

Chairwoman WATERS. Thank you, Mr. Demchak.

Mr. Dimon, you are now recognized for 5 minutes to present your oral testimony.

TESTIMONY OF JAMIE DIMON, CHAIRMAN AND CEO, JPMORGAN CHASE & CO.

Mr. DIMON. Chairwoman Waters, Ranking Member McHenry, and members of the committee, I appreciate the opportunity to talk about JPMorgan Chase and the role of America's largest banks as a force for good for the country, its citizens, and the global economy.

We live in the greatest country in the world, predicated on foundational beliefs in freedom of speech, freedom of religion, freedom of enterprise, the sanctity of the individual, and the promise of equality and opportunity for all. These core values are the fabric that binds us as Americans, where the best of what we are shines through, especially in times of adversity.

This system has created what is still the most prosperous and innovative economy the world has ever seen and one that nurtures vibrant businesses, large and small, and is a welcoming environment for innovation, science, and technology. My enduring faith in the strength of the country remains as strong as ever.

The free flow of credit and investments is key to our nation's global competitiveness. Free enterprise is the flywheel of the economy as capital seeks out investments, individuals, and ideas that drive growth and innovation.

And free enterprise celebrates, and is inseparable from, human freedom and innovation, which ultimately are the stimulus for human progress. The secret sauce of free enterprise is not only the free movement of capital, but, more importantly, the value of knowledge and free people exercising their rights.

What this country needs most is free enterprise, extraordinarily competent government and policies, and more civic-minded companies and citizens.

The work we do at JPMorgan Chase matters in good times, but particularly more in tough times. We provide critical financing to nearly every sector, including manufacturing, service, energy, real estate, and transportation.

Importantly, we finance Federal, State, and local governments, schools, bridges, hospitals, universities, and transit.

We have long championed the essential role of banking in a community, its potential for bringing people together, for enabling companies and individuals to reach for their dreams, and for being a source of strength in difficult times. We finance Americans' ambitions with loans for homes, autos, and for growing small businesses, and we provide valuable products and services to more than half of American households.

We know that our business is only as strong as our communities, so we are focused on lifting up traditionally-underserved communities by increasing homeownership, expanding affordable rental housing, and growing small businesses.

The last few volatile years have brought stress and disruption to so many as the world grapples with war in Ukraine, economic volatility and inflation, energy insecurity and climate change, and a pandemic.

It has also shown what great companies with the size and scale of JPMorgan Chase can do as a source of strength to the economy. Because we have a strong and healthy company, we consistently serve and finance American households and businesses while building our communities and protecting America and the American economy.

We are all here as guardians of the financial system. We support our government and national security efforts to combat financial crimes, and we carry out complex sanctions. Each year we proactively identify nation-state and cybercriminal threats and work closely with the financial services and energy industry and with the United States Government to help protect critical infrastructure.

And we fuel good American jobs. The businesses we all finance collectively employ hundreds of millions of Americans, and as a large employer ourselves, we employ people in every State in the country with starting wages that far exceed any government minimum wage, plus full benefits, retirement, job training, and career growth opportunities.

I want to close by thanking the more than 200,000 employees of JPMorgan Chase. I would like the public to know how proud I am of these people who work in every State in the country.

You all work tirelessly for our customers with a singular focus on doing the right thing. You work on behalf of our shareholders, real people and communities, including teachers, law enforcement, healthcare workers, and people saving for retirement. Many of you have faced personal challenges throughout the pandemic, whether your own health or the health of a loved one, while managing your children's education and childcare needs.

At the same time, our work has never been more important or more difficult than the last several years. You continue to persevere with grace and a fortitude that makes me proud.

I have been particularly moved by our essential worker population, the tens of thousands of you who continued to come to work during the height of the pandemic to serve our customers when they needed you the most. You have my deep gratitude.

And for all JPMorgan Chase employees who perform your jobs with integrity and excellence every day, you embody the best of American values and make your country proud.

Thank you, members of the committee, for the work you do for our country. I look forward to working with all of you to help solve the challenges facing our country and to help grow and safeguard this great country.

Thank you.

[The prepared statement of Mr. Dimon can be found on page 139 of the appendix.]

Chairwoman WATERS. Thank you, Mr. Dimon.

Ms. Fraser, you are now recognized for 5 minutes to present your oral testimony.

TESTIMONY OF JANE FRASER, CEO, CITIGROUP

Ms. FRASER. Thank you very much indeed, Chairwoman Waters, Ranking Member McHenry, and members of the committee. Good morning, and thank you for the opportunity to represent Citigroup today.

When a similar group convened with this committee last year, we shared how our bank supported the economy during the global pandemic.

Today, while the worst of COVID may be behind us, the economic challenges we are facing are no less daunting. The reforms you put in place, and the work we have done since the financial crisis to strengthen our bank's financial foundation, have enabled us to continue to serve as a source of stability.

While today I am a proud American citizen, as someone who grew up in the U.K., I can attest that the banking system and the capital markets in the States are the envy of others. Our financial institutions and our financial markets are essential to American competitiveness abroad, and they are the reason why the U.S. is the top destination for foreign investment.

As living expenses for Americans increase and concerns about the economy grow, we remain very focused on our role as a bank in job and in wealth creation. Through Citi's extensive global network and footprint, we partner with the most iconic American businesses, as well as the Federal Government, to help them navigate the global economy. We have been supporting our clients as they build resiliency, reconfigure supply chains, and adapt to inflationary pressures, and we help these institutions invest in projects that put them in a position to succeed in the 21st Century.

And it is these investments that put a lot of people to work in the United States. The private sector clients we serve are where millions of Americans proudly earn their living, and those clients rely on vendors and suppliers, which in turn employ millions here at home. At Citi, we employ 70,000 people here in the U.S., working in cities across the country such as Jacksonville, St. Louis, and Los Angeles.

The work we do with our public sector partners is a prime example of how we put our balance sheet to work to benefit local communities. In 2021, we partnered with State and local governments to catalyze more than $27 billion in infrastructure investment, such as schools, hospitals, and roads, and many of these large projects just wouldn't have been possible without a bank of Citi's scale to back them.

We financed more than $5.6 billion in affordable housing projects last year in communities across 32 different States, from California to Ohio to New York, and this total made us the number-one affordable housing lender in the U.S. for the 12th year in a row.

Breaking down the barriers to banking is also a top priority for us. In fact, this past summer we became the first of the largest U.S. banks to completely eliminate overdraft fees and returned item fees for our customers.

We have also been a leading proponent of pay equity. Earlier this year, we launched a first-of-its-kind diverse financial institutions group to lead our engagement with minority depository institutions (MDIs) and diverse broker-dealers and asset managers.

And this group has focused on helping these diverse institutions scale and expand into new markets, and it includes a groundbreaking rotational program that embeds Citi executives within MDIs for up to a year.

Bottom line, my Citi colleagues and I understand and embrace the responsibilities that banks have for advancing economic empowerment and mobility.

I hope my pride in Citi's story has come through, but I also want to be clear about recognizing the need to continue improving as we strive to build an even safer and sounder bank for the future.

Thank you for the opportunity to speak with you about the work we are doing to support American consumers and businesses, and I look forward to your questions later on today.

Thank you very much.

[The prepared statement of Ms. Fraser can be found on page 153 of the appendix.]

Chairwoman WATERS. Thank you very much, Ms. Fraser.

Mr. Moynihan, you are now recognized for 5 minutes to present your oral testimony.

TESTIMONY OF BRIAN MOYNIHAN, CHAIRMAN AND CEO, BANK OF AMERICA

Mr. MOYNIHAN. Thank you, Chairwoman Waters, Ranking Member McHenry, and distinguished members of the committee. Good morning to all of you.

It is an honor to be here to represent my 210,000-plus teammates at Bank of America and to talk to you about how we deliver responsible growth. This is how we run our company, and it is the same thing I told you last year and the year before, and every time we have done these hearings: We deliver for our clients, for our teammates, for our communities, and for our shareholders. We believe in delivering both profits and purpose.

That includes being a great place to work, which is a core tenet of responsible growth. We invest heavily in our teammates and their families. This year, we raised our U.S. minimum hourly wage to $22, and are on track to increasing it to $25 by 2025.

We also made an across-the-board pay adjustment for all of our U.S. employees mid-year, in the late spring, who earn under $100,000, to increase their wages by 3 to 7 percent based on years of service. This is above and beyond any B of A pay review cycle.

For the fifth time this year, we delivered special compensation awards to our teammates, this year $1 billion over and above other compensation, to 97 percent of our employees. We again did not raise medical premiums for teammates who earn under $50,000, the 12th year in a row we have done that.

Our global workforce is 50 percent women, and 49 percent of our U.S. teammates are people of color. Our management team is 55 percent diverse, including 32 percent women. Our board is 53 percent diverse, including 33 percent women.

We also continue to help our clients manage their financial lives. Over the past year alone, our lending to individuals and families grew by 9 percent and our loans to small businesses grew by 8 percent. We are the top small-business lender, with $22 billion in outstanding small business loans today.

Our brand in customer scores are in the best sustained shape we have ever seen. We support our clients with a trillion dollars in loans to help them with their financial lives. We hold $1.9 trillion of their deposits to help them also. Ninety-five percent of our Paycheck Protection Program (PPP) loans have been paid off or forgiven. We continue to expand our nationwide network of financial centers and our industry-leading and award-winning digital capabilities.

Through both, we deliver transparent, easy-to-use products and services to help our clients save, spend, and borrow. As an example, beginning in 2009, we began to take steps to empower our clients to reduce overdraft usage. We first eliminated overdraft fees for clients when using debit cards at point of sale and have not allowed opt-in for a dozen years.

We also have created no-overdraft-fee accounts, now over 4 million in our client base. We have since eliminated fees for nonsufficient funds in our consumer deposit accounts. We have reduced overdraft fees from $35 to $10 per occurrence. And we removed the ability to overdraft at an ATM. You can see that in the second quarter call reports which show that our nonsufficient funds and overdraft fees are down 66 percent from last year's second quarter.

Now, responsible growth also shows how we make an impact in communities where we live and work. In 2021, we continued our long record with $375 million in charitable giving. Our teammates reported 1.6 million volunteer hours during the year.

We also continue to be a lender and to support our small businesses and entrepreneurs in our communities. We provide more than $2 billion to CDFIs to finance affordable housing, community facilities, and small businesses. We have invested in the common equity of dozens of minority depository institutions and have $100 million-plus in deposits with those institutions.

We have also committed, in a unique program, $350 million to over 100 private equity funds that are run by women and minority entrepreneurs as private equity partners and invest in companies with like owners.

Responsible growth requires us to work with clients of every size and every sector to support a just transition to a sustainable future and energy security for the United States and around the world. We believe that capitalism remains the best way to tackle the big challenges facing society.

We all face a transition to a secure energy environment. The private sector has the funding, the scale, and the long-term thinking to help with the toughest issues, including those.

In 2021, we had $250 billion in loans and other support to clients in the area of sustainable finance. This includes more than $150 billion focused on a clean energy transition.

We work with all companies in the energy sectors, oil and gas clients, who are also investing to help drive clean energy solutions.

Responsible growth also means delivering for our shareholders. We deliver strong profitability and returned billions of dollars to shareholders in dividends and stock repurchases. But our balance sheet, capital, and liquidity are the strongest in our company's history.

This is responsible growth. This is capitalism in action.

Thank you, and we look forward to your questions.

[The prepared statement of Mr. Moynihan can be found on page 166 of the appendix.]

Chairwoman WATERS. Thank you, Mr. Moynihan.

Mr. Rogers, you are now recognized for 5 minutes to present your oral testimony.

TESTIMONY OF WILLIAM H. ROGERS, JR., CHAIRMAN AND CEO, TRUIST FINANCIAL CORPORATION

Mr. ROGERS. Chairwoman Waters, Ranking Member McHenry, and members of the committee, good morning. I am Bill Rogers, the chairman and CEO of Truist. I am extremely proud to be here on behalf of Truist's 50,000 purpose-driven teammates. Thank you for this opportunity to testify today.

Truist is a purpose-driven company, and that purpose is to inspire and build better lives and communities. This drives our mission for our teammates, our clients, and the many communities and stakeholders that we serve.

For teammates, our mission is to create an inclusive and energizing environment that empowers teammates to learn, grow, and have meaningful careers. Truist's minimum starting pay of $22-per-hour is among the highest in the industry.

Our career development programs provide a pathway to professional growth. They include offerings at the Truist Leadership Institute, as well as tuition reimbursement for education that supports career advancement. We have also accelerated career development for Truist leaders from diverse backgrounds, which has helped us meet our goal of 15 percent diverse representation in leadership roles a year ahead of our original target date.

To help ensure our teammates' financial security extends into retirement, we offer eligible teammates both a defined benefit pension plan and a 401(k) match at perhaps the highest level in the industry.

For our clients, our mission is to provide distinctive, secure, and successful client experiences through our technology-plus-touch-equals-strategy. We recently launched Truist One Banking, which includes two new deposit accounts with no overdraft fees, as well as other features to accelerate our clients' journey towards financial well-being.

Today, 87 percent of our client interactions occur digitally. We are evolving our products and services to help ensure we continue to offer a best-in-class client experience that is intuitive, efficient, and secure.

Client security is a Truist priority, and my written testimony outlines actions we are taking to protect our clients. We welcome opportunities to work more closely with law enforcement and policymakers at every level to help protect our banking system from organized and sophisticated criminal attacks.

Even when most client interactions occur digitally, exceptional client service often requires the personal touch that our Truist teammates provide. Personal touch made the difference for many of our clients navigating the PPP process. At the outset of the pandemic, and in the middle of our merger, thousands of our teammates worked directly with their business clients to meet their fast-changing financial needs.

I am extremely proud and appreciative of the client letters we received thanking our teammates for their help in securing PPP loans that kept small businesses open and employees employed.

For the many other stakeholders we serve, our mission is to optimize long-term value through safe, sound, and ethical practices. Truist is a Main Street bank, and teammates serve our clients at more than 2,000 branches in 17 States and Washington, D.C. We are committed to being a good neighbor and contributing back to the communities where we do business.

In 2019, we committed to a $60-billion community benefits plan, which included mortgage lending for low- and middle-income borrowers, commitments to small businesses and community development lenders, community development grants, as well as the establishment of 15 new branches in low- and moderate-income (LMI) communities.

I am pleased to report that through August of 2022, we estimate that our combined lending, investing, and philanthropic financing activities already exceeded the $60-billion mark, and that we will open 16 new branches in LMI or majority-minority communities by the end of this year.

In addition, Truist has been a strong supporter of MDIs and CDFIs.

In 2022, a $40-million Truist donation helped establish CornerSquare, a new nonprofit that provides capital to racially- and ethnically-diverse small-business owners.

In 2021, Truist committed $50 million to serve as an anchor investor, along with Microsoft, on FDIC's mission-driven Institution Investment Fund.

And in June, Truist committed an additional $120 million to strengthen and support small businesses, with a focus on Black, Latine, and women-owned businesses.

I am inspired by the opportunity to lead this purpose-driven company and to serve our clients and our teammates and our communities.

Thank you for this opportunity to share our purpose journey with you, and I look forward to your questions today.

[The prepared statement of Mr. Rogers can be found on page 191 of the appendix.]

Chairwoman WATERS. Thank you, Mr. Rogers.

And Mr. Scharf, you are now recognized for 5 minutes to present your oral testimony.

TESTIMONY OF CHARLES W. SCHARF, PRESIDENT AND CEO, WELLS FARGO AND COMPANY

Mr. SCHARF. Chairwoman Waters, Ranking Member McHenry, and members of the committee, good morning, and thank you for the opportunity to be here today.

Since October of 2019, I have had the privilege of leading Wells Fargo. As I reflect on my time at the company, I am incredibly proud of how we have used our strength during difficult times to support our customers, employees, and the communities we serve while we have worked to transform the company at the same time.

I believe that our nation benefits from a strong Wells Fargo, and that has never been more true than today.

The last time I appeared before this committee the country was in the middle of a pandemic, and my testimony and many of your questions were focused on what banks were doing to support the communities in which we operate. Those were important questions then, and they are equally important today given the complexity of today's high inflationary environment.

Since 2020, Wells has provided billions of dollars in emergency lending to America's small businesses, and we have donated approximately $420 million in fees from that lending to small business owners who struggled during the pandemic through our Open for Business Fund. These funds are estimated to have reached more than 150,000 business owners nationally and have preserved approximately 250,000 jobs.

Last year alone, we helped more than half-a-million homeowners with new, low-rate loans to purchase a home or refinance an existing mortgage, and we closed billions of dollars in new commitments in affordable housing.

Between 2017 and 2021, we increased average wages for our U.S. hourly employees by nearly 25 percent, and increased investments in our U.S. employee benefits by over 20 percent. And we launched a unique Special Purpose Credit Program, committing $150 million to help eligible Black homeowners lower their interest rates and reduce their monthly payments.

In addition, we issued a second sustainability bond in the amount of $2 billion that will finance projects and programs supporting housing affordability, economic opportunity, renewable energy, and clean transportation.

Our work is bolstered by our Banking Inclusion Initiative, a 10-year program to help unbanked individuals gain access to affordable, mainstream, digitally-enabled accounts.

Although our work is not complete, Wells Fargo approaches issues differently and is a better company than when I arrived. We have driven a tremendous amount of change and established a much stronger foundation for the long term, with a clear sense of urgency on building our risk and control infrastructure.

We have changed our operating structure, simplified our business, and have a new leadership team in place with the necessary skills and experience to transform Wells Fargo.

Almost 70 percent of our company's Operating Committee is new to the company since I joined. Additionally, well over half of the senior-most people, meaning those who are one level below the Operating Committee, are new to their roles. We have also meaningfully improved diversity in our senior ranks.

Additionally, last week we announced that we will commission an external third-party racial equity audit. The assessment will focus on elements of Wells Fargo's efforts to serve diverse communities and promote a diverse workforce. Commissioning this work is a critical next step in reinforcing our commitment to racial equity and helping close the wealth gap in this country.

Looking forward, I recognize that the country may be facing uncertain economic times for months to come. I can assure you that Wells Fargo Bank is keeping a close eye on consumer spending and credit trends, and we will continue to be a constructive partner in forging an inclusive recovery.

We recognize that COVID-19 has left many people still in need and the current inflationary environment has added stress. As a company, we will continue to provide support to our customers, employees, and communities over the long term.

In conclusion, I want to express my sincere gratitude to everyone at Wells Fargo who has continued to serve our customers, each other, and our communities through these challenging times. I appreciate their dedication and resiliency as we have worked to make Wells Fargo better.

While we still have much more to do, our foundation is stronger, our business is more focused, we are driving cultural changes, and the changes we have made to the company are having a positive impact. I am confident that we have the management team in place to complete the work ahead.

Thank you. I welcome your questions.

[The prepared statement of Mr. Scharf can be found on page 226 of the appendix.]

Chairwoman WATERS. Thank you very much, Mr. Scharf.

I now recognize myself for 5 minutes for questions.

Mr. Scharf, I recognize that you have only been the CEO for a little less than 3 years, and I remember the commitments that you have made, and I am listening to what you consider has been your progress since you have been there. Your commitment was to clean up the culture of corruption that existed in Wells Fargo.

Since you last testified, the Office of the Comptroller of the Currency (OCC) fined your bank $250 million for violating a previous consent order regarding risk management and for engaging in unsafe and unsound practices related to serious deficiencies in your home lending loss mitigation program.

In May 2022, The New York Times reported that current and former employees of Wells Fargo described hiring practices that led to fake job interviews so that internal diversity goals could be achieved.

A 2021 report by the Committee for Better Banks found that Wells Fargo failed to sufficiently disclose employment diversity data, making it impossible to examine advancement opportunities for workers of color.

One Wells Fargo employee, who is a call center worker in San Antonio, Texas, responded to the last report, saying, “It is extremely deflating to be a person of color at Wells Fargo. In the past couple of years, I have watched a handful of Black managers at Wells Fargo get fired or leave.”

Mr. Scharf, I know the bank has made various commitments to address the racial wealth gap, and you have finally agreed to do a racial equity audit.

I also appreciate that Wells Fargo is one of the few banks that has maintained a presence in the Caribbean as a correspondent bank, while, of course, we had Citi who responded to us when we were in Barbados that they had closed their correspondent banking operations. So, I do appreciate it. But it is not at all clear that you are doing enough to finally break the pattern of repeat offenses.

To take another example, a Bloomberg investigation found that Wells Fargo approved fewer than half of Black homeowners who applied for mortgage refinancing in 2020, the worst Black approval rate compared to other major lenders.

I know you will point to things like FICO scores, and requirements of the Government-Sponsored Enterprises (GSEs), but this doesn’t fully explain why your bank was comparatively worse in this market compared to other major lenders.

When you look at this track record, and when you hear feedback like that from your own employees, what is your assessment of your performance since you last testified before us? You gave us some indication, but would you respond to the fines and the criticisms at this point?

Mr. SCHARF. Madam Chairwoman, first of all, thank you for the opportunity to address those things.

I was brought in to bring about substantial change at Wells Fargo, and we have made tremendous changes.

I have also been very clear since the day I arrived, including when I testified in front of this committee in March of 2020, that it was going to take multiple years to make all of the changes that were necessary so that the company was run in a way that I would be proud of, our regulators would be proud of, and you would be proud of.

We have closed four consent orders since I have been there. We have returned our CRA rating to, “Outstanding.” We have plans in place for all of the remediation work that has to take place. And

I firmly believe that we are making progress across that body of work.

And as I said in my remarks, I am very confident that we have the team in place, but that we also have the processes, the discipline, and the sense of urgency to get done what is needed.

Chairwoman WATERS. If I may interrupt you, will you respond to the accusation of fake interviews? What does that mean to you? And I think you have heard this criticism.

Mr. SCHARF. Nobody should go through an interview without the belief that they could have a reasonable shot at getting that job. We firmly believe that having a policy in place that requires diverse candidates helps us attract the best candidate. We believe that with the policies we put in place, that is happening, and that is the reason why our diverse hiring is up substantially since we put these policies in place.

And to the extent that anyone feels as if they have not been treated properly, that is something that is on our management team to ensure doesn't happen.

Chairwoman WATERS. Is it true that you interviewed an African-American employee for a position after you had already hired a White employee? Is that true?

Mr. SCHARF. We are in the middle of continuing an investigation to make sure that we understand every instance where people felt as if they were not treated fairly, and if we have findings, we will take appropriate action.

Chairwoman WATERS. Thank you very much.

At this point in time, I will call on the gentleman from North Carolina, Mr. McHenry, who is the ranking member of the committee.

You are now recognized for 5 minutes, Mr. McHenry.

Mr. MCHENRY. Thank you for your testimony.

Let's talk about the main thing. The main thing here is the economy, the state of the economy. We see a changing rate environment that has a severe impact on financial institutions and families. We see it first for the housing market, with 7 months of receding home sales, in a time where we need more housing units in America. We see inflation eroding families' budgets on a weekly, and monthly basis, made worse by policies out of Washington.

Let's talk about inflation. I want to know the impact, as you see it.

Ms. Fraser, you have a global footprint. You are in jurisdictions that have rampant, persistent inflation, where there is huge pressure placed on consumers and businesses in that environment. What are the economic consequences and challenges of a high-inflation environment?

Ms. FRASER. Thank you very much for the question, Congressman.

We are very concerned about the high prices that consumers are facing in America and indeed around the world. We certainly have lived through very unusual times, through the pandemic, through the recovery from that, and thenz, the impact was greatly exacerbated by the war in Ukraine.

The impact of the higher rates that are required to try and tame the inflation is likely to be moderating growth in America and around the world and will be putting pressure on many of the drivers of the recovery that we have been looking for.

Mr. MCHENRY. You have this backdrop of the economy, and all of you are making decisions for your institutions.

In our economic system in America, banks are a key piece of our economic system, and the multiplier effect that you all provide and the lending and the risk that you take in our economy.

Let's talk about regulatory capital and what that would do.

Truist. In the regional banks are—we have heard from Federal bank regulators about additional long-term debt requirements potentially placed on institutions like yours.

Mr. Rogers, what effect would that new layer of capital requirement have on an institution like yours and your customers?

Mr. ROGERS. Ranking Member McHenry, thank you for that question.

First and foremost, we think that regulation ought to be tailored and follow the risk of individual institutions, and I think that is consistent with the philosophy that we all support.

Additional capital at a higher cost caused us to actually potentially impair lending or slow down our lending. It may cause us to do other things from a competitive standpoint to cover the costs of additional capital.

Mr. MCHENRY. Is that what U.S. Bank thinks, Mr. Cecere?

Mr. CECERE. Thank you.

We continue to have a very simple business model, and although we are larger than we were a few years ago, the businesses that we are in are substantially the same. Our capital levels since 2007 are actually 3 times what they were at that time. So, we believe we have a very strong capital rating, which is reflected in our high debt rating. Additional capital will increase the cost of debt.

Mr. MCHENRY. Mr. Dimon, you spoke yesterday about additional requirements for regulatory capital and liquidity standards and the impact it would have on the marketplace. Will you speak to that?

Mr. DIMON. Yes, sir.

To give credit where credit is due, Dodd-Frank accomplished a lot of what needed to be accomplished. Lehman Brothers would not happen again. I think the regulators should take a victory lap for that.

Having said that, as often happens, things went a little bit too far. It is not just capital; liquidity requirements, international requirements, Basel requirements, et cetera, do restrict lending, raise the cost of lending, damage markets a little bit, and reduce mortgage lending on the part of some of our banks.

We want good regulations. But I think we need to spend a little more time recalibrating the effect of these regulations across the whole financial system.

Mr. MCHENRY. So, there is a cost to this, and there is an economic cost, and it changes behavior at the institution, which means you don't lend as aggressively on the margins?

Mr. DIMON. Yes. And unfortunately, some of that is going to happen when things get worse. So, JPMorgan will be sitting with a trillion dollars, unable to deploy it to help our clients to meet intermediate markets at precisely the wrong time.

You all saw Treasury markets, and other markets get very rattled in March 2020, going back to 2019, and part of the reason was the inability of very well-capitalized, very liquid banks to do what they really should be doing.

Mr. MCHENRY. Which means you can't provide liquidity in the system at end of quarter, end of year, and so we are going to have choppier markets as a result of regulatory policies that impair your ability to make markets.

Is that how you see it, Mr. Moynihan, with Bank of America?

Mr. MOYNIHAN. There is no question that increasing capital for us 1 percent makes us not be able to lend $160 billion of loans into the economy. It is that straightforward. It is a simple calculation.

Mr. MCHENRY. So, there is an economic cost to regulatory capital requirements that is beyond economic historic needs for your institutions.

Thank you for your testimony.

Chairwoman WATERS. Thank you very much.

The gentlewoman from New York, Mrs. Maloney, who is also the Chair of the House Committee on Oversight and Reform, is now recognized for 5 minutes.

Mrs. MALONEY. Thank you so much, Chairwoman Waters, for calling this important hearing.

And to our panelists, I thank all of you for your comments, particularly those who talked about wanting to reduce the overdraft fees that drain billions of dollars from America's poor and working-class communities every year.

The Consumer Financial Protection Bureau (CFPB) has found that overdraft fees cost our consumers over $15 billion in 2019 alone, and these fees disproportionately target and penalize low-income consumers. They found that almost 80 percent of overdraft and nonsufficient fund fees are borne by only 9 percent of consumers, and they are all financially vulnerable.

While I am glad to see some banks have taken some initiative by eliminating or moving in that direction, it is concerning to me that it has taken this long and that many banks still have yet to make any voluntary changes.

And with banks enacting different policies, consumers are left with little consistency. They are very confused by these different policies.

We must ensure that we have a comprehensive permanent solution and act to protect consumers, and that is why I have introduced the Overdraft Protection Act, which has been reported out of the committee. It builds on the Credit Card Bill of Rights which passed in 2009 and, according to the CFPB, has saved consumers over $16 billion a year by just keeping fees in their pockets, in the consumers' pockets.

I want to ask Bank of America and Citibank, because in your testimony you talked about your actions to eliminate fees, can you elaborate on what product offerings you have changed to reduce or eliminate the overdraft fees? And can you speak to how your consumer banking division has remained profitable in light of all of these changes?

First, Mr. Moynihan, and then, Ms. Fraser.

Mr. MOYNIHAN. I think you heard many of my colleagues talk about this, and this is a product in the industry. The first is a no-overdraft product, especially for students and younger people. We have formulated those, and I think if you total it up, across-the-board, that product allows people to have no overdraft capacity.

Then, you have the other products for people to opt into. And what we've done is reduced our overdraft per-occurrence fee from $35 to $10. We've reduced the no-ability-to-have-the-NSF-type-fees, the numbers of occurrences.

All of that totals up that we're down 60 percent second quarter, last year's second quarter. This year, it'll fall further because a lot of those changes took place. And we recently announced that it's down 90 percent.

But we're able to do that because of the scale and capabilities of our team in consumer banking. And these larger banks—a variety of banks participate in our system; there's a variety of business models. But one of the things that will be consistent is the scale we've been able to achieve. And our company and these companies at this table have allowed us to pass through those benefits to the consumers and still remain profitable.

Mrs. MALONEY. Thank you.

Ms. Fraser?

Ms. FRASER. Thank you very much, Representative. It's lovely to see you.

At Citi, we are proud to have eliminated overdraft fees and NSF. This was the right decision for our bank and is reflective of a multiyear commitment to having a customer-friendly approach to fees.

Similar to my colleague, Mr. Moynihan, we also have a product, called the Access product. It accounts for almost 20 percent of all of our accounts. In addition to the no-overdraft, it also is a very low-cost, customer-friendly account that has grown substantially over the last few years and played a very important role during the pandemic for those who were most affected. It's something that we're committed to continuing to grow.

Thank you.

Mrs. MALONEY. Are there any other banks that can commit to eliminating overdraft fees altogether by 2025? Anyone else on the panel who can follow the leadership of these two banks?

Then, I'd like to move to the interest rates that are rising and causing problems or challenges with the housing market and making it harder for first-time homebuyers to be able to take out mortgages.

Again, I'd like to ask both Bank of America and Citibank what you have done. Do you have any programs or ideas of how we can help facilitate homeownership, even with the challenges of increased interest rates? Would moving the 30-year mortgage to sort of a 50-year mortgage to lower the interest-rate payments per month—would that help?

I welcome any ideas that you may have. And after them, anyone else's ideas are also welcome. First Mr. Moynihan, then Ms. Fraser.

Mr. MOYNIHAN. I think we have programs that provide down payment assistance and grants for that if you get HUD counseling. We have programs to develop housing in our community development program. We do $6 billion a year in low-income housing development and other types of housing development.

It's a multifaceted thing, but I think at the end of the day, the amount of adjustment will go on as rates adjust, as intended, to attack the inflation, and it will take a period of time for that to sort through.

Chairwoman WATERS. Thank you.

The gentlewoman's time has expired.

Mrs. MALONEY. Thank you. I yield back.

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

Mrs. WAGNER. Thank you, Madam Chairwoman.

I'd first like to note that this is our third time hearing from these witnesses, the second time this Congress, and the Majority is likely to make the same assertions that they did last time to name-and-shame just to try and score political points.

Meanwhile, we have an SEC Chair moving at breakneck speed to propose an historic number of rules—more than the SEC proposed even after the 2008 financial crisis. Yet, this committee refuses—refuses—to conduct any oversight. Why is the Majority unable or unwilling to bring in SEC Chair Gensler? The Senate Banking Committee didn't seem to have a problem getting him to testify.

Inflation has outpaced workers' wages for 17 months in a row under President Biden's watch, and America's workforce is paying the price. The majority of U.S. workers' income has fallen behind rising costs. Everyday items, across-the-board, keep rising in price. The cost of eggs is up 40 percent; chicken, 25 percent; bread, 16 percent.

Instead of addressing this 40-year-high inflation crisis, President Biden and the House Democrats spent last week celebrating their reckless spending and failed agenda, which ironically coincided with the stock market crashing and erasing retirement savings for millions of hardworking Americans.

The very same day, the Consumer Price Index numbers jumped to 8.3 percent over last year, and the White House celebrated with James Taylor singing, "Fire and Rain." Let me tell you what, the only fire that's raining down on my constituents in Missouri's Second Congressional District is the cost of putting food on their table, putting gas in their tanks, and paying their utilities. One in every six Americans, over 20 million of them, are in arrears on their utility bills, and we haven't even hit winter yet.

Why aren't we having hearings to address the drivers of inflation: the effect that the $5 trillion in Democrat government spending over the last year-and-a-half has had; the lack of our energy independence; or perhaps the overregulatory burden of President Biden's administrative state that, honestly, adversely affects small community banks even more harshly than those before us today?

The recent Consumer Price Index numbers show that inflation is not going away any time in the near future. Everything costs more now. And low- to middle-income Americans are hurt the most.

Mr. Cecere, and Ms. Fraser, in your opinion—I know that the ranking member touched on some of the implications of sustained inflation, particularly on consumers' credit and the economy. But in terms of the level of savings and credit card debt, what are you seeing on the ground, from your customers, your clients?

Mr. Cecere?

Mr. CECERE. Thank you, Representative. You are correct that inflation is impacting those who can afford it the least.

While consumers' spend levels in total are about 10 percent above last year, the things that people are spending money on have changed substantially from discretionary to nondiscretionary items like food and gas, as you mentioned.

And I think it's appropriate that we're very focused on inflation, because, again, it is most harmful for those who can afford it the least.

Mrs. WAGNER. And are you seeing, in fact, credit card debt go up and savings go down?

Mr. CECERE. Savings levels continue to be above pre-pandemic levels across all stratas of deposit levels, from 2 to 4 times. However, they're stabilized, where for 18 months they were growing each and every month, and they've stabilized in the last 3 months.

Credit card spend rates continue to be high, and payment rates are actually starting to normalize, but are still well above pre-pandemic levels.

Mrs. WAGNER. Thank you.

Ms. Fraser, please?

Ms. FRASER. Thank you very much.

I would say that it's early days still, in terms of seeing the impact of high interest rates on the consumer in the States. Fortunately, they entered this period with pretty strong balance sheets, but we would anticipate that if interest rates remain high in order to tame inflation, we will see greater stress, particularly in lower FICO scores, in credit, and that we will also see the savings rates coming down further than we have done.

I think we're fortunate to have had the consumer in good health entering into this, but we do expect we're going to be in for tougher times ahead.

Mrs. WAGNER. Thank you. I've run out of time.

And I yield back.

Chairwoman WATERS. Thank you very much.

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. He's also an accountant who understands that inflation is a worldwide phenomenon.

Mr. SHERMAN. Thank you.

For the 2½ decades I've been on this committee, we've brought the SEC forward to push them because they weren't writing the regulations that the law required them to write. And I want to commend the SEC for beginning to deal with that backlog. I don't criticize them for working too hard.

The Inflation Reduction Act reduced the Federal deficit by $300 billion, partially ameliorating the inflationary effect of the Trump tax cut, which added $2 trillion to our deficit by cutting taxes for the wealthy and large corporations. And, of course, the Inflation Reduction Act provides tax cuts designed to reduce global warming.

I have a lot of questions. We have a lot of witnesses, so my questions are designed to be yes-or-no questions.

ESG investing is for those who want to contribute to society and to any improvement of the environment, which is kind of the exact opposite of giving money to Vladimir Putin.

Mr. Dimon, back in March, Politico reported that you were going to mull over the possibility of removing Russia from your ESG fund suite. Has JPMorgan removed Russia from its ESG fund suite?

Mr. DIMON. Probably.

Mr. SHERMAN. Can you get back to us with a definitive answer on that, Mr. Dimon?

Mr. DIMON. I would be happy to do that.

Mr. SHERMAN. We clearly have sanctions on Russia and Belarus. There is a loophole in those sanctions that we don't have in Iran or North Korea sanctions, which is that the subsidiaries of U.S. corporations are not legally-bound. My hope is that the institutions here wouldn't be exploiting that loophole.

This House of Representatives in May passed my bill, the Russia and Belarus Financial Sanctions Act, which would block that loophole. Unfortunately, the Senate remains somewhat dysfunctional.

The question is, are you going to exploit that loophole? But I'll be more specific.

Mr. Dimon, has JPMorgan cut its ties with Gazprom and Vitol?

Mr. DIMON. First of all, I wouldn't call those loopholes. The American Government, the Secretary of the Treasury—

Mr. SHERMAN. Wait, wait, wait. Please don't respond—I didn't ask you to respond to my editorialization. Just a specific question: Have you cut the ties to Gazprom and Vitol?

Mr. DIMON. We are following the instructions of the American Government, as they asked us to do it, and I think they're doing a great job.

Mr. SHERMAN. Mr. Dimon, it's a yes-or-no question. You have not cut your ties to Gazprom and Vitol.

Do you continue to own a major stake in the Russian bank, Sberbank?

Mr. DIMON. No, we do not own a stake in Sberbank. I think that's in a—

Mr. SHERMAN. Thank you.

Mr. DIMON. —somewhere.

Mr. SHERMAN. But I—

Mr. DIMON. And we've materially cut out some of the relationships with—

Mr. SHERMAN. —I would hope you would cut all your ties to Gazprom and Vitol.

Let me go on to Citigroup. Have you cut your ties with Lukoil and Vitol?

Mr. DIMON. Can I just add one other thing?

Mr. SHERMAN. Not on my time, you can't.

Mr. DIMON. No one is doing—

Mr. SHERMAN. Reclaiming my time—

Mr. DIMON. No one—

Mr. SHERMAN. —Mr. Dimon.

Chairwoman WATERS. The time belongs to the gentleman from California.

Mr. SHERMAN. You can do a press conference afterwards and comment as you like. Not on my time.

Ms. Fraser, has Citigroup cut its ties to Lukoil and Vitol?

Ms. FRASER. Similar to Mr. Dimon, we have been working down our exposures in Russia and—

Mr. SHERMAN. So, you have not cut your ties yet.

Let's move on.

A number of the banks here have said that you're going to cut investment in new coal-fired electric plants. The question, though, is, are you going to finance crypto mining, which creates electricity that is then wasted on something that doesn't keep anybody's lights on, and doesn't cook anybody's food?

Ms. Fraser, are you going to be financing crypto mining?

Ms. FRASER. I do not believe so.

Mr. SHERMAN. Mr. Moynihan?

Mr. MOYNIHAN. We do not have any.

Mr. SHERMAN. Mr. Scharf?

Mr. SCHARF. I'm not aware of any financing like that.

Mr. SHERMAN. Okay.

Finally, a capital markets question.

We have limits on margin lending designed to protect the lender—and, in this case, the lender is you, and you're systemically important to us. It's designed to protect the investor, but, most importantly, it's designed to protect the capital markets. That's why on equity investments we only allow a one-to-one margin.

But the total default swap is a loophole that allowed Archegos to get a nine-to-one margin. Can you commit now to follow the rule that we provide only a one-to-one margin? Or do you want to use loopholes to provide the nine-to-one margin?

I might add that, with Archegos, the lenders lost well over $5 billion.

Mr. Cecere?

Mr. CECERE. We have no relationship with that firm and do not have—

Mr. SHERMAN. Do you use credit default—these swaps to avoid the margin limit requirements?

Mr. CECERE. Not that I'm aware of, sir.

Mr. SHERMAN. I believe my time has expired.

Chairwoman WATERS. Thank you very much.

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

Mr. HUIZENGA. Sorry, Madam Chairwoman. It was my understanding that my colleague, Mr. Posey, was going to be next? He's on the screen. Just clarifying before we get going on the time.

Chairwoman WATERS. The gentleman has 5 minutes.

Mr. HUIZENGA. But my colleague who is onscreen was supposed to be next in line and is ready. He's in between—

Chairwoman WATERS. The gentleman from Florida, Mr. Posey, is now recognized for 5 minutes.

Mr. POSEY. Thank you, Madam Chairwoman.

Mr. Dimon, in late May, you told stakeholders to, "brace yourselves," for an economic hurricane. What's your current outlook along those lines?

Mr. DIMON. Sir, I think you've heard that the American consumer is still actually in rather good shape. They're spending money, 10 percent more than in the prior year. They have a good balance sheet. Their debt balances are low. Their confidence level is going up. Jobs are plentiful. I think it's a good thing that wages have gone up for the lower end. That's all the good news.

That's being met by other forces which we don't know the full effect of: war in Ukraine; oil prices going up; interest rates going up; inflation. And the worst possible outcome is stagflation. Those things will absolutely cause a slowdown and, at some point, increase unemployment. And we don't know the full outcome.

Mr. POSEY. In your opinion, what is the most urgent regulatory reform that this committee could make in terms of improving our nation's economic and financial well-being?

Mr. DIMON. I think when you're looking at something like inflation, there are really three things to do. Rates will have to go up. That will reduce demand. I think spending less money reduces demand. And we should also focus on the supply side.

And there is evidence in certain areas—mortgages, small-business regulation, some capital regulation—that regulations could actually reduce the burden on businesses and get people to hire more employees and produce more products and services.

Mr. POSEY. What role did monetary and fiscal policy, especially the Fed's financing of congressional deficit spending, play in our spiraling inflation, particularly in food and shelter prices and other components of the Core CPI?

Mr. DIMON. To give credit where credit is due, I think the government did the right thing early on in the crisis by taking dramatic action to reduce the pain of the pandemic. Remember, unemployment went from 4 percent to 15 percent in 3 or 4 months.

But since then, in total, fiscal spending has been $6 trillion, 30 percent of the GDP, which is bigger than any time in history other than World War II. And QE probably went on for too long, another $3 or $4 trillion, and we are paying the price of too much fiscal monetary stimulus.

I don't want to second-guess all of the people doing that. That might have been predictable at the time. They're taking the right action to reverse it. But I don't think you could spend $6 trillion and not expect inflation.

And I don't like to cry over spilled milk. Let's do the things we have to do to fix all that and then move forward, and grow the economy, which is the best way to reduce inflation and help all of our citizens.

Mr. POSEY. How likely do you believe it is that the Fed will achieve a so-called, "soft landing"—reducing inflation without an unacceptable decline in economic activity?

Mr. DIMON. I do not like to make forecasts. I don't think I've ever seen anyone forecast the future properly. I look at probabilities. I think there's a chance, not a big chance, a small chance, of a soft landing. There's a chance of a mild recession, a chance of a harder recession.

Because of the war in Ukraine and the uncertainty that it causes in the global energy supply and food supply, there's a chance it could be worse. And I think policymakers should be prepared for the worst, so that we take the right actions, if and when that happens.

Mr. POSEY. Are ESG ratings useful in terms of supplying investors with enough information to make intelligent tradeoff decisions among economic rates of return and environmental, social, and government (ESG) objectives? Or are they merely a rating of past ESG performance?

Mr. DIMON. I think we need more work to make it clearer what these ratings are and what they mean.

Mr. POSEY. What do you think our nation's near-term energy strategy should be in terms of traditional energy sources like oil and gas?

Mr. DIMON. We aren't getting this one right. The world needs 100 million barrels, effectively, of oil and gas every day, and it'll be needed for 10 years. To do that, we need proper investing in the oil and gas complex. Investing in the oil and gas complex is good for reducing CO2. Because what we've all seen is that, because of the high-priced oil and gas, particularly for the rest of the world, you've seen everyone going back to coal, not just poor nations like India, China, Indonesia, and Vietnam, but also wealthy nations like Germany, France, and the Netherlands. CO2 is getting worse.

We need to have proper rules and regulations and government policy to have an effective transition to reduce CO2, keeping energy secure. We've all learned that energy supply globally is not secure, is still precarious. The United States is self-sufficient. We use and produce 10 million barrels of oil a day. Many countries don't. And their sense of energy-insecurity is enormous. It is quite dangerous for them. And you see that in Germany and the war of Russia and Ukraine.

Mr. POSEY. Thank you for that frank response.

My time has expired, and I yield back. Thank you, Madam Chairwoman.

Chairwoman WATERS. Thank you very much.

The gentleman from New York, Mr. Meeks, who is also the Chair of the House Committee on Foreign Affairs, is now recognized for 5 minutes.

Mr. MEEKS. Thank you, Madam Chairwoman.

Let me address my first question to Mr. Dimon.

JPMorgan has committed to releasing a report on its racial equity audit by the end of this year. And I think that's a critical audit. I want to focus on two aspects of your racial equity audit.

JPMorgan has noted on its website that workforce will be included in the audit. But it simply states, "build a more equitable and representative workforce and hold executives accountable."

Can you please explain what that entails? Is JPMorgan conducting this particular piece of the audit? And what are your plans to ensure that people of color hired at entry-level positions will be supported in achieving higher-ranking positions and being able to move up the ladder?

Mr. DIMON. Yes. I'm extremely proud of our efforts in diversity. And I think the racial equity, the $30-billion commitment, that's what's being audited. That's $8 billion in mortgages to minorities, $12 billion for affordable housing, $500 million of small businesses, and a lot of education. Twenty-five percent of the new branches are in LMI communities.

That's what the audit is for. There are other diversity efforts, like hiring, training, and recruiting, which are not part of the audit, which we do report on, so you will get to see our progress in that.

Mr. MEEKS. Also, will the audit examine JPMorgan's partnerships with diverse-owned asset managers and firms to build stronger portfolios? And do you have any specific goals or accountability measures currently in place?

Mr. DIMON. There are, in the racial equity, the $30 billion, there are vendor efforts that are in that. There are also vendor efforts outside of that. One is being audited; one isn't. And we'd be happy to report on that too.

Mr. MEEKS. I look forward to having both of those reports.

Mr. DIMON. Thank you.

Mr. MEEKS. One other thing that's extremely important to me—I wouldn't be here today—is that the greatest investment that takes place by the average American, but especially the largest for African Americans, is homeownership, which I believe is extremely important.

Mr. Scharf, I'll just ask you this question. It has been reported that Wells Fargo, along with other banks, is looking to reduce its mortgage lending business, including in areas like FHA lending.

Can you please explain the factors that Wells Fargo considered in making this decision to shrink its mortgage lending business? And how do you believe it will impact communities of color and vulnerable communities, who are already struggling to access affordable mortgage programs?

Mr. SCHARF. Thank you, Congressman.

I think it's important to—first of all, we are committed to the home lending business, and we're deeply committed to doing our part to increase Black homeownership through our home lending business.

But it's important to note that the mortgage market has changed dramatically. And if you were to turn the clock back probably 10 or 15 years, you would find most of the banks up here as the largest mortgage lenders in the country. That's not even close to true today. I believe we were the number-one mortgage lender in the country, and we're now number six.

And it's not because we have purposely deemphasized the business. Regulations are inconsistent between banks and nonbanks, and cost structures are different. And the nonbanks have taken an increasingly larger share of the market as we have continued to try to focus on providing home lending products both for our customers but in the communities that we serve.

To the extent that our mortgage business does get smaller from here, I can assure you, that we're going to do everything that we can to ensure that we're continuing to lend to those most in need, whether they are within communities of color or those which are more racially- and ethnically-diverse. That's something that we're going to track and we're very, very aware of.

Mr. MEEKS. And let me just emphasize how important, because I am focused on closing the wealth gap. And the way you close the wealth gap, starting out, is homeownership.

In our area, we talk about how in most markets, owning a home is an appreciating asset, so you buy the house and rent the car, because one is an appreciating asset and the other is a depreciating asset.

So, making sure that opportunity continues in our communities is extremely important. And to hear that the banks are shrinking that is concerning to me. And that opens up to where else you can get a mortgage on an equitable basis.

I'm almost out of time, but Mr. Moynihan, I was concerned about climate change and the reporting of Scope 1 and Scope 2 emissions and, where material—I think that your comment letter said that you would support Scope 1, Scope 2, and, where material, Scope 3.

And I'm out of time, so I'm not going to get a chance to get to it, but I would like to get an answer from you in writing. Can you please explain what Bank of America's position is with respect to materiality of Scope 3 emissions and what the relevant safe harbors should include? Just do that in writing. I would appreciate it.

Chairwoman WATERS. The gentleman's time has expired.

Thank you.

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

Mr. HUIZENGA. Thank you, Madam Chairwoman.

And to our newbies, welcome.

To our frequent flyers—Mr. Scharf, Mr. Moynihan, Mr. Dimon, and Ms. Fraser—welcome back. One more punch on the punchcard and I think you get a free cup of coffee. Interestingly enough, you've actually been here more than SEC Chair Gary Gensler has.

I wish we would pay as much attention to the actual regulators—the folks, by the way, whom we have a constitutional duty to have oversight of—than those that the regulators are supposed to regulate.

Mr. Dimon, and Ms. Fraser, I want to give you a very quick, brief moment. Do you comply with U.S. and international sanctions? I think that was what the implication was earlier when you were interrupted. Very quickly.

Mr. DIMON. Absolutely.

Mr. HUIZENGA. Okay.

Ms. Fraser?

Ms. FRASER. Absolutely.

Mr. HUIZENGA. Okay. Those are U.S. and international sanctions. Got it.

Last time, those of you who are returning Members and returning players will remember that I asked everybody what the one issue was that they thought was going to be the biggest barrier.

Mr. Moynihan, you said the economy.

Ms. Fraser, you touched on cybersecurity.

Mr. Scharf, you hit on cyber as well.

Mr. Dimon, you talked about public policy. And I'd like to give you a moment to clarify that. This is multifaceted, the various elements to that. But if you could just lend a little color to that, I'd appreciate it.

Mr. DIMON. It would be a pleasure.

Public policy—I think America, in the last 20 years, we've grown 2 percent. It should have been 3 percent. We should aspire to do more. That lack of growth has hurt, I think, household income by $15,000 or $20,000. By the end of the 20 years, it would have lifted up all of our citizens, and it would have paid for a lot of programs we want.

We don't strive for growth. If you look at why it wasn't 3 percent—which is why I was exploring public policy—it's our bad infrastructure planning, it's our inner-city school education, it's excess regulation, it's expensive healthcare. We have the best healthcare in the world; we also have the most expensive, and 50 million people are uninsured. It's excessive litigation, which is 1 percent more than the rest of the world, ans I can go on and on and on.

It's mortgages. You want to make mortgages more accessible to minorities and lower mortgages? Reduce the burden of regulation. It'll bring down the cost and make it more accessible—

Mr. HUIZENGA. And then, reclaiming my time on that, as a former, long-ago licensed REALTOR, and someone whose family is still involved in housing and construction, please, for the love of everything that is holy, do not offer a 50-year mortgage. Okay. This will do nothing, absolutely nothing, to build wealth or build equity. All you will be doing is having a long-term rental, because you folks are going to be getting all of the interest.

So, homeownership is the key, and I agree with my friend from New York on this. But it is not just extending payments. We have to get at the root cause of why housing is not affordable.

Mr. Dimon, very quickly, you said in your testimony, "Our success and accomplishments are founded on our commitment to our shareholders."

Obviously, that seems to have been shifting. I would say that the Securities and Exchange Commission and others, who have done an about-face on shareholder proposals with new staff guidance and those kind of things, seem to have a different take.

I'm curious, how are you balancing—is there a shift in this? And you have 15 seconds.

Mr. DIMON. We will still focus on building the best company by serving shareholders, employees, and customers, and we'll have to navigate whatever the new SEC rules may be.

Mr. HUIZENGA. Okay.

Mr. Rogers, we're going to touch on mergers. I would, by the way, posit that mergers are more because of Dodd-Frank than greed or nefarious motives.

And, in fact, I think, Mr. Dimon, you, on a shareholder call at one point, said that Dodd-Frank was good for your business, and the consolidation that was going on.

Mr. Rogers, would you agree that retail banking is a highly-competitive business?

Mr. ROGERS. It is. Yes, Representative. It's very competitive.

Mr. HUIZENGA. Okay. And your bank, Truist, is the result of a merger in 2019, correct?

Mr. ROGERS. That's correct.

Mr. HUIZENGA. Do you believe that merger allowed you to increase or decrease the accessibility to banking for your customers?

Mr. ROGERS. I think the merger has afforded us a great opportunity to increase accessibility for our customers.

And that was never more apparent than during the pandemic, when we were able to do $17-billion worth of loans, and be the 4th-largest PPP lender, doing 120,000 loans and 80,000 to small businesses. We wouldn't have been able to do that with our prior scale.

Mr. HUIZENGA. Okay. I appreciate that.

I only have seconds remaining here. I do believe that the policies that we've had as a Federal Government, including and leading with the spending that we have done, have led the Fed to this spot, where they probably need to do a 100-point basis increase, if not—certainly that 75 points. Otherwise, we are going to find ourselves in a worse inflationary situation. And we have to stop the spending and get our policy house in order.

With that, I yield back.

Chairwoman WATERS. The gentleman from Georgia, Mr. Scott, who is also the Chair of the House Agriculture Committee, is now recognized for 5 minutes, and he knows a lot about Dodd-Frank.

Mr. SCOTT. Thank you very much for your kind remarks, Madam Chairwoman.

Protecting our consumers from online fraud and theft has now become the number-one issue facing the security of our great financial system. One of the things that several of us have been working on in this committee is to bring together public-private partnerships to address this, because this technology is overwhelming, and you can see how so many of our consumers have become victims.

I'm delighted to know about the public-private partnership that is going on now between FS and the Wharton School of Finance at the University of Pennsylvania over in Philadelphia.

Mr. Rogers, you have expressed your support for public-private-sector collaborations to help us protect our customers from things like this electric payment scam.

Would you mind telling us, how do you see our public bank regulators and our private-sector financial institutions working together to ensure that we have Federal laws that will provide electronic transfer protection for our defrauded consumers in our great nation?

Mr. ROGERS. Thank you, Representative Scott, and thank you for leading on this very important issue of the fraud that has been experienced by our consumers. It's being perpetuated by organized criminal activity, and that got exacerbated and accentuated during the pandemic.

I think we have some existing role models in cybersecurity already, where we coordinate as banking institutions and we work with our various agencies so that when something happens on a cyber case, we communicate that immediately. And I think we have that same opportunity with fraud.

Mr. SCOTT. Very good.

Tell me exactly how you would propose that we reimburse victims who have been scammed into initiating an electronic payment transfer?

Mr. ROGERS. We do reimburse today. We do reimburse those who have been scammed, and particularly those who have been scammed with our bank's name used in particular. We're very consistent in that.

But I think, in addition to reimbursement, we need to be focused on eliminating the fraud and fighting the criminal activity.

Mr. SCOTT. Mr. Dimon, may I come to you, please?

One of my biggest priorities has been reducing the number of unbanked families in our nation. What is your institution doing to get more of the unbanked population into the traditional, regulated banking system?

Mr. DIMON. Sir, we have 25 percent of our branches in LMI neighborhoods. We have a new thing called a community branch, which is much larger; we invite in the population. We have things like community management, where we walk down the street.

We have financial education seminars about mortgages, saving money, and opening checking accounts. We invite the community in, tell them to come as you are, and learn about these services. These seem to be working quite well. They're part of the OCC Bank On program, and the Roundtable for Economic Access and Change (REACh) program. And I do think these programs are starting to actually have an effect.

Mr. SCOTT. And, also, let me ask you this: What is your institution, JPMorgan Chase, doing to overcome the mistrust that many people—one of our biggest known problems with decreasing the number of unbanked families in our nation is mistrust of traditional banks like each of yours. What is your institution doing to overcome this mistrust of large banks?

And if there are any of you who are addressing this issue, please pipe in.

Mr. DIMON. I would love you to come visit some of those community branches in Harlem, the south side of Chicago, Crenshaw, and New Orleans, Ward 5, and Ward 6 over there, and you'll see what we're doing.

Local vendors, local folks, they're all coming in. We do tens of thousands of seminars. We try to make people very comfortable. We have products specifically designed with very low fees, no overdraft, and things like that.

And I totally agree with you. That is part of the job.

Mr. SCOTT. Thank you.

And I really appreciate this hearing.

Chairwoman WATERS. Thank you very much.

The gentleman from Oklahoma, Mr. Lucas, is now recognized for 5 minutes.

Mr. LUCAS. Thank you, Madam Chairwoman, for holding this hearing.

And thank you to the witnesses for appearing today.

The financial institutions you all represent and the U.S. banking system at large plays a vital role in the communities by protecting savings, delivering quick and secure payments, and providing access to credit. Banks will have to help their communities, their businesses, and their consumers weather the intense economic uncertainty we're now in today.

Inflation remains at a 40-year high. Businesses and consumers are still grappling with commodity price swings, elevated energy prices, a tight labor market, and supply-chain disruptions. U.S. real GDP declined in the first and second quarters of 2022. The Federal Reserve will again raise interest rates today, I suspect, which is designed to discourage consumption and business activity. How are you advising your customers on how to prepare for these conditions?

And I'll start with you, Mr. Moynihan. What are you telling your folks out there?

Mr. MOYNIHAN. I think, with the amount of uncertainty, job number one is to deal with inflation. Inflation has impacts, as my colleagues said, on the people who can least afford it.

And while the impact on the mortgage market of raising rates doesn't feel good, it needs to be done to slow down housing appreciation, because 20-percent-per-year housing appreciation is not a good thing for people to keep up with. That's job number one.

And when we talk to our clients, it's the same thing. The Fed will raise rates to get inflation. And then, as an operating entity, as a consumer, as a company, as a small business, you'll understand what that impact is. It's going to have an impact of slowing demand; it's going to have an impact of raising your cost-to-debt. And you should be making sure your business plans and personal plans adjust to that.

Mr. LUCAS. Does anyone else wish to touch on that?

Okay.

I remember the economic suffering we endured in the early 1980s. I was in college and just beginning to farm on my own when the Fed had to strangle—and that's the appropriate word—high inflation out of the economy. And I worry that the reckless policies and excessive stimulus we've seen make the Fed's job even more difficult.

But turning to question number two: During a recent speech, the Fed Vice Chairman for Supervision, Michael Barr, discussed how the Federal Reserve is considering how to develop and implement risk-related scenario analysis.

I worry that the regulations could begin to use climate stress tests to shape and enhance capital requirements, which could have negative, long-term economic consequences.

Climate-scenario design and associated data remain considerable obstacles, as well as the high potential for politicization.

Mr. Dimon, could you discuss your perspective on the argument that the Fed should tie climate risks with increased capital requirements, please?

Mr. DIMON. Just for the folks here, we do 100 stress tests a week. We are quite worried about it. We always have been. We always did it. The Fed does one a year, and it's only one type. We do multiple different types.

Among the stresses we've always had were hurricanes, storms, floods, and things like that. So, to the extent it's real like that, I'd say yes. To the extent it's for social/public purposes, to have banks do something different on how they [inaudible] oil and gas, absolutely not. And if they did that, it would have an effect.

Mr. LUCAS. It does kind of come back to the old principle that banks are about collecting capital, pricing it and distributing it appropriately, and pricing it fairly.

One last question. The state-owned Chinese banks continue to play a large international role. And the Chinese Community Party (CCP) is intimately involved in the banking system and has the ability to influence banks' lending activities and credit allocations. Could you discuss the challenges this creates in terms of global competition for U.S. institutions?

Back to you, Mr. Dimon.

Mr. DIMON. Yes, that's a very good point. We have to compete with global Chinese banks. The four largest are now the largest in the world in terms of assets. They also operate in 50 or 60 countries, which they didn't do 20 or 30 years ago. They have less capital requirements than we do. They enjoy government support. Their government wants them to succeed. And I do look at that not as today's competition but as tomorrow's competition.

All of the banks here play a different role in the ecosystem, but to bank big companies in countries around the world, you need big banks. If you want to bank Boeing, you have to operate in the 50 countries in which they operate.

I'm going to do everything in my power to make sure we can compete with the best Chinese banks in the world. It's very important to the future of America that America maintain its financial supremacy, just like almost anything else.

Mr. LUCAS. Thank you.

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

Chairwoman WATERS. Thank you very much.

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

Mr. GREEN. Thank you, Madam Chairwoman.

Madam Chairwoman, the great Maya Angelou summarized the essence of my very existence when she proclaimed, "Bringing the gifts my ancestors gave, I am the dream and the hope of the slave." I proudly say that I am a descendant of enslaved people. Slavery existed in this country for some 246 years. The value of 246 years of unpaid slave labor has been estimated to be as much as $14.2 trillion.

Let's examine for just a moment each megabank's involvement in financing slavery.

Truist Financial Corporation has assets of approximately $532 billion. Five predecessor institutions engaged in financing slavery.

PNC Financial Services Corporation has assets of approximately $534 billion. A predecessor loaned $135,000 to a railroad company that used slave labor in 1852.

U.S. Bancorp has assets of approximately $582 billion. A predecessor institution made a loan secured by enslaved people.

Wells Fargo has assets of approximately $1.71 trillion. A predecessor bank accepted enslaved people as collateral in at least 24 transactions, took temporary possession of enslaved people from defaults on loans, and conducted business with the Confederacy.

Citicorp has assets of approximately $1.72 trillion. They provided a chart of mergers and acquisitions over a course of 210 years, pursuant to a request that we made, that is lengthy and complex, but didn't give us a detailed report. Staff has asked for more information, but hasn't received it to this date. More to be said on that at a later time.

Bank of America has assets of approximately $244 trillion. A predecessor bank secured a mortgage with real and personal property. The borrower's property included 13 enslaved people. A predecessor bank agreed to a $10,000 mortgage to U.S. Secretary of State John Forsyth, with 40 enslaved people as collateral.

JPMorgan Chase has assets of approximately $3.38 trillion. Predecessor banks accepted 13,000 enslaved people as collateral for loans, and they came into possession of 1,250 enslaved people from defaults on loans.

In the case of JPMorgan Chase, there has been an apology publicly made and an announcement of a $5-million scholarship, which amounts to about $384.61 per enslaved person. These scholarships went to persons in Louisiana.

I have a question for each of you. The question is this: If you believe your bank has done enough to atone for your involvement with slavery, kindly raise a hand into the air.

Let the record reflect that no hand has been raised.

Next question: Will you publicly publish an atonement plan on or before your next appearance before the committee? An atonement plan. You have indicated that you have not done enough. Will you publish an atonement plan on or before your next visit? If so, raise your hand.

Let the record reflect that not one bank has proposed an atonement plan.

Let's quickly on move to another area. I don't perceive any of you to be a person of color. Have any of you self-identified as a person of color? Raise your hand.

Not one person raises their hand.

In the next 10 years, will there be a person of color to head your institution? If so, raise your hand.

Truist Bank, and that is the only one, I think.

Thank you. I yield back.

Chairwoman WATERS. Thank you very much.

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

Mr. BARR. Thank you, Madam Chairwoman.

Mr. Dimon, in your April letter to shareholders, you called for a new Marshall Plan to ensure energy security for the United States and our European allies who are overly dependent on Russian energy.

I couldn't agree more, which is why I am so skeptical of ESG and the weaponization of financial regulation designed to discriminate against American energy companies. It's why I oppose the imposition of European-style climate stress tests on U.S. banks, requiring banks to hold more capital when lending to fossil-energy- or carbon-intensive firms, and the SEC's flawed climate disclosure rule, which would politicize capital allocation, redirect capital away from American energy firms, and steer retail investors into higher-fee, less-diversified, and lower-return ESG investments.

I commend you for recognizing in your letter that, "National security demands energy security for ourselves and our allies overseas," and for rejecting the demands of climate alarmists who have called on you to immediately cut off financing for fossil energy firms.

But my specific question relates to coal, since coal still accounts for 22 percent of all electricity generation in the United States. And you write in your letter that, "using gas to diminish coal consumption is an actionable way to reduce CO_2 emissions expeditiously."

Mr. Dimon, do you believe that a coal company with a strong balance sheet, little or no debt, and a demonstrable track record of creditworthiness should have the same access to conventional bank financing as a natural gas company with similar financial characteristics?

Mr. DIMON. Yes.

Mr. BARR. And will your institution commit to the continued financing of American coal producers, who are still needed and will be for some time, to supply the most affordable, reliable source of base-load power to the American economy?

Mr. DIMON. We are working with responsible coal producers and utility companies—many of whom, by the way, dramatically reduced the CO_2—as we speak.

Mr. BARR. Mr. Moynihan, I'll spare you similar questions, as you and I have discussed this, and notwithstanding your net-zero commitment, I appreciate your focus that job number one is on addressing inflation.

And to lower the rate of inflation, we cannot rely exclusively on Fed tightening. We must also address the supply side. And that means more, not less, financing of American energy exploration and production. And I urge all of the CEOs here to adopt a similarly-measured approach to financing fossil energy.

Mr. Moynihan, my question pertains to the FDIC's March request for information on the regulatory framework that applies to merger transactions involving one or more insured depository institutions.

The FDIC's action signals a heightened regulatory resistance to bank mergers, presumably on the grounds that consolidation of the banking industry, which has significantly reduced the number of smaller banking organizations and increased the number of large and systemically important banking organizations, is a threat to financial stability.

My question, Mr. Moynihan, is, which of the following institutions is a more formidable competitor to Bank of America? Is it SunTrust operating alone? Is it BB&T operating alone? Or is it the combination of the two institutions, now known as Truist?

Mr. MOYNIHAN. Undoubtedly, the combination of the two institutions, sir, is a more formidable competitor.

Mr. BARR. And, Mr. Rogers, since I invoked the name of your institution, would you care to comment?

Mr. ROGERS. I'm proud that Mr. Moynihan named me as a strong competitor to his business.

Mr. BARR. I take it from the responses of both of these gentlemen that an overly-aggressive resistance to mergers by the FDIC could actually diminish competition at the G-SIB level and therefore undermine financial stability.

Final question to all of you, for anyone who wants to chime in is, do you assess the impact of a central bank digital currency (CBDC) as positive or negative for our credit market? Specifically, how would a CBDC impact your deposit base and therefore your ability to deploy capital into the real econoomy.

Mr. Dimon?

Mr. DIMON. If it's properly done, it'll be fine, but I don't trust that it'll be properly done. You're not going to have the Federal Reserve running call centers. There's a lot more banking services than the actual token that moves the money. There are fraud risk alert services, call centers, bank branches, ATMs, and the CRA.

Properly done, it's not a problem. Improperly done, we'll have an issue.

Mr. BARR. And, Ms. Fraser, in my remaining time, Vice Chair Barr suggests that he wants to review increased capital requirements. What would that do to the ability of your customers to repair supply chains, and your ability to deploy capital and fix inflation?

Ms. FRASER. Given that we passed our stress test, which should be a test of whether we have sufficient capital, which is important for safety and stability, then the question becomes when you increase capital above that limit. And that can have a very detrimental effect on one's ability to lend right at the point when the capital markets shut them down.

Mr. BARR. Thank you.

I yield back.

Chairwoman WATERS. The gentleman's time has expired.

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

Mr. CLEAVER. Thank you, Madam Chairwoman.

Let me just express some appreciation for the fact that some of you have already taken steps to make corrections as it relates to banking in distressed communities.

As all of you probably know, in 1977, Congress passed the Community Reinvestment Act (CRA). And we did so because we were concerned about banks that were using deposits, even in some distressed neighborhoods, to fund out-of-State, and in some cases, international lending activities at the expense of addressing the local areas.

So, the CRA was created. And we have not had any upgrades to the CRA since 1995, I think. Is there anyone of you who believes that we do not need to update the CRA?

You have made me happier now, because I'm going to keep going toward happiness.

Are all of you interested in and willing to look at ways in which we can increase CRA, even to the extent that you can get CRA credit for housing, affordable housing in urban areas? Is anyone willing to, and very, very, very interested in doing that kind of program?

My joy level is continuing to rise.

Ms. FRASER. Yes.

Mr. CLEAVER. Thank you very much.

Now, to jump over a little bit, the role of non-bank lenders has increased, as you all know—and we have to deal with it—dramatically since our 2008 economic collapse. Non-bank lenders now originate more mortgages in the United States—it was almost 69 percent of all mortgages in 2020.

Nonbanks also originate four out of every five FHA loans, which are more likely to be originated in low- and moderate-income communities. Between 2010 and 2016, the FHA share of loans originated by the 3 largest banks fell from 43 percent to 5 percent.

Are any of you willing to explain the retreat from FHA loans? And what are your banks doing to extend mortgages to low- and moderate-income borrowers? Is anyone's bank—yes?

Mr. MOYNIHAN. Having learned our lesson in FHA/VA practice, a lot of us have brought our percentages down, as you said. But we replaced it with programs that we put on our own balance sheet that are safe and sound for the consumer, that provide down payment assistance up to $17,000 on a loan. And that's what we did to offset it. So, I wouldn't look at FHA/VA as the only indicia of loans going into the communities, et cetera. But the risk of doing that business—the put-back risks, the servicing—it just wasn't worth it, honestly.

And we still do 5, 6 percent of our loans in the FHA/VA program to help us with first-time homeowners, but we built programs outside where we can work with the consumer, and build great programs that will actually do more for the consumer, we believe.

Mr. DEMCHAK. Congressman, we work with FHA and have done so. We also put those loans on our own balance sheet.

FHA, in my view, needs to be revamped. Today, there is a limit, because we become something called an, "interested party," where we are only able to contribute 6 percent of the proceeds of the loan either in closing costs or in down payment assistance, by their regulation. When we do that, if we go beyond that, we balance-sheet it on our own. We don't actually participate in their program. They ought to change that.

Mr. CLEAVER. My time is running out—yes. I heard it is.

Madam Chairwoman, I yield back.

Chairwoman WATERS. Thank you very much.

We will now take a brief recess and resume in 10 minutes. The committee now stands in recess.

[recess]

Chairwoman WATERS. The committee will come to order.

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

Mr. LUETKEMEYER. Thank you, Madam Chairwoman.

And welcome back, witnesses.

I'd like to focus on a larger issue today that affects every U.S. consumer and consumers all over the world, which is heavy investment in volatile and unfriendly countries, such as Russia and China.

Ms. Fraser, Mr. Dimon, Mr. Moynihan, each of your banks has significant investments in Russia, which you drew down after Putin's invasion of Ukraine. While American sanctions were an impetus for those actions, it should be said that you did the right thing by shrinking your assets there.

We learned two important lessons during the period. Number one, there is a large risk in investing in volatile nations with dictatorial governments. And number two, your investments play a significant role in supporting those nations' economies.

In recent months, China has continually threatened our ally, Taiwan, with military exercises and violent rhetoric. Should the CCP follow through on its threat to invade Taiwan, are your banks prepared to pull your investments out of China?

Mr. Moynihan, do you want to start?

Mr. MOYNIHAN. Sure. I think we'll follow the government's guidance, which has been, for decades, to work with China. And if they change that position, we'll immediately change it, as we did in Russia.

Mr. LUETKEMEYER. Ms. Fraser?

Ms. FRASER. Yes, we would do likewise. We would follow the government guidance on that. We very much hope it doesn't happen.

Mr. LUETKEMEYER. Mr. Dimon?

Mr. DIMON. Yes. We would absolutely salute and follow whatever the American government said, which is you all, and what you want us to do.

Mr. LUETKEMEYER. I appreciate your willingness to follow U.S. law, but you and your banks have made decisions that have gone well beyond U.S. law and entered the realm of moral judgments. For example, in 2018, Citi and Bank of America announced lending restrictions to certain gun manufacturers and retailers. In 2019, JPMorgan publicly announced that it will not fund private prisons. None of these decisions were made because of a law passed by Congress.

Mr. Dimon, would an invasion of an American ally be enough for JPMorgan to make the moral determination to stop doing business with the Chinese?

Mr. DIMON. I missed your question.

Mr. LUETKEMEYER. I asked if an invasion of an American ally would be enough for JPMorgan to make the bold determination to stop doing business with the Chinese Communist Party?

Mr. DIMON. We'll have to decide when that happens.

Mr. LUETKEMEYER. You're not going to commit to pulling assets out of China if they invade Taiwan. That is what you just said.

Mr. DIMON. The first thing I would do is call the American Government and ask for guidance. That's what I would do. That's what they would expect me to do.

Mr. LUETKEMEYER. Mr. Moynihan?

Mr. MOYNIHAN. It would be the same in terms of the decision. But we always look at clients and risk. And, in fact, you would find that before the Russia situation took place in Ukraine, we made adjustments to our risk, and we do that all the time in every country that is volatile, irrespective of—

Mr. LUETKEMEYER. Ms. Fraser?

Mr. MOYNIHAN. Clearly, it would be driven by the government. In an occasion that you're talking about, that would be driven by the government rules and regulations and laws and Congress' desire.

Mr. LUETKEMEYER. Ms. Fraser?

Ms. FRASER. Similar to both Mr. Dimon and Mr. Moynihan, the first call would be to the U.S. Government to understand what they would be expecting and wanting us to do and the timeframe to do so.

Mr. LUETKEMEYER. Suppose the government said it's up to you to make your own decision, it's a business decision on your part. What would you say?

Ms. FRASER. It's highly likely that we would have a materially-reduced presence, if any at all, in the country.

Mr. LUETKEMEYER. So if the business decision were left up to you, you would probably pull out or reduce some assets?

Ms. FRASER. It's a hypothetical question, but it is highly likely that we would have a reduced presence.

Mr. LUETKEMEYER. Okay. Each of your banks has published statements pledging your commitment to supporting and protecting human rights around the globe. According to the State Department's 2021 report, genocide and crimes against humanity occurred in China last year. Those crimes include arbitrary and unlawful killings by the government, arbitrary imprisonment, forced sterilization, and rape and torture of a large number of those arbitrarily detained.

Mr. Moynihan, do you condemn the Chinese Communist Party for those horrible acts that they regularly carry out?

Mr. MOYNIHAN. We look at any client we do business with, to their operations in any matter, and we make that decision. The governmental condemnation isn't the important thing of whom we do business with in China. It's actually the company that we underwrite. It's client selection, is what we call it, sir.

Mr. LUETKEMEYER. Would you explain that again? I missed that. I'm sorry.

Mr. MOYNIHAN. I think the question is, when we look at what we do in a country, it's individual clients. It's not a theoretical concept. We look at that client, if that client—

Mr. LUETKEMEYER. Mr. Moynihan, with all due respect, the government of China is the Communist Party. The Communist Party of China is the government. If you're doing business in that country, you're doing it willingly, with respect to them allowing you to be there, and you're doing it under their laws, which the last time you were here, one of you three actually made that comment.

If they're committing these atrocities, are you okay with that? Are you willing to continue to do business with people who are committing these kinds of atrocities, when you say in other statements that that's a bad deal?

Mr. MOYNIHAN. We don't do business with companies that we believe are doing atrocities or something like that. You're asking a hypothetical question.

Mr. LUETKEMEYER. [inaudible] Under the protection and auspices of this government. That's my point.

Ms. Fraser?

Ms. FRASER. We obviously take any accusations of human rights abuses very, very seriously. Similar to Mr. Moynihan, we do not do any activity with companies that are involved in forced labor or the like.

Mr. LUETKEMEYER. It's okay to do business with the government?

Ms. FRASER. We do business with the Chinese government.

Mr. LUETKEMEYER. Even though they commit those atrocities?

Thank you. I yield back.

Chairwoman WATERS. The gentleman from Colorado, Mr. Perlmutter, who is also the Chair of our Subcommittee on Consumer Protection and Financial Institutions, is now recognized for 5 minutes.

Mr. PERLMUTTER. Thanks, Madam Chairwoman.

My questions are going to be a little simpler than that.

Mr. Moynihan, Bank of America has some of the best economists in the world working for it. I have had a chance to meet with a couple of them. And I guess I'm coming at things a little differently than my Republican colleagues, and some of you.

Looking at the last few months, from May on, prices have held steady or dropped. The University of Michigan anticipates prices to drop over the course of the next year.

In conversations with your economists, what do they predict? What do they think is going to happen?

Mr. MOYNIHAN. Our economists have this quarter, third quarter of 2022, as a positive GDP, negative for the fourth quarter of this year, negative for the first quarter of next year, and I think negative for the second quarter of next year, and then moving positive and ending up at a 2-percent year-over-year growth rate in the fourth quarter of 2022. That's the estimates they have.

Mr. PERLMUTTER. Thank you. I dealt with them at the beginning of COVID—I don't know if you recall—just to kind of get their analysis of what they expected COVID to do to the economy if we did nothing, if we just held steady, if everything went—of we didn't do PPP, we didn't do unemployment, we didn't do any of that. And they said, well, then, we're going to have trouble.

Thank goodness, from my point of view, we did a lot to keep the economy moving. And obviously, there is a year-over-year increase in prices, but if we go forward on an annualized basis, just based on August, it's 1.2 percent for the next year. And if you look at the whole summer, it's less than that.

What I'm worried about is an overreaction by the Federal Reserve. The last time we saw them increase interest rates like this was back in the 1980s and early 1990s. And I can tell you that Colorado got clobbered. The housing market just stopped, as did everything else.

And so, Mr. Demchak, I'm going to turn to you, because PNC had a pretty good-sized subsidiary called the Kissel Company back in those days; I don't know if you're familiar with it. But it suffered a lot of foreclosures back in the 1980s and 1990s, as did some predecessors to U.S. Bank, and certainly JPMorgan. And Citi had the same issues.

What do you see? What does your bank see on the horizon in terms of foreclosures? If Mr. Dimon is correct and we get hit hard because of Ukraine and this and that—I think most of what we're facing is supply chain disruptions caused by COVID, and that's why we have seen some prices go up.

But are you prepared, is your bank prepared to handle a lot of foreclosures if the bottom falls out, as is a potential problem here?

Mr. DEMCHAK. Thank you for the question.

I would suggest that I think inflation is going to be a little bit stickier than we would like, and I think as a result of that, interest rates are going to be a little bit higher than we would like for longer than we would like.

The impact of that on housing is clearly already felt in the creation of new homes and the sale of homes. The impact of that on existing homeowners in LMI communities, in their inability to make payments as a function of inflation absorbing a greater percentage of their income, is a real issue.

We work with government-funded programs, State-funded programs, and PNC-funded programs to make sure people stay in their homes.

Mr. PERLMUTTER. Have you seen delinquencies rise?

Mr. DEMCHAK. We have not, at this point.

Mr. PERLMUTTER. You have not seen delinquencies.

Have any of the banks seen delinquencies rise or rising on home mortgages?

Nope.

Mr. Dimon and I have disagreed over the years on the amount of capital that should be retained, and part of this comes—my dad was on a bank board of a predecessor bank to U.S. Bank, and he was operating under a memorandum of understanding (MOU) during those years when the Fed took the interest rate up dramatically, back in the 1980s and early 1990s.

Mr. Dimon, if you get your worst-case scenario that you kind of outlined, is JPMorgan capitalized to take such an economy?

Mr. DIMON. Absolutely.

Mr. PERLMUTTER. Does everybody else feel you're well-capitalized?

Mr. DEMCHAK. Yes.

Ms. FRASER. Yes.

Mr. PERLMUTTER. Wells Fargo? Truist?

Mr. ROGERS. Yes.

Mr. PERLMUTTER. Even if Mr. Dimon's worst predictions come—he didn't make a prediction; he was just saying it's a possibility.

Mr. ROGERS. Yes, sir. I think our stress tests are beyond Mr. Dimon's predictions.

Mr. PERLMUTTER. Bank of America?

Mr. MOYNIHAN. Yes. You don't have to take our word for it. Look at the stress tests. For 10 years in a row, they have been stress testing under scenarios that have the worst indicator of every element that has occurred, so the highest residential real estate prices, the highest commercial real estate prices, the highest unemployment, the highest stock market, and look at the results.

Mr. PERLMUTTER. Thank you.

I yield back.

Chairwoman WATERS. Thank you.

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

Mr. WILLIAMS OF TEXAS. Thank you, Madam Chairwoman.

And I thank all of you for being here today. I appreciate it.

Last week, a new merchant category code (MCC) was approved for gun and ammunition sellers. My Republican colleagues and I have expressed concerns that this will make it easier to track, expose, and limit the constitutional rights of millions of law-abiding gun owners.

Progressives are already cheering that this will be a huge step forward in monitoring suspicious gun purchases.

After the left claimed victory, Visa came out with a statement about how they had been dragged into the political arena, and it reads, "We do not believe private companies should serve as moral arbitrators. Asking private companies to decide what legal products or services can or cannot be bought and from what store sets a dangerous precedent. Further, it would be an invasion of consumers' privacy for banks and payment networks to know each of our most personal purchasing habits. Visa is firmly against this."

So even though I think the credit card company should disregard the new code, I do agree with the statement released by Visa.

The problem with these new classification codes is that determining what is suspicious is a subjective exercise. And anyone who is against the rights of gun owners will want your institutions to flag every single transaction with a gun MCC to law enforcement.

Before I continue, I want to quickly get a yes-or-no answer from each of you on two things: first, if you agree with implementing this new MCC for guns; and second, if you agree with Visa's public statement?

We can start with you, Mr. Scharf.

Mr. SCHARF. Would you just please repeat Visa's public statement?

Mr. WILLIAMS OF TEXAS. Read the public statement that I just read?

Mr. SCHARF. Yes. Could you just repeat it? I didn't follow it.

Mr. WILLIAMS OF TEXAS. I can read it, but it's going to cut into our time. It just says they don't need to be in the political business and they want to get out of it, so—

Mr. SCHARF. To answer your question, we don't set the merchant category codes. The International Organization for Standardization (ISO) sets them, and we're instructed to follow them. So, what we think is not really relevant at this point.

Mr. WILLIAMS OF TEXAS. Okay.

Mr. Rogers?

Mr. ROGERS. We'll certainly follow the rules set by the credit card companies' intermediaries, but we'll also abide by the laws for bank privacy and privacy of our clients.

Mr. WILLIAMS OF TEXAS. Do you agree with Visa's public statement?

Mr. ROGERS. We'll protect the privacy of our clients according to the law.

Mr. WILLIAMS OF TEXAS. Mr. Moynihan?

Mr. MOYNIHAN. As my two colleagues have said, the rules of the ISO are not up to us. We just have to implement them. But we believe in the privacy of our customer data, and we have held that true for many years.

I'm not sure I agree with Visa's public statement at all, but it's their statement. I'm not sure I don't agree with it. I just really don't reflect on other people's statements, frankly.

Mr. WILLIAMS OF TEXAS. Ms. Fraser?

Ms. FRASER. Similar to Mr. Moynihan, I can only speak for our own bank. We do not intend to use the code to limit sales of firearms for our individual card holders.

Mr. WILLIAMS OF TEXAS. You said you do not?

Ms. FRASER. We do not intend to limit the purchase of firearms by our individual card holders as a result of the code.

Mr. WILLIAMS OF TEXAS. Mr. Dimon?

Mr. DIMON. We actually don't know what they use it for, and we don't want to be in the business of telling American citizens what they can do with their money. But we understand your concerns over the issue.

Mr. WILLIAMS OF TEXAS. Okay. Thanks.

Mr. Demchak?

Mr. DEMCHAK. I have nothing new to add. I think everybody has covered it.

Mr. WILLIAMS OF TEXAS. Okay.

Mr. CECERE. We will abide by the rules and protect the privacy of the customers.

Mr. WILLIAMS OF TEXAS. Thanks for those answers.

Ms. Fraser, what are the criteria that Citibank will use when determining if they should flag a suspicious transaction with this new code?

Ms. FRASER. We will follow the regulatory requirements in terms of them filing suspicious activity reports (SARs) as we always do. But at first blush, in looking at this, we don't think it will be a factor in filing a SAR.

Mr. WILLIAMS OF TEXAS. Okay.

Mr. Moynihan, on a similar note, how would Bank of America determine if a customer's first-time gun purchase warrants a SAR filing or is it just someone who recently became interested in hunting?

Mr. MOYNIHAN. Again, as my colleagues have said, if they purchase a gun at a shop, the fact that they purchased it has nothing to do with a SAR filing.

Mr. WILLIAMS OF TEXAS. My last question, when I talk to business owners in Texas, where I'm from, there doesn't seem to be any debate about whether or not we're in a recession, and they're concerned about it.

And I'll be quick with this question, Mr. Dimon.

Early this summer, you said that you believe there is a strong possibility of a recession, and a 20 to 30 percent chance of something much worse.

Can you describe the economic hurricane that we could be seeing, and if you think we can avoid further economic damage?

Mr. DIMON. Yes. Just that a strong American economy, strong consumers being offset by high rates, stagflation, inflation, war, QT, which we have never had before. And those are meeting as we speak, and they will meet for the next 6 to 9 months. We don't know the outcome.

Mr. WILLIAMS OF TEXAS. Thank you.

I yield back.

Chairwoman WATERS. Thank you.

The gentleman from Connecticut, Mr. Himes, who is also the Chair of our Subcommittee on National Security, International Development and Monetary Policy, is now recognized for 5 minutes.

Mr. HIMES. Thank you, Madam Chairwoman.

And thank you all for being here.

I first sat in this room in the first quarter of 2009, when the economy was contracting at an annualized rate of 10 percent, and I really did worry that a number of your institutions weren't going to survive the week. We have come a long way.

Mr. Dimon, thank you for acknowledging, I think you said where credit is due, that Dodd-Frank was a big part of that. I was assured at the time by people on my side of the aisle that Dodd-Frank would crumble like a sand castle in a hurricane. I was assured by my friends on the other side of the aisle that it would obliterate the banking sector. None of those things proved anywhere close to being correct.

Credit where credit is due, we got through the mother of all stress tests in these last 2 years because of Dodd-Frank, but also because of your stewardship of the institutions that you run. And thank you for that, not just for not creating systemic problems, but for actually getting the PPP, which was so important to so many businesses in my district.

I say all that just because I will forever focus on risk, and I have three questions about risk in 4 minutes.

Mr. Dimon, 70-percent-plus of the mortgage origination market has migrated outside of a banking environment. We have a lot less visibility. Take a minute to talk about whether we should be focused on that risk.

Mr. Moynihan, I'm going to ask you in a minute or so for non-obvious risks that Mr. Dimon doesn't cover.

And then, Ms. Fraser, I'm going to close with you with a minute on, because of your global footprint, what risks are out there that we may not have jurisdiction over, whether it's Asia or Europe, that could get transmitted into our system here.

Mr. Dimon, the mortgage origination market.

Mr. DIMON. I wouldn't call it systemic risk. It is riskier because the smaller companies cannot finance and advance funds to securitization when there is a crisis—we could—and that we need to—we do need to reform it for the sake of the industry so that people can get mortgages at all times.

Mr. HIMES. Mr. Moynihan, what risks are we not thinking about? What's the bullet we're not seeing right now?

Mr. MOYNIHAN. Are you talking about in the mortgage business?

Mr. HIMES. No, no, no, generally.

Mr. MOYNIHAN. I think—

Mr. HIMES. Inside or outside of the banking sector. Sometimes, I worry just as much about what's happening outside of the banking sector than what's happening inside.

Mr. MOYNIHAN. I think when you think about the economy and where it goes to create risk versus leverage, and honestly, there is more of that outside the banking system than inside. And that's something I think the Financial Stability Oversight Council (FSOC) and others should be carefully watching now in terms of funds, private lending funds, private lending funds that have leverage in them, private lending funds that lend at high-leverage multiples.

Our industry, because of the examination practices in, frankly, the way the companies are run, does not participate in them. That's where I'd say a risk is. But it's always going to be about the economy and the demand—

Mr. HIMES. Let me ask you to be just a little bit more specific. When you say private lending funds, are we talking about collateralized loan obligations (CLOs)? Are we talking about the high-yield market? What are you talking about and what should we be focused on?

Mr. MOYNIHAN. It would be all of them. In other words, the amount of private credit, not only in mortgage but every single asset class, more than half of it is sitting outside our industry. And if you look at where the leverage multiples and individual deals get done, they tend to get done outside our industry at higher multiples due to the regulatory.

Mr. HIMES. Okay. And I think you have all said this morning that you feel like your institutions are either adequately capitalized or perhaps overcapitalized. Are you saying that there are private nonbanks that are undercapitalized relative to the lending they're doing?

Mr. MOYNIHAN. Yes, but they will have net asset value—in other words, their liabilities are interest in those funds that will be mark-to-market, so you won't have the same kind of stress.

But the impact on the economy of liquidating those companies by people who don't work the same way the banking system works with the companies could cause more damage than if—we build reserves. We work out companies. This is what we have done for literally hundreds of years.

Other people don't have the staff to do that. Therefore, they just sell them, and the liquidation process can cause more ongoing damage to the economy.

Mr. HIMES. Okay. Thank you.

Ms. Fraser, let me close with you. Again, we have jurisdiction over some stuff but not over lots of stuff. What do we need to be wary of internationally?

Ms. FRASER. When we look internationally, I think that what has happened from the pandemic and the war is that it has highlighted a lot of fragility in the global economy. And, therefore, we have to increase our concern around energy security, food security, and cybersecurity, which will not necessarily all have an impact in the U.S., but there could well be a spillover effect.

For example, in Europe the supply shocks in the energy market that they are facing could well be a factor affecting the U.S. economy next year as demand slows and they enter a highly likely recession.

So, the interdependencies and these fragilities are going to be the pieces we have to keep an eye on.

Mr. HIMES. Connect that for me. You identified energy and food. What's the mechanism of transmission—I get the economy, if there is an economic slowdown—by which global energy or food markets actually create a prudential problem for you?

Ms. FRASER. It could result in—if there is a material energy shock continued in Europe, you could see industrial production shutting down this winter. You could see people who are cold. And that can have discontent from their populations, which could then translate into lower demand and, therefore, lower demand for American goods and services and that would impact the U.S. economy.

So, that's where the main mechanism would come from.

Mr. HIMES. Thank you. My time has expired.

Thank you, Madam Chairwoman.

Chairwoman WATERS. Thank you very much.

The gentleman from Arkansas, Mr. Hill, is now recognized for 5 minutes.

Mr. HILL. Thank you, Madam Chairwoman.

And thank you all for taking time away from your day jobs to spend a day with us. I'm glad to know you had a comfort break a few moments ago. That was kind of you, Madam Chairwoman. Thank you. And I hope each of you got a little cup of water and a cracker maybe to go with that.

This is a good discussion. I thought Mr. Lucas raised the discussion quite well on climate stress testing. I saw where Mr. Barr, our new Vice Chair of the Fed, thinks this is a priority. And some of you are complying with that in Europe, are you not?

Ms. Fraser, are you complying with a climate stress test over in your operations in Europe?

Ms. FRASER. Yes, we have had to conduct those in compliance with the legal requirements.

Mr. HILL. What do you think that costs the company, pre-tax, to do that?

Ms. FRASER. I would have to get back to you with a number. I don't—

Mr. HILL. Similarly, if you don't mind, if you would respond in writing on that.

Ms. FRASER. I will.

Mr. HILL. You all just passed the stress test that the Fed imposed. And in that analysis of sharp declines in unemployment and sharp failures in performing assets, when you look at those performing assets, you take climate into account when you make a loan to build a tower on Miami Beach?

Mr. Moynihan, do you not do that?

Mr. MOYNIHAN. Sure. Leaving aside the stress test, you have to take into account the risk in the project to borrow or the person. Of course, we do.

Mr. HILL. Mr. Casten has a bill that he's introduced here for the Majority, H.R. 3571, the Climate Change Financial Risk Act, that would require climate stress testing, and would add capital requirements to anyone who fails that stress test based on a panel of scientific experts advising the Fed.

Is this a good idea? Who would like to answer that question?

I'd be happy to call on Ms. Fraser again.

Is that a good idea? Do you like that idea?

Ms. FRASER. The challenge with that idea at the moment is we just don't have the data.

Mr. HILL. Right. It's not comparable, is it? These proposals are not comparable within an industry or between industries. Is that a fair statement of what I read in the Financial Disclosure Task Force?

Yes. The record shows they're nodding.

Mr. Moynihan, privacy. You comply with the European General Data Protection Regulation (GDPR) privacy rules, is that correct, in Bank of America's operations in Europe?

Mr. MOYNIHAN. Yes, we do.

Mr. HILL. And you are a big bank in California, so you comply with California's privacy law, right?

Mr. MOYNIHAN. We have to obviously.

Mr. HILL. And you do, I'm sure, a magnificent job there.

Do you think we need a Federal preemption and a Federal privacy law? Would that aid the financial services industry generally?

Mr. MOYNIHAN. I think the financial services industry has had 30 years of privacy regulation that other industries haven't, and I think we do a pretty good job of it. We're examined on it. It's very different from other industries. We have an ongoing examination process.

I think—and, frankly, we are exempted from some of those rules because of that long history.

Mr. HILL. Yes. So, Gramm-Leach-Bliley is pretty powerful for privacy?

Mr. MOYNIHAN. Yes, sir.

Mr. HILL. I hope, Madam Chairwoman, that maybe in the next Congress we can work with the House Energy and Commerce Committee and make sure we're all on the same page on privacy.

Mr. Scharf of Wells Fargo, you made some good comments about the mortgage banking, and there were comments today that mortgage banking has shifted to the non-bank sector.

Do you think regulation had anything to do with that?

Mr. SCHARF. Congressman, I did say that there is a difference between the way banks and nonbanks are regulated. And there is no question that degree of regulation will impact your cost base, what you want to do inside your company.

Mr. HILL. So when Dodd-Frank said that banks and bank holding companies couldn't do mortgage servicing rights, was that a bad provision in Dodd-Frank?

Mr. SCHARF. Congressman, I'm not aware of that provision.

Mr. HILL. It caused all of you to divest your mortgage servicing portfolios, even though you're the largest one- to four-family mortgage lenders in the country. You had a natural hedge. But after the financial crisis, all of you were asked to lower that so you wouldn't be charged a capital surcharge on that.

Was that a good idea or not? Does anybody else want to respond to that?

Mr. SCHARF. Congressman, I'll just keep going. We still have a large mortgage servicing asset.

Mr. HILL. But you can't grow it.

Mr. SCHARF. The capital requirements are very specific on it. But it's up to us to determine how much of our capital we choose to put into [inaudible] versus something else.

Mr. HILL. Okay. Thank you. If you have more on that, please follow up in writing.

Mr. Dimon, the Fed has a dual mandate, price stability and growth of the economy, and we have had a proposal by the Majority here to add equity to the Fed's mandate.

Should the Fed focus on its price stability mandate?

Mr. DIMON. In my opinion, yes.

Mr. HILL. And, Mr. Cecere at U.S. Bank, can you write a memo persuasively that you should have a living will, or do you think that's not necessary for a bank your size?

Mr. CECERE. We have a living will on the resolution plan that has been reviewed by the FDIC for the past 10 years.

Mr. HILL. And do you think the Fed should just leave it at that, or should they impose something different?

Mr. CECERE. I think it's been successful. We have a very simple operation; 99 percent of our bank is within the holding company.

Mr. HILL. Thank you very much.

I yield back, Madam Chairwoman. Thank you.

Chairwoman WATERS. Thank you.

The gentleman from Illinois, Mr. Foster, who is also the Chair of our Task Force on Artificial Intelligence, is now recognized for 5 minutes.

Mr. FOSTER. Thank you, Madam Chairwoman.

I would just like to touch briefly again on regulatory capital levels. I'm amazed at how consistent that your industry is; when you come to us, it is almost always with some elaborate set of logic to try to convince us that you should be allowed to lever out more.

And it's interesting because if you—you probably have all been forced to learn all about the Modigliani-Miller theorem which says that the return on equity is independent of capital structure and, in particular, independent of leverage. So, why is it that you are always demanding higher levels of leverage?

And I think part of the answer was well-analyzed at the end of the financial crisis, that you all benefit from having the Federal Government and the Federal taxpayer as the insurer of last resort.

Under an extreme disaster, if one of the cities you do business with gets nuked, you're all insolvent, and you will be bailed out by the government. Now, that's okay, but the question is, how far out on the tail the government should assume that risk?

And so the game that you will always be in is trying to allow you to lever up and expose the taxpayer to that risk, and our job will always be to push back against that and demand enough levels of regulatory capital that it's very unlikely that the taxpayer will be called upon to do that.

Just a quick question: Do any of you believe that the higher capital, regulatory capital levels of Dodd-Frank have prevented you from having an extraordinarily-profitable decade?

Let the record show that no one has indicated such. I think that's a very significant conclusion from the whole debate here.

And I'd like to spend some time talking about secure digital ID and Know Your Customer (KYC) requirements.

Mr. Demchak spoke eloquently about the difficulties of dealing with financial fraud, and a lot of that is identity fraud.

Mr. Moynihan had a very unpleasant experience with the failure of the Federal Government or State Governments to have any kind of secure, reliable way of authenticating that you are who you say you are online, and exposing you to very high levels of fraud and having to do something quick and dirty and unfortunate in trying to fix that.

This experience wasn't shared in countries where they had a secure and reliable way of proving that you are who you say you are online.

And the EU—probably most of you do business internationally, and you're probably aware the EU has a very comprehensive roadmap for a secure digital ID that would allow you to, if you want, open a bank account. You walk into a branch. You get out your cell phone. You say okay. You get your passport, or whatever it is, or your REAL ID-compliant driver's license if it's in the U.S. that's on your cell phone, convince your cell phone that it's really you and someone hasn't stolen your cell phone, and with a pretty quick interaction, have a very secure way of proving that you are a single, legally-traceable person.

And there is a roadmap that's actually going to be rolled out by a number of States. Ironically, the technical standards behind those were all developed by the National Institute of Standards and Technology (NIST) in the United States, now adopted by ISO and being used in Europe.

There are countries that you do business in, like Korea, where this is a reality today, you can use modern technology, use your cell phone effectively like a security dongle.

What is your stance on this? What are the differences you see in the different countries in which you operate, some of which have secure digital IDs, and some of which are moving toward it? And what is your feeling about where the United States should be going on this?

Mr. Demchak, we'll start with you.

Mr. DEMCHAK. Thank you for the question and for the thought that you clearly put into this.

It is a big problem in our country, and I think we should move towards a digital ID. It's something that the banking industry is actually working towards today with a product called Authentify, where once you authenticate yourself with one bank, we can share that ID in any other service that you might want to use electronically.

We have to get this sorted. Fraud is a massive problem. And our methods or historical ways to deal with this aren't working.

Mr. FOSTER. Yes. And that's a very noble approach to deal with a serious problem.

But I think that there is ultimately a real government function in issuing that authentication, and we have that in the REAL ID. We have that for physical ID. And there are standards that are being deployed in individual States.

I'd just like to end with a shout-out to the Improving Digital Identity Act that we now have moving in both the House and the Senate. Senators Lummis and Gillibrand are behind it.

And if we can get this across the finish line, at least on the government level, we will hopefully have something to avoid the nightmare that Mr. Moynihan's bank went through and at least have the government given a way to have citizens authenticate themselves.

Thank you. I yield back.

Chairwoman WATERS. Thank you.

The gentleman from Texas, Mr. Sessions, is now recognized for 5 minutes.

Mr. SESSIONS. Madam Chairwoman, thank you very much.

And to the panel that's in front of us, thank you for taking time to be here.

Mr. Dimon, it's good to see you again.

The opportunity that I think you have today has shown some light about how complex your businesses are, the varying attacks against you, the things that have happened to our country economically, the changes that are going on, and your ability to work with industry and others who are needing capital, and needing reassurance from you.

During the pandemic, your employees did not close down their chance to go to work. Maybe some of you had different restrictions based upon where you live. But your employees went to work. People kept the business running. There was not a run on the bank. There was thoughtfulness that went on by each of you in your own way. The trillions of dollars that flowed through systems that you had to take and understand who your customers were and are.

We are going through instances of monetary and fiscal policy changes too. We are watching with great caution what is going to happen next.

But I want to take this time and tell you that I'm impressed. I'm glad we have big banks. I'm glad we have stable people. I'm glad we have professionals who get up and go to work, take care of the free enterprise system, and take care of large companies and small companies.

I'm from Waco, Texas. Many of you are in Waco, Texas. It is now a destination of choice where people are moving. They're even opening up wealth offices there because people with money are moving there.

But I want to thank you, because we need to hear from you as we are hearing today. And there are some specific questions—Mr. Foster had some questions, and others do. But we really look to you to be the capitalist leaders of our country. We look to you to stand for America.

And I know certainly Citi and other people have done business in China for decades. You see things. You see a bigger viewpoint than we do.

When you get in your car and leave today, I want you to feel like there are people who respect you. There are people who know you're in a tough place. There are people who know you're having trouble getting people to not just come to work but to learn the business.

I appreciate you. I appreciate the hard work that you do. I know that what you do is picked at and looked at in different ways and second-guessed.

Mr. Dimon, I know you've been the object of some challenges, and each of you have in your own way. But please know that we need you, that we should not run you out of business, we should not be onerous in what we do to you. We should give you the latitude.

But you showing up today to me is an example of what kind of professionals you are, what kind of men and women are in the organizations that you represent, who represent you, who will be there tomorrow, and who do care about the challenges.

And sox, we need to hear from you again. I hope you'll come back next year, and instead of putting us on the witness side, we'll put you on the witness side, but you'll really tell us: Here's the way we see the world and here's where we need to be the leading edge, the continued supporter of the dollar, and here are the things that we need to hear from you.

So, I appreciate each of you.

I want to thank the gentlewoman, the young chairwoman of our committee. I want to thank the gentleman from Arkansas for sitting in.

But I want you to go back today and I want you to know that we need you, that you are the basis of how our nation can operate, and that we have so many other people in the financial services industry who are there because we need them too.

So no questions, but a big thank you. I hope you'll go back and tell your employees that you appreciate them, just like I do my employees, at a time when America needs them the most.

I yield back my time.

Chairwoman WATERS. Thank you very much. I thank the elderly gentleman for his participation.

The gentlewoman from Iowa, Mrs. Axne, who is also the Vice Chair of our Subcommittee on Housing, Community Development, and Insurance, is now recognized for 5 minutes.

Mrs. AXNE. Thank you, Madam Chairwoman.

And guaranteed I'll be asking some questions here, so get ready.

I really appreciate all of you being here. Of course, it's nice to see you.

But Mr. Scharf, I'm going to be concentrating on you today as you were here in March of last year, I believe. Now, you've been in that role for a period of time. So it's good to hear that we're going to be able to have a good conversation here.

I want to focus on the 13,000 Wells Fargo employees in our district. We spoke here last year, as you mentioned. You said that you were going to make those folks a priority. We talked a little bit about some of the organizational structure pieces you were going to put in place and the ways you were going to engage employees. And I was very excited to hear about those things.

But the news is very disconcerting at this time. There have been nine rounds of layoffs—notices—to more than 350 Iowans since April. From what I understand, that is due to a slow mortgage industry. Is that correct?

Mr. SCHARF. I believe that is correct, Congresswoman, yes.

Mrs. AXNE. Okay. Thank you.

And last month, Bloomberg reported that Wells Fargo is planning a major retreat from its mortgage business, which, boy, I do not like the sound of those words. Those mortgage operations are, of course, one of the primary businesses in Iowa.

Can you confirm whether that story is accurate? And can you discuss what will happen with the 13,000 Iowans that Wells employs if you shrink mortgage operations?

Mr. SCHARF. Congresswoman, first of all, as we have discussed, Iowa, Des Moines specifically, is a very, very important location for us. It has been for a long time, and I see that continuing to be the case for a long time to come. I don't see that changing.

We do operate within businesses that are susceptible to market conditions. Volumes go up and volumes go down. The changes that we have seen in the mortgage business are the most significant changes we have seen, in the shortest amount of time, given the move in rates. So we, like all other mortgage companies, have had to take a look at our own infrastructure and ensure that it's sized properly.

The first thing we do is we try and figure out if there are other roles inside the company that impacted employees can play. And I know that we have moved a significant number of employees from one division to another as we have gone through these changes in the mortgage business.

The other thing I should just point out is the mortgage—Des Moines began—I shouldn't say began. I think when we acquired a company that was in Des Moines way back, it was a mortgage business. And for quite a number of years, the only thing that we had in Des Moines was mortgage.

That's not true today. We have large parts of the company that reside there. So, if you live there and you want a role elsewhere, it's quite likely that you'll be able to stay in Des Moines and play that other role.

Mrs. AXNE. That's good to hear. You still haven't answered the question.

Can you confirm whether that is accurate, that you will be seeing a major retreat from the mortgage business?

Mr. SCHARF. Congresswoman, we have—

Mrs. AXNE. Yes or no?

Mr. SCHARF. Well, I don't—

Mrs. AXNE. Is it accurate?

Mr. SCHARF. I don't know how to define what a major retreat is.

Mrs. AXNE. Was Bloomberg correct when they said you're planning a major retreat out of the mortgage business? This is a really easy question.

Mr. SCHARF. No, it's not, Congresswoman—

Mrs. AXNE. Yes or no?

Mr. SCHARF. The mortgage market is substantially lower today than it was, and so we are significantly—

Mrs. AXNE. Okay. So, I'm not getting an answer.

What I did think I heard from you is that with the 13,000 Iowans, if I'm hearing you correctly, you will do everything in your possible power to find another job for them within the other parts of Wells Fargo that are located in Iowa. Is that correct?

Mr. SCHARF. Congresswoman, that is something that we do across the whole country, not just within Iowa.

Mrs. AXNE. Okay. We're going to have to follow up on this, because I'm still not getting a straight answer on what's going to happen to the tons of people in our district since you won't answer this question about what's happening. And what I don't want to see is all of a sudden, we wake up, and in the Des Moines Register, I have a thousand people lining up to make sure that they can get unemployment.

And the other thing I want to make sure that we do is address Trade Adjustment Assistance (TAA) if there is going to be any conversation about moving jobs out of this country. Okay? We'll be in touch with you about that.

Next, I just want to move on a bit, and this was good to hear. I saw some stories suggesting Wells would cover travel expenses for employees seeking abortion care.

Our Iowa Governor Reynolds is attempting to push her ban through that she pushed through last time and was shot down, but she will now because of *Roe* v. *Wade.*

Can you confirm if Wells is covering those expenses and how that will work for the workers?

Mr. SCHARF. Congresswoman, we have changed our plans so that abortion is consistent with other healthcare options, so that we will pay for the expenses of someone to cross State lines to get a legal procedure. And we have not worked out specifically, to my knowledge, exactly how that will work, but we can certainly share that with you.

Mrs. AXNE. Thank you.

And one last question. Can you clarify if your commitment to remaining neutral and not interfering with employees on unionizing will be upheld?

Mr. SCHARF. Do you want me to answer that? Time is up?

Chairwoman WATERS. The gentlelady's time has expired.

Mrs. AXNE. Would he be able to answer that, Madam Chairwoman?

Chairwoman WATERS. We're going to continue with the rules that we have used all day.

Mrs. AXNE. Thank you. I'll follow up on that.

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

Mr. LOUDERMILK. Thank you, Madam Chairwoman.

And thank you all for being here. I know that you have been anticipating and looking forward to this day for quite a while. We do thank you for taking time to be here.

One of the issues that is paramount to me, and I think it is to a lot of people, is cybersecurity. Especially as we move more into a digital age, it becomes more and more imperative that we protect data, especially data of citizens, your customers.

I come from an intelligence background in the military where I had a very high security clearance. We had one principle that we lived by, which is the best, that if you don't need data, don't keep it, because you only have to protect what you have. So if you don't absolutely need information, then you are to dispose of it.

Part of my concern is the amount of data that you are required, not only to keep, but to pass on to the Federal Government, which, from what we have learned, becomes the weak leak in the cybersecurity protection chain. And that is a discussion for another day, whether it's revisions of the BSA and CTRs and SARs.

The massive amount of data that is passed along that you're required to give to the Federal Government, the majority of which is never looked at, becomes a cybersecurity issue.

But at the last several hearings that we have had with you and the CEOs of large banks, I have been one of the few Members, if not the only one, to bring up cybersecurity. And the reason I bring this up is not just with my interest, but I'm hearing from you that that is one of your top issues and concerns.

Mr. Cecere, can you give us an update on cybersecurity threats in the banking industry that you're facing and maybe some things you're doing to address those?

Mr. CECERE. Certainly. And I agree that cyber is one of the significant risks that we are all facing. I will also say that we're all working very well together. If we see a node that was attacking one of us, we make sure that we communicate with each other to make sure we're shutting it down as quickly as possible.

I know that we all, including U.S. Bank, have made significant investments in cybersecurity, both from a personnel standpoint as well as an investment standpoint. We have doubled the staff in the last 2 years within our cyber group as well as the investment in spend.

The reason for that is because it is such a significant risk. And I think it requires coordination among the banks, the regulators, and the government, and we're working hard on it.

Mr. LOUDERMILK. Okay. Thank you.

Mr. Rogers, I know that this is an area of concern for Truist, and if I may interject that that is the name of the home park of the World Series Atlanta Braves, but that aside, I know that cybersecurity is a serious concern for Truist as well.

Can you discuss the threats that you're seeing and what Truist is doing?

Mr. ROGERS. Thank you for your focus on this, Representative. And I can add now playoff-bound Atlanta Braves, just to add to that distinction.

It has been a big focus, and one of the reasons we merged was to create additional capacity to invest in things that are relevant for our clients, and relevant for our communities, but also in the protection of important data that we preserve for our clients.

We have multiple, multiple thresholds that we analyze every day related to cyber. We hire third parties to come in and test and actually try to invade us at any particular time and test our particular forces. We participate in all of the industry things, including horizontal reviews by our regulators who are constantly looking at where we are relative to cyber.

We have the capability to bring in talent and capacity that has exceeded what we could do before the merger.

Cyber is clearly a focus for us, and one of the reasons we merged was to create a stronger shield for our clients.

Mr. LOUDERMILK. Thank you for that.

And while I have you, one of the things that Republicans have been working on and we're currently accepting feedback on is a draft bill that would finally establish a national consumer data privacy standard. We have to positively identify what data belongs to the consumer, what data belongs to the financial institution, et cetera, and protect that.

Mr. Rogers, can you discuss why a national data privacy standard would help provide consumers with clarity about who owns their data, as well as those privacy issues?

Mr. ROGERS. Representative, I'm not exactly familiar with all of the intricacies of that particular bill. But the important part of data being owned by the client is critical, and that is how we approach data, is it's the client's data, not ours. It's our duty to protect the data.

Mr. LOUDERMILK. Okay.

Thank you, Madam Chairwoman, I yield back.

Chairwoman WATERS. Thank you.

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

Mrs. BEATTY. First of all, let me say thank you, Madam Chairwoman, not only for this committee hearing, but for entrusting me to chair the Diversity and Inclusion Subcommittee.

And let me say thank you to all of the witnesses, faces that I know. But for the record, my comments and questions are not divisive, nor are they a part of any political elections coming up.

And I can clearly say that, because anyone who has followed me, met with me, or known me, using your words, I find myself to be the guardian of Dodd-Frank, especially Section 342, as well as diversity and inclusion, MDIs, especially coupled with protege banks, equity for those who are unbanked, racial disparity; the wealth gap, narrowing it, looking at CRA, and external contracts with asset managers, lawyers, et cetera.

With that said, it was reported on April 20, 2022 by the GAO that there are some 7 million U.S. households that don't have bank accounts, and they gave three primary reasons.

Does anybody know what those three reasons are?

Let me share them with you. Number one, people believe that they don't have enough money. Number two, people believe that the fees are too excessive or complicated or they don't know how to access it.

But number three is the lack of trust. And oftentimes that is because people don't see people who look like them or their community. That supports what I believe in.

Now, let me tell you some good news. Every one of you sitting here has met with me. On June 16th, I had the opportunity to spend more than an hour with every one of you. In addition to that, many of you, as recently as yesterday, brought staff, and walked me through your changes.

I'm going to applaud you for that, and let me tell you why. But for this chairwoman pushing the envelope, maybe having subpoena power, but making sure that she was consistent. If we're going to talk about justice, if we're going to talk about democracy and fairness, then we can't get to all of the other things, whether it's intelligence, whether it's cybersecurity, if you don't reflect the people who put all those dollars into your bank.

Buying homes, and everything that they are doing comes back to what I believe in and what I stand for.

You have moved the needle, and that's what I asked you to do. You sucked before that. And many of you still have a lot of work to do.

But I am going to give you credit, because I really don't believe but for this committee, you would have been in here. I really don't believe that you would have been as serious and intentional, not just the window dressing that you've done for years, not impressed with us saying, go hire people, and then you go hire 40 or 50 people. And none of those people report to you. None of those people have an opportunity to go into the boardroom. But now, we are moving the needle.

Now, don't get too excited. We have a lot more work to do. But I do believe in rewarding people who are moving the needle, because that's what I asked you to do.

It gets much tougher as we go along because once you move the needle—I'm a clinical psychologist by trade—it means that now I should be able to look at your board and see that same type of diversity.

Congressman Green asked you about the future, and that was really good, but I want to talk about the present. How many people have someone who would represent diversity, who reports to you?

We didn't have that, Chairwoman Waters, before you established this subcommittee.

How many people have taken a D&I or someone into their board of trustees room and did a report on D&I? We did not have that before this committee.

So if you could move the needle now, part two, which starts tomorrow, is that I'm going to give you a bigger needle to move.

But I want to say thank you for being here. And I'm going to tell you something. We aren't just beating up on you and asking you to do these good things. You are making America better. And it means you can do much more.

We have done the same thing to asset managers. Yesterday, we brought in the largest insurance investment companies, and they did not do so well.

So, we're going to use you as a benchmark. Now, we will set the needle higher.

And I want to know how many people are going to make a commitment to come back, to continue to do this and to continue to move that needle.

Let the record show, Mr. Green, that they all raised their hands, and I'm going to hold them accountable.

Thank you. And I yield back.

Chairwoman WATERS. Thank you very much.

The gentleman from West Virginia, Mr. Mooney, is now recognized for 5 minutes.

Mr. MOONEY. Thank you, Madam Chairwoman.

Despite its initial resistance, leftist activists successfully pressured the International Organization for Standardization and major credit card companies to adopt a new merchant category code for firearm retailers which they say can be used to flag lawful gun purchases and target law-abiding citizens.

Merchant category codes, or MCCs, are typically used to identify merchants by the goods or services they provide.

West Virginia, the State I'm blessed to represent, is one of the most pro-Second Amendment States in the country. Nearly 60 percent of West Virginians have firearms in their homes—which is, frankly, why it's one of the safest States in the country, because guns actually protect and save lives, despite what the left says about it.

Mr. Rogers, I would just say, Truist Bank services over 260,000 West Virginians. There has also been talk of using this new data to flag what they call, "suspicious purchases."

To me, it seems like a straightforward way to target gun owners without actually helping to prevent crime. In fact, the opposite is true. The more folks avail themselves of their constitutional right to the Second Amendment, the less crime you have.

My question is what, in your mind, constitutes a, "suspicious transaction?" And what additional information does this new code really provide for you to make that determination?

Mr. ROGERS. Thank you, Representative, for that question.

As we discussed earlier, this is a developing area at this particular time. Our positions will follow the rules that are a part of this system. But as of today, we'll also protect all the laws, and protect the rights of our consumers in terms of reporting.

I can't speak to exactly what will be required in terms of reporting, but it won't be something that we'll do on a voluntary basis.

Mr. MOONEY. Thank you for that response.

A follow-up question: My constituents now may consider purchasing firearms with cash instead of a credit card out of fear of what the Federal Government might do with their data.

Who decides which merchants fall under a merchant category code? And does Truist Bank plan to go back and re-code businesses and past purchases that may now most closely fall under the new merchant category code?

Mr. ROGERS. Representative, we don't control the merchant codes. That's not actually a decision that Truist makes.

Mr. MOONEY. Okay. Great.

In closing, I just want to say that never before have we seen an Administration weaponize financial regulators and pressure lenders to push its agenda like we've seen with the Biden Administration. I fear this is one step closer to a backdoor gun registry. Banks and corporations must resist this political pressure.

The best thing we can do to help our constituents and all Americans is competition, free-market competition between your banks, and between small banks. That's the way you get better service for all.

We have to make a choice in this country. My mother fled a communist country. She left Cuba when she was 19-years-old. And you have a choice between—in this country, some are pushing socialism. And what socialist countries like Russia do is they invade other countries, because their economy is a total disaster, because socialism does not work. So, they go try to gobble up other countries.

We have to make a basic choice between freedom and free markets and capitalism in this country or socialism. There are those pushing socialism constantly. It has failed everywhere it has been tried.

I think our role as Americans should be to push free markets; reject socialism; reject, frankly, government control of people. Let people be free to make their own choices. Don't target them.

Thank you for your participation today.

And I yield back.

Chairwoman WATERS. The gentleman from Florida, Mr. Lawson, is now recognized for 5 minutes.

Mr. LAWSON. Thank you very much, Madam Chairwoman.

And I'd like to again, as everyone else has, welcome all of the witnesses to our committee today.

And my first question is to the whole panel.

For the U.S. to be strong economically, and to compete globally, we need a strong U.S. financial system. When you compare U.S. banks to the rest of the world using International Financial Reporting Standards (IFRS), the largest four banks are all Chinese. And they are working around the globe to expand their strength and influence.

What are some of the most significant challenges that U.S. banks face when trying to compete with banks around the globe? And this is to the whole panel.

Chairwoman WATERS. Mr. Lawson, are you addressing that to any of our witnesses?

Mr. LAWSON. I'll just say to the whole panel.

Mr. MOYNIHAN. Why don't I start, Madam Chairwoman?

As Mr. Dimon said earlier, the near-term competitiveness of the Chinese banking system is an issue, but the longer-term competitiveness is the real issue.

These institutions are the top four in the world. They decide the economic issues in the country of China right now. They've made substantial amounts of money. And they are developing the techniques to compete on a worldwide basis to support, in particular, the multinational client base of the world outside the country of China.

I think it is something to be concerned about. And frankly, they can operate in the U.S. under the current rule set, and they could acquire many of us without much problem, in terms of financial resources to do it.

Mr. LAWSON. Is there anyone else who would like to comment on that before I go to another question?

Ms. FRASER. I would.

Mr. LAWSON. Go ahead.

Ms. FRASER. It's Jane Fraser from Citi. Thank you very much for the question, Congressman.

I would add in that, when our banks are brought abroad, many of us are supporting American multinationals abroad and their competitiveness. Scale matters in supporting these companies. And they also result in jobs in America and the support of the economy here.

So, for that not to be operating on American rails could be problematic in terms of safety, security, cyber, privacy, and many of the themes that we've been discussing at today's hearing. It's better on American rails than on others'.

Mr. LAWSON. Okay. Thank you very much.

And I have another question for the panel.

In 2021, a report from Freddie Mac demonstrated that homes in Black and Hispanic neighborhoods are much more likely to receive appraisal values below the ones that are in majority White neighborhoods.

After taking into account the differences in home and neighborhood quality, racial biases lead to the valuation of homes in majority Black neighborhoods at 23 percent less than those in other neighborhoods with fewer or no Black residents.

Are any of your banks using alternative traditional appraisals, like automated valuation models, as a means of reducing the prevalence or the impact on appraisal values?

And I want to say this to you. In a lot of the—and I'll just use as an example an area in Florida, and break it down a little bit to the area—and I need to hurry up, because I'll probably run out, because I want to have y'all—and, let's say, in the area of Tallahassee in Florida, many of the young graduates who are coming out of school seem to go into Black neighborhoods to try to rebuild them, but they are having a problem because the banks don't want to finance those mortgages, and say, why don't you go someplace else, so to speak. But that's how you can improve the community.

But I just want to know, are you all using any alternative valuation model for appraisals so that the young ones coming out—and I'm going to just cut it right there—will be able to get mortgage financing?

Mr. DEMCHAK. Thank you, Congressman. I'll speak to that very quickly.

We use alternative models, alternative sources of payment where we see past rental payments and so forth, to do that. That's easier to do when we own the mortgage or the home equity, whatever the case may be, than it is to do inside of the Fannie Mae, Freddie Mac, or Ginnie Mae programs. The government programs don't support that.

Mr. LAWSON. Okay.

With that, Madam Chairwoman, I yield back. I have a lot more questions, but I'll just submit them for the record.

Chairwoman WATERS. Thank you very much.

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

Mr. DAVIDSON. Thank you, Madam Chairwoman. And thanks to our witnesses and to my colleagues. I appreciate having this hearing.

A few years ago, we saw a few large banks adopt a policy of refusing cash deposits. Is accepting cash deposits a liability? And, if so, is it more of a market risk or a regulatory bank secrecy risk?

Anyone?

Mr. Dimon?

Mr. DIMON. You're reminding me of something from years ago. I do believe it was a regulatory risk that made us very cautious about accepting cash deposits, particularly interstate.

Mr. DAVIDSON. Mr. Scharf?

Mr. SCHARF. I don't have anything to add.

Mr. DAVIDSON. The regulators have intimidated the banks—the megabanks, as my chairwoman likes to refer to y'all—to the point where no one will even speak about taking cash.

Are permissionless payments a risk to this financial system? Permissionless, like cash, like I can give a person cash. Whether it's cash or some sort of electronic payment, is a permissionless, peer-to-peer transaction some sort of threat to the financial system?

Mr. DIMON. No.

Mr. DAVIDSON. No? Okay. That's good to hear. I was getting a little nervous.

And it's hard, because a lot of people still deal in cash. When we talk to people who don't necessarily use your bank about some of the barriers to people using the financial sector at any size or scale, they're still transacting in the cash economy.

And as people become more nervous about whether it's government or just surveillance capitalism, the idea that everybody needs to know everything about every transaction and everyone else—we have a couple of colleagues who are really passionate about digital identity. You basically have to background-check somebody to even talk to them. People are kind of opting out of that, and they're choosing using cash.

I think that's a big factor in the crypto space. And just by a show of hands, does your bank custody any crypto assets for any level of client?

Not much.

So, not much change there. There are a lot of regulatory challenges that have made that hard as well. And certainly, we've worked, some of us have, for years to remedy that.

Our financial markets—we are home to about 5 percent of the world's population, almost 25 percent of the world's GDP, but roughly 50 percent of the world's invested capital in capital markets. Unfortunately, in the crypto space, roughly 70 percent of the liquidities are offshore. I think that's a burden for this body here in Congress, to provide regulatory clarity in those things.

And I'd just note the, I guess, hesitancy for titans of industry, people in the financial sector, literally atop the sector, to address some of these issues. And I think it's a concern when we look at regulators, the power the regulators have over the sector.

And, frankly, one that I think was a win of sorts was not seeing Saule Omarova confirmed for the Office of the Comptroller of the Currency. No one made President Biden nominate her, or Senator Sherrod Brown give her high praise and walk her around the Senate and try to get her confirmed. But she's someone who described herself as radical and held fundamentally different views on the banking industry, going so far as to suggest that the Federal Reserve or even the Postal Service should be retail banking outlets.

Mr. Dimon, do folks who have no industry experience and only academic experience have a hard time understanding soundness and risk in the private sector?

Mr. DIMON. I would love to see the Federal Reserve be in the retail banking business and running call centers and operating centers and ATMs and branches and hiring and all that kind of stuff.

And I would love to see more people who are not academics and lawyers and economists in a lot of jobs in Washington, D.C. There's a great quote: "In theory, practice and theory are the same. In practice, they're not." I think the country would benefit greatly from something like that.

Mr. DAVIDSON. Yes, I have been concerned, because I think the median—there was a study that showed the median years of private-sector experience in the Biden Administration is zero. And hopefully, the next few years change that.

Ms. Fraser, as I have just a few moments left, your bank does a lot with sanctions—as do all of yours. But, if you look at the international aspects of it, the Office of Foreign Assets Control (OFAC), when you look at the opportunity to improve that, the way that the system is done causes a little bit of collateral damage for domestic companies.

Do you have any ideas on how we could reform that? And if you can't finish your answer, could you please send something in writing to our office about your experience?

Ms. FRASER. I'd be delighted to. It will involve international collaboration.

Mr. DAVIDSON. Thank you.

Chairwoman WATERS. I wish we had time for more correction of information that's being given about the banks and cash. However, we must move on.

The gentlewoman from North Carolina, Ms. Adams, is now recognized for 5 minutes.

Ms. ADAMS. Thank you, Madam Chairwoman. And thank you for hosting today's hearing.

To our witnesses, thank you. I am particularly glad to see some folks from back home: Charlie Scharf from Wells; Bill Rogers from Truist; and Brian Moynihan from Bank of America. Thank you all for being here, and everyone else as well.

But I do want to get right to it. And I'd like to ask you to keep your remarks around 30 seconds so we can hear from everyone. And this question is to each of the witnesses.

As you all may know, I am founder and co-Chair of the Bipartisan Historically Black Colleges and Universities (HBCU) Caucus, and through that caucus, and through the Congressional Black Caucus (CBC), we've helped secure historic wins for Historically Black Colleges and Universities (HBCUs). So, I'm grateful that several of you here today have taken our Partnership Challenge. Some of you, like Truist and Wells Fargo, have endorsed our signature legislation, the IGNITE HBCU Excellence Act. Thank you for doing that.

This, by the way, is HBCU Week, and the White House initiative is pushing that as well.

But my question is, I want to know—and please be as detailed as you can—what is your long-term plan to engage with, to support, and to recruit from HBCUs? And how are you evaluating the effectiveness of your external recruiting efforts and internal pipeline programs?

Mr. Scharf, let's start with you.

Mr. SCHARF. Sure. Thank you, Congresswoman, and thank you for your leadership in this area. It's extraordinarily-important work, and we're proud to be a part of a lot of your leadership efforts.

The HBCUs, for us, are just an incredibly important relationship. And it's multifold, from the things that we do to support the HBCUs, to the things that we get out of the HBCUs, including just the broad-based talent in locations across the country. And we have had just outstanding experiences with some of our incredibly senior folks across the company who are products of the HBCU system.

Ultimately, what we will look at is the success factor that we have in keeping the folks that we bring on from the HBCUs, and, ultimately, the level of seniority and the scope of the roles that they carry inside our company.

Ms. ADAMS. Okay.

Let me move on. Mr. Rogers? And we want to really keep it to 30 seconds if we can, okay? Thank you.

Mr. ROGERS. Again, thank you for your great leadership in this area as well.

And, similarly, we are investing—and we've invested as much as $20 million recently—in HBCUs in terms of direct investment, but also in the important work that we do in hiring HBCU graduates, and we're committed to increase our hiring of HBCU graduates.

And then, working on using the resources that we have in our company. And as you have participated in our Leadership Institute, using it to help educate and provide leadership training in the HBCU community. And things like the Tech Summit, which we've supported together.

So, using our own resources and working in partnership with HBCUs, I think is what's important to me.

Ms. ADAMS. Great. Thank you.

Mr. Dimon?

Mr. DIMON. I've been going to HBCUs for 30 years. We hire 100 kids a year now. We just recruited four. We now recruited 20. We help finance them, we help grow them, and we hire a lot of their kids.

I would tell anyone that the talent is unbelievable. I've been to many of them, I've been to six or seven now—extraordinary talent. And my advice to anyone who's looking for young Black kids who want to be successful, go to an HBCU if you think you can't find any.

Ms. ADAMS. That is where you can find them.

Ms. Fraser?

Ms. FRASER. Thank you very much for the question.

I think, like our other colleagues on the panel today, we're very proud to be working with the HBCUs. Our CFO at Citi is the Vice Chair at Howard and puts tremendous passion into making sure that we have broader programs to bring in and recruit and grow and develop the talent that we bring in from the HBCUs. And I think, similar to what you've heard today, it's wonderful talent. And we're proud to give opportunities in our company, to the benefit of the company as much as the individuals.

Ms. ADAMS. Thank you, ma'am.

Mr. Moynihan, we just have a few more seconds.

Mr. MOYNIHAN. Sure.

I think, along with the hiring that we have continued to increase across time, along with the fiscal support of contributions to HBCUs, endowments and budgets for helping build them out, which was $25 million over the last few years, on top of that, the other thing we've done is created an entrepreneurial center in Atlanta between the two HBCUs, Spelman and Morehouse, which, to get them to work together was kind of interesting, but we were able to create an entrepreneurial center that's—

Ms. ADAMS. Thank you, sir.

Mr. MOYNIHAN. —going to be quite successful.

Ms. ADAMS. I apologize. I'm out of time. And we'll be watching. Madam Chairwoman, I yield back.

Chairwoman WATERS. Thank you so very much for all of the work you do with the HBCUs, Ms. Adams. We appreciate that. And the proof of the pudding is in the eating. Thank you.

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

Mr. GONZALEZ OF OHIO. Thank you, Madam Chairwoman.

I'm going to do a little macro/micro. Mr. Dimon, I'm going to ask you some macro questions; and Mr. Moynihan, more on the micro side.

Mr. Dimon, you've been outspoken about the state of the economy, global economy, and some of concerns.

I'm going to define a soft landing, just for the purposes of this, as a mild recession with limited financial stability risks, and a hard landing as a prolonged recession, two-plus quarters, with heightened stability risks. Keep that in mind.

From a policy standpoint, what are you most concerned about or what do you believe needs to happen to avoid the hard-landing scenario?

Mr. DIMON. I think the sooner that the Federal Reserve gets their hand around inflation so we avoid stagflation—that is the worst outcome, is inflation with no growth and unemployment. And that hurts the most people and the most businesses, et cetera.

And second is to make sure we have a secure energy policy so that oil prices don't skyrocket. Energy is precarious. If we see it at 150, it will cause a global recession.

Mr. GONZALEZ OF OHIO. How confident are you in the Fed's ability do that?

Mr. DIMON. I'm keeping my fingers crossed.

Mr. GONZALEZ OF OHIO. Yes. Me, too.

In the event of a hard landing, where do you believe the economy is most vulnerable, from a financial stability standpoint?

Mr. DIMON. The consumer, going into a recession, is actually in rather good shape, particularly compared to 2008 and 2009, and businesses are in rather good shape. I think if you have a hard landing, you'll see a fairly traditional effect on financial stability.

I don't think that's the issue. I think the real issue is global stability relating to Ukraine and China and kind of more forward-looking. The financial industry here can easily handle the hard landing.

Mr. GONZALEZ OF OHIO. I agree with you on—and this is a comment now for everybody, I guess—the China piece for sure. I would encourage your banks to be a lot more thoughtful about the role that you all play in facilitating the Chinese economy.

They rely on U.S. capital markets to grow their economy. We know that they are no friend of ours. And when you talk about global stability, it's Russia and China that are posing the greatest threats, by far, and I don't believe it's even close.

Mr. Moynihan, I want to switch to you, and get back to the consumer. Your retail consumers, how do you feel they are today from a health standpoint? And then, in the event of a hard landing, what are you most concerned about at, sort of, the retail level?

Mr. MOYNIHAN. Sure.

If you look at where the consumer stands today, they have more money in their accounts, as my colleague said earlier, they have borrowing capacity left, the employment rate is very low, and their wages are rising. Working against them are inflation price increases that will eat up part of that increase, and also unemployment. At the end of the day, we haven't seen unemployment move.

The question is, can the Fed tighten strongly enough to choke off inflation without creating such high levels of unemployment? And that's the discussion you have in the probability of having a hard landing and a soft landing.

And the view is, we all hope that the balance can be restored to the system. But it needs to be restored, because right now it's not in proper balance after the last couple of years and the fiscal stimulus and monetary stimulus and all of those things.

The consumer is spending 10 percent more in September than they did last September, and they have multiples of money in their accounts now than pre-pandemic, and they're employed, and they're earning more. Right now, it's okay. The question is, what happens to them?

And that's always going to come down to: If they're working, they'll be fine. At the end of the day, no matter what kind of loan they have—car, home, credit card, you pick it—if they're working, they're fine.

And I think the issue is to actually get labor markets to be less tight. You're going to have to work—the Fed knows that the unemployment is probably going to rise, so the question is, can they guide it to the right place and not have it go too far?

Mr. GONZALEZ OF OHIO. Yes. And that's the disaster scenario, right? That's, definitionally, the hard landing. The only tool the Fed has right now is to destroy demand, which would drive inflation up—or, I'm sorry, unemployment up and put the consumer at enormous risk.

Mr. Dimon, back to you for one final macro question. The Fed has a dual mandate, as you know—maximum employment and stable prices. Do you have an opinion on whether the dual mandate is appropriate? Or would you consider moving us to simply stable prices?

Mr. DIMON. I would say it's appropriate, but it should be monitored.

Mr. GONZALEZ OF OHIO. Thank you.

With that, I yield back.

Chairwoman WATERS. Thank you very much.

At this time, we will take a brief recess to—

Mr. GREEN. Madam Chairwoman?

Chairwoman WATERS. Yes?

Mr. GREEN. I have a unanimous consent request. I have a special purchase credit program question that I'd like to submit to all of the members of the panel.

Chairwoman WATERS. Without objection, it is so ordered.

Mr. GREEN. Thank you.

Chairwoman WATERS. We will take a brief recess to allow Members to vote on the House Floor. We will resume immediately following votes.

And let me just say to all of the witnesses, I appreciate your patience with the work that we are doing today. You may want to take this as a time to grab some lunch.

The committee will stand in recess. Thank you.

[recess]

Mr. LYNCH. [presiding]. The committee will come to order.

The Chair now recognizes the gentleman from Guam, Mr. San Nicolas.

You're recognized for 5 minutes. Welcome.

Mr. SAN NICOLAS. Thank you so much, Mr. Chairman. Can you hear me okay?

Mr. LYNCH. Loud and clear, yes. Thank you.

Mr. SAN NICOLAS. Thank you, Mr. Chairman.

I want to first begin by recognizing Ms. Fraser and Citigroup. The conversation I'm going to have actually involves all of the panelists, but I wanted to begin with her company and herself, as, based on our research, it looks like Citigroup pays 5 times more in interest to its depositors than the rest of the individuals sitting at the table.

Ms. Fraser, is it correct that your deposits are currently yielding a .05-percent interest rate?

Ms. FRASER. We have a variety of different deposit products, and we believe them to be competitive and fair.

Mr. SAN NICOLAS. The information I have here on your basic account package is a .05-percent interest rate. Is that correct?

Ms. FRASER. We do have one of our deposit products that has that. That is correct.

Mr. SAN NICOLAS. And for the rest of the panel, is it fair to say that my numbers here are accurate, that the remainder of you are paying about 0.01 percent on deposits?

Mr. DEMCHAK. That is inaccurate.

Mr. SAN NICOLAS. Could you please clarify, then, for me the figure?

Mr. DEMCHAK. Yes. Our base account pays about the same as Citigroup's, at 5 basis points or so, but we have many products that pay substantially more, and it varies. But I don't know of any that pay zero.

Mr. SAN NICOLAS. Okay. Can we just clarify this? Just go across the panel from left to right? And just on the record for the American people, tell us what your basic standard savings deposit is currently yielding in your institutions.

Mr. Chairman? I'm waiting for the panel to respond.

Mr. LYNCH. Let's go from left to right.

Mr. Cecere?

Mr. CECERE. We have a variety of products that range from 5 basis points to over 200 basis points, depending upon the size of the deposit as well as the tenor of the deposit.

Mr. SAN NICOLAS. Yes, but the general public accounts is what I'm talking about. The majority of your deposits, what are they yielding right now?

Mr. CECERE. The general retail deposit would be at that lower end of that range. And then, there are also CDs available for term deposits that approach 3 percent.

Mr. SAN NICOLAS. Sure.

I don't have a lot of time. Can we just go across the panel, please, Mr. Chairman?

Mr. LYNCH. Okay.

Mr. Demchak?

Mr. DEMCHAK. We're the same. Five basis points at the lower end, with different products yielding more, depending on several factors.

Mr. LYNCH. Thank you.

Mr. Dimon?

Mr. DIMON. We're pretty much the same as everybody else here.

Mr. LYNCH. Ms. Fraser?

Ms. FRASER. Yes, we're in the same range.

Mr. LYNCH. Mr. Moynihan?

Mr. MOYNIHAN. We have a range of products that would cover the same ranges as my colleagues have spoken about.

Mr. LYNCH. Mr. Rogers?

Mr. ROGERS. We have a very similar approach.

Mr. LYNCH. Mr. Scharf?

Mr. SCHARF. I believe we're in the same range.

Mr. SAN NICOLAS. Thank you. Thank you so much, Mr. Chairman.

As inflation is battering our public, and as interest rates are rising and causing credit card interest rates to go up and general consumer interest rates to go up, it's just an across-the-board devastation for the American public.

We have had it on the record earlier today that there is, "more money in their accounts," in all of these financial institutions. In other words, there are a lot more deposits being held by these financial institutions as interest rates are rising.

One of the only silver linings in a rising-interest-rate environment is that savers are supposed to be rewarded for their savings. They're supposed to see the interest that they earn on their savings accounts go up.

And yet, what we have here is a Fed Funds Rate that is currently, Mr. Chairman, at 2.5 percent—on the record, a Fed Funds Rate of 2.5 percent—with our depository institutions paying between .01 percent and .05 percent, which means that on risk-free money being put to the Fed, they're making anywhere between 2.45 percent interest to 2.49 percent interest on the deposits of their customers.

And so, I wanted ask quickly, Mr. Chairman, can they confirm whether or not they are going to be increasing the interest rate that they're paying to their depositors any time soon?

Mr. LYNCH. Mr. Cecere, you heard the question?

Mr. CECERE. Yes, I did. Thank you.

We would expect to continue to monitor rates and raise rates as appropriate given what's going on with the Fed as well as our competition.

Mr. LYNCH. Mr. Demchak?

Mr. DEMCHAK. The same. We'd expect us to raise them over time.

Mr. LYNCH. Mr. Dimon?

Mr. DIMON. We expect them to go up soon.

Mr. LYNCH. Ms. Fraser?

Ms. FRASER. Yes, we will.

Mr. LYNCH. Mr. Moynihan?

Mr. MOYNIHAN. Rates will go up in the future with this rate structure.

Mr. LYNCH. Thank you.

Mr. Rogers?

Mr. ROGERS. Yes, we'll be raising them.

Mr. LYNCH. And Mr. Scharf?

Mr. SCHARF. Yes, the same.

Mr. LYNCH. Thank you.

Mr. SAN NICOLAS. I yield back, Mr. Chairman. Thank you.

Mr. LYNCH. Thank you.

The gentleman's time has expired.

The Chair now recognizes the gentleman from North Carolina, Mr. Budd, for 5 minutes.

Mr. BUDD. I thank the Chair.

On, "60 Minutes," on Sunday, President Biden tried to downplay the negative impact of 40-year-high inflation. He basically said that 8.3 percent inflation isn't that bad because it hasn't spiked recently.

As you also know, the second quarter's GDP was negative for the second consecutive quarter, which is the textbook definition of a recession. Of course, President Biden is trying to deny this as well.

Now, as the leaders of financial institutions that deal directly with American consumers every day, I'd like to ask you some brief questions to gauge the financial health of the average American consumer. And I'll just stick with the—for a lack of time, I'll stick with the North Carolina institutions, if you would, please, Mr. Rogers of Truist, and Mr. Moynihan of Bank of America. And just brief answers, if you would. It could be yes or no or just a sentence or less.

Are consumers' savings decreasing?

Mr. ROGERS. Consumer savings are actually stable at this particular juncture, after having grown for quite a few months.

Mr. BUDD. Mr. Moynihan?

Mr. MOYNIHAN. The consumer deposits are stable.

Mr. BUDD. Are they using more credit now than they were a year ago?

Mr. ROGERS. Consumers are starting to access more credit, particularly in their credit cards.

Mr. BUDD. Mr. Moynihan?

Mr. MOYNIHAN. Credit card balances have grown since the last year but aren't back to pre-pandemic levels yet.

Mr. BUDD. So, when you factor in inflation, are consumers' real wages down?

Mr. Rogers?

Mr. ROGERS. If you factor in inflation, for most consumers, I believe real wages would be down.

Mr. BUDD. Real wages are down. Thank you.

Mr. Moynihan?

Mr. MOYNIHAN. On a 1-year basis, the inflation rate exceeds the wage growth.

Mr. BUDD. Okay.

Has the number of consumers with access to, say, $1,000 for an emergency, gone up or down?

Mr. ROGERS. Consumers currently have more in their checking accounts, and the opportunity to have an emergency savings account has actually increased during the last few years.

Mr. BUDD. Mr. Moynihan?

Mr. MOYNIHAN. Consumer deposits in their accounts are multiples of where they were pre-pandemic.

Mr. BUDD. Do you think the economy will get worse before it gets better?

Mr. Moynihan? Let's switch it around. Mr. Moynihan first.

Mr. MOYNIHAN. I said earlier that our experts have positive GDP growth for this quarter, and then negative GDP growth for the next couple of quarters. That's their base assumption, of the research team that we have.

Mr. BUDD. Mr. Rogers?

Mr. ROGERS. We have a very similar forecast.

Mr. BUDD. Thank you.

We see that the state of our economy is not good. President Biden's failed economic policies have made life worse for working families in North Carolina and across the country.

According to the Federal Reserve Bank of St. Louis, the personal savings rate has been declining since March of last year, and it's the lowest since 2008.

A recent survey said that 60 percent of respondents have been in more credit card debt over the last year.

And, according to the Federal Reserve Bank of New York, household debt surpassed $16 trillion for the first time ever in the second quarter.

According to the Census Bureau, median household incomes have remained stagnant or have declined 2 years in a row.

According to Bankrate, 56 percent of Americans cannot cover a $1,000 emergency expense with savings anymore.

A recent ABC News poll found that 69 percent of respondents said that they think the U.S. economy is getting worse.

Bottom line: Americans are buying less, earning less, and saving less, while paying more for their daily lives. It's what I see in all 100 counties in North Carolina. Life seems to have gotten worse under President Biden, and I believe that it's time that he admits it.

Thank you all for your time.

I yield back.

Chairwoman WATERS. Thank you.

The gentleman from Illinois, Mr. Casten, who is also the Vice Chair of our Subcommittee on Investor Protection, Entrepreneurship, and Capital Markets, is now recognized for 5 minutes.

Mr. CASTEN. Thank you, Madam Chairwoman.

And thank you all for being here on this long day.

I want to just start with a statement that I think is obvious, but all of you do a wonderful job. And I appreciate your work to minimize the risk of loss to your equity capital while still honoring your obligations to shareholders to maximize return. If any of you disagree with that statement, please chime in. But I want to start, just because I want to focus on risk and return.

Two years ago, Mr. Dimon, Ms. Fraser, Mr. Moynihan, and Mr. Scharf, in a Senate Banking Committee hearing, Senator Warren asked you, and you all, I believe, essentially acknowledged that you were, "using new tools and services to gauge climate risk to your portfolios."

I could put the question to all of you, but I want to focus on you, Mr. Scharf, because I think you have the largest mortgage book. In the 2 years since, have you changed your lending, your diligence standards for properties that are exposed to climate risk—wildfires, forest fires? You've had 2 years to gauge those risks. Have you changed your lending standards in those regions?

Mr. SCHARF. Congressman, it's something that we talk a lot about, and we've always factored some of those risks into the properties that we've financed. And it continues to be something that we talk about. Whether or not we've specifically changed the magnitude of that, I can't answer right now.

Mr. CASTEN. Okay. And I don't mean it as a critical question. There's been some data suggesting that there's a disproportionate flow of those mortgages to Fannie Mae and Freddie Mac in those high-risk areas. And if you don't know off the top of your head, we can follow up offline. But there has been a lot of reporting on that, and I'd like to see the data, because it's obviously a concern if we're moving risks onto the taxpayers.

Mr. SCHARF. We can certainly go back and look at the data and share it with you.

Mr. CASTEN. Okay.

Shifting to the return side of the question, Mr. Dimon—this might be a dumb question, but I'm sure you'll tell me if it is—would you support legislation that compelled you to preferentially invest in industries that were struggling to attract capital?

Mr. DIMON. I would not.

Mr. CASTEN. Okay. I assumed that would be your answer.

I ask that because, over the last 12 years, the entire oil and gas E&P sector is running at about a seven-times multiple. And NextEra Energy, Tesla, FirstEnergy, all of the sort of leading lights of the clean-energy space, are running at 10 times that number, for the most part. And yet, we are seeing a lot of my colleagues suggest that we should prevent the financial sector from investing in areas that are getting high returns, out of some completely bastardized theory of, "woke capitalism," whatever that means.

The State Financial Officers Foundation, a right-wing-backed group, is intentionally promoting that. They are pushing State legislation across the country. And as recently as July, West Virginia's treasurer announced that he was canceling hundreds of millions of dollars in State contracts to five banks, including yours and Wells Fargo.

I think you said that their analysis was disconnected from the facts. And I think Wells Fargo said that they disagreed with the decision.

Subsequent to that, Federated Hermes has announced that they are no longer going to fund this group. As of a few weeks ago, JPMorgan and Wells Fargo were both funding the State Financial Officers Foundation. It's not listed on the website anymore.

Are you still providing resources to this organization that is spreading policies that are encouraging you to invest in places that are struggling to attract capital?

Mr. DIMON. I don't know the answer to that, but I'll be happy to get back to you, and I'll look at it if I can.

Mr. CASTEN. Okay.

Mr. Scharf, is Wells Fargo still supporting the State Financial Officers Foundation?

Mr. SCHARF. I don't know the answer, but I'm glad to take a look at it.

Mr. CASTEN. Can either of you commit, while we're here, that you will not continue to fund an organization that is spreading disinformation, that is blocking the capital sector from freely allocating capital?

Mr. DIMON. I won't commit until I read something, but if that is true, we probably would cancel it.

Mr. CASTEN. Mr. Scharf?

Mr. SCHARF. I agree with Mr. Dimon.

Mr. CASTEN. Okay. As we look at their website today, the only people supporting this are groups with active agendas.

I want to see you continue to minimize equity risk. I want to see you continue to earn shareholder returns. And I want to leave a better planet for our kids than the one that our parents left us. And I would hope that you'd all work together with us on that.

Thank you, and I yield back.

Chairwoman WATERS. The gentleman from Indiana, Mr. Hollingsworth, is now recognized for 5 minutes.

Mr. HOLLINGSWORTH. Good afternoon. I'm excited to be here with each of you.

Before I get started on my questions, Mr. Moynihan, I wanted to let you know—Sruthi? Raise your hand, Sruthi. She has been my team member for a couple of years now, but on Monday she becomes a Bank of America team member, about which she is very, very excited. So, I hope you'll take good care of her and know and recognize the talent that she has shown already in our office. I'm sure she'll do the same at Bank of America.

Mr. MOYNIHAN. We will do that. And her father already works for us, so—

Mr. HOLLINGSWORTH. Oh.

Mr. MOYNIHAN. —he'll take care of her.

Mr. HOLLINGSWORTH. You should have told us. Well, good.

I appreciate the opportunity to chat about some of these issues today. What I'm really interested in is the state of the economy, and Mr. Budd touched a little bit upon this, but I want to delve deeper into this.

We are, as of today, at a truly unprecedented pace unwinding the quantitative easing as well as the accommodative monetary policies of the last couple of years. Although the Fed continues to talk about soft landing, I worry that this pace will lead to a harder landing than perhaps they are yet forecasting.

But there are a couple of ballasts to that: first, very, very strong corporate balance sheets. Earnings have been relatively resilient, but balance sheets are better than they've ever been in the S&P 500. Second, household balance sheets are better than they have quite literally ever been. And you all touched on this a little bit, but one thing that I continue to notice is the tremendous amount of savings that households have in excess of the savings they had in 2019.

Have you begun to see households mobilizing that or not begun to see them mobilizing that? Because I think this is really important to real, underlying economic demand going forward. In the face of some of the extra costs that are being incurred, are we seeing them dip into those savings?

And, with all due respect to Mr. Budd, there's a difference between a decline in savings rate and a decline in the level of savings.

I'm curious, and maybe I'll start with you, Mr. Moynihan, and then I'll ask Mr. Dimon and Ms. Fraser about the same thing.

Mr. MOYNIHAN. The consumers at Bank of America have multiples of the amount of money they had pre-pandemic and that amount is stable right now. It had been growing for the last year-and-a-half. Since the last stimulus, it grew, and kept growing. It went up a little bit in tax time, came down a little bit after tax time, came down a little bit when they paid for vacations, and now it's back up. So, it's basically stable.

Mr. HOLLINGSWORTH. Understood.

Mr. MOYNIHAN. And we measure that and we put out data about it from our institute every month so that you can see it.

Mr. HOLLINGSWORTH. Understood. Thank you.

Mr. Dimon?

Mr. DIMON. The consumer currently is in very good shape.

Mr. HOLLINGSWORTH. Yes.

Mr. DIMON. High savings. Jobs available. Wages going up at the lower end. Even with debt going up a little bit, it's so much lower than it was before. Debt-service ratios are lower than they've been in 50 years.

So, even if we go into a recession—but you have to ask later, not right now. That's the good news, which is now. The bad news is later.

Mr. HOLLINGSWORTH. Right.

Mr. DIMON. And it's coming.

Mr. HOLLINGSWORTH. Got it.

Ms. Fraser?

Ms. FRASER. I think, similarly, it's always a little dangerous to talk about averages rather than what we see across the spectrum. But stability in the deposits, still elevated levels of spending, and, equally importantly, still low credit losses across-the-board.

Mr. HOLLINGSWORTH. I would assume any controller or CFO worth their salt has spent the last couple of years locking in very low rates and extending out their maturity ladders to ensure they don't face upcoming maturities.

Are any of you seeing any stress in corporates yet with higher rates? No? Not even in PE, sponsor, kind of high-leverage scenarios?

Mr. DIMON. Not actual stress, but spreads are way up. And the markets. The markets—

Mr. HOLLINGSWORTH. Yes.

Ms. FRASER. Again, I—

Mr. MOYNIHAN. —for those types of credits, but—

Mr. HOLLINGSWORTH. It's harder to transact today?

Mr. MOYNIHAN. Yes.

Mr. HOLLINGSWORTH. Okay.

One of the things that we continue to talk about up here is ensuring that we are investing enough in research and development. We want to maintain the significant competitive advantage we have in developing new technologies, whether that's at research institutions across the country or in very innovative, smart companies across the country.

One of the things we have noticed is that venture capital funding is declining dramatically. In some estimates, there's a trillion-dollar gap between what we've funded in the last 5 years and what we're likely to fund in the next 5 years. And some of that is reluctance of companies to recognize valuations today versus what they might have been even 6 months ago.

But I wondered if you've seen an uptick in earlier-stage venture-backed funds seeking loans instead of equity, given some of the transactions and the values that they're seeing versus what they were before?

Does anybody want to comment on that?

Ms. FRASER. We haven't seen evidence of it yet, but it is early days.

Mr. HOLLINGSWORTH. Yes.

Mr. DIMON. They generally don't borrow money. So, you're not going to see a lot of that.

Mr. HOLLINGSWORTH. Indeed, but I had heard that more were inclined to do so rather than recognize significant down-rounds in their equity valuations.

With that, I yield back, Madam Chairwoman.

Chairwoman WATERS. Thank you.

The gentlewoman from Massachusetts, Ms. Pressley, who is also the Vice Chair of our Subcommittee on Consumer Protection and Financial Institutions, is now recognized for 5 minutes.

Ms. PRESSLEY. Thank you, Madam Chairwoman, for holding this critical hearing and for ensuring that oversight remains a priority for this committee.

While we have the CEOs in front of us, I do want to take just a moment, for the official record, to center on that which is most important, and that is the workers, from the bank tellers who wear a smile day in and day out, processing hundreds of transactions, to the custodial staff who keep facilities clean and safe. Too often, I think their labor is lost in these hearings, or, worse, used as cover-up talking points. Your workers deserve better, and they deserve to be respected.

Mr. Scharf, workers at Wells Fargo have been advocating for a greater voice on the job for years. For the record, will you commit to neutrality in the workers' organizing effort and ensure that workers who speak out do not face retaliation? And I'm looking for a yes-or-no response.

Mr. SCHARF. We believe that we're best—

Ms. PRESSLEY. Yes or no?

Mr. SCHARF. —having a direct relationship with them.

Ms. PRESSLEY. Is that a yes or a no?

Mr. SCHARF. That is—

Ms. PRESSLEY. Will you commit to neutrality in the workers' organizing effort and ensure that workers who speak out—

Mr. SCHARF. We will—

Ms. PRESSLEY. —do not face retaliation? It's really easy. Yes or no?

Mr. SCHARF. We will follow the law—

Ms. PRESSLEY. Okay.

Mr. SCHARF. —but we will encourage our—

Ms. PRESSLEY. I'm going to reclaim my time. I was looking for a yes or no on whether or not you would commit to neutrality in the workers' organizing efforts and ensure that workers who speak out do not face retaliation.

After years of scandals and billions of dollars in fines, you owe your employees accountability. If there had been a union at Wells Fargo, then perhaps the toxic policies and behaviors driving these scandals would not have gone unchecked for so long.

I introduced the Greater Supervision in Banking Act to shine a light on working conditions for employees, from pay equity to accountability for workplace harassment. Congress must pass this bill to support workers. My bill would also require transparency on meaningful consumer protections.

Now, I've been having a hard time really keeping track of the various illegal actions that have taken place by those represented here on this panel, including your own bank, Mr. Cecere, so let's establish a few things for the record.

On July 28th of this year, the Consumer Financial Protection Bureau (CFPB) announced that your bank had illegally accessed customers' credit reports and opened checking and savings accounts, credit cards, and lines of credit without those customers' permission.

Mr. Cecere, how many accounts were opened without customers' permission?

Mr. CECERE. Thank you for the question.

First, we sincerely regret and take full responsibility that even one customer account would've been opened in an inappropriate fashion. It's against not only our standards and procedures but it's against our core ethics as an organization.

This relates to a 5-year opportunity with the CFPB that dates back to 2010. And, during that timeframe, we've identified 342 accounts—

Ms. PRESSLEY. Thank you.

Mr. CECERE. —which represents .001 percent of accounts opened in—

Ms. PRESSLEY. So, 342 accounts. Okay.

Mr. CECERE. Yes.

Ms. PRESSLEY. And that was actually going to be my next question. Do you take full responsibility for these violations of the law?

Mr. CECERE. We do. It's not what—

Ms. PRESSLEY. Thank you.

Mr. CECERE. —we seek to do. And we've remediated almost—

Ms. PRESSLEY. Thank you. You should. Thank you.

As the CFPB's investigation certainly did tell a disturbing top-down story of failure, your bank imposed sales goals on employees as part of their job requirements while knowing that this pressure was leading employees to unlawful behavior.

Based on reports, I believe if your employees had had the opportunity to collectively bargain and improve their working conditions, consumers would not have been exploited. And that's not limited to just your recent scandal. It goes for every bank present.

Again, for the record, I would like a response from the entire panel. For all witnesses, please raise your hand if you are willing to commit to noninterference in any of your employees' efforts to organize a union.

And I'll begin from right to left here, my right.

Mr. Cecere, yes or no?

Mr. CECERE. We believe in dealing directly with the employees. And we welcome feedback—

Ms. PRESSLEY. Sir, could you just raise a hand? I'm sorry, I'm running out of time, 50 seconds. Will you raise a hand if you agree to not interfere.

Mr. CECERE. We would not retaliate or interfere.

Ms. PRESSLEY. Okay. You can raise your hand then.

Mr. Demchak, can you raise your hand if you're willing to commit to noninterference in any of your employees' efforts to organize a union.

I don't need to go one person at a time. This is an easy, easy, easy question. Please raise your hand—

Mr. DEMCHAK. I don't think I can raise my hand to that. We wouldn't interfere with our—

Ms. PRESSLEY. Okay. I'll keep going.

Mr. Cecere—

Mr. DEMCHAK. —employees on anything. And, importantly—

Ms. PRESSLEY. —you're committing to noninterference.

Mr. Demchak, you are not.

Mr. Dimon?

Mr. DIMON. I would interfere.

Ms. PRESSLEY. Okay. Thank you for your transparency on the record that you will interfere.

Ms. Fraser, will you interfere? A show of hands or yes or no?

Ms. FRASER. We certainly will not retaliate, but we will expect to have an active conversation with—

Ms. PRESSLEY. Okay. I'll take—

Ms. FRASER. —with our employees.

Ms. PRESSLEY. —that as a yes. Thank you for your transparency for the record. Thank you, Ms. Fraser.

Mr. Moynihan, will you interfere?

Mr. MOYNIHAN. We will deal directly—

Ms. PRESSLEY. Sorry. I'm running out time. Show of hands, gentlemen. Mr. Scharf, Mr. Rogers, Mr. Moynihan, could you raise your hand—

Mr. MOYNIHAN. We will not retaliate.

Ms. PRESSLEY. —if you agree to not interfere?

Mr. MOYNIHAN. I thought I answered the question. We will agree to abide by the law, and we will not retaliate against employees. And it's not a simple question.

Ms. PRESSLEY. Mr. Rogers?

Mr. ROGERS. We would listen to our teammates and not retaliate.

Ms. PRESSLEY. Mr. Scharf, yes or no?

Mr. SCHARF. We will listen and not retaliate.

Ms. PRESSLEY. Okay. Your workers are watching, and they deserve accountability.

Thank you, Madam Chairwoman, and I yield back.

Chairwoman WATERS. Thank you.

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

Mr. ROSE. Thank you, Chairwoman Waters, and Ranking Member McHenry, for holding this hearing.

And I think it's important that we conduct oversight of the nation's largest banks, particularly in this climate where many are bending to progressive activists and declining to provide access to financial services for legally-operating businesses.

Mr. Dimon, you previously testified before the committee in May 2021 that there are certain areas where you have, "cut back," because, "the risk, legal or regulatory, is too high to do business."

I have become aware of bank denial letters that JPMorgan and, for the record, others of the banks here today have sent to independent ATM operators, where JPMorgan states that they have a policy in place where the bank does not bank private ATM operators.

And, Madam Chairwoman, I would like to enter into the record an article from The Wall Street Journal from February 19th of this year that's entitled, "Gas-Station ATMs Are a Banking Battleground." The subtitle: "Banks worried about risk are turning away the owners of independent ATMs, a lifeline to the underbanked."

Chairwoman WATERS. Without objection, it is so ordered.

Mr. ROSE. Thank you very much.

A previous iteration of the Federal Financial Institutions Examination Council's (FFIEC's) Bank Secrecy Act Manual categorized the entire independent ATM industry as high risk.

The new version, released in December 2021 after the hastening of many Members on a bipartisan basis of this committee, now states that, "not all independent ATM owner or operator customers pose the same risk, and not all independent ATM owner or operator customers are automatically higher risk."

Additionally, as hopefully you're all aware, on July 6th, all of the FFIEC agencies issued a statement saying that independent ATM operators are not categorically high risk.

And, again, Madam Chairwoman, I'd like to enter a copy of that statement for the record.

Chairwoman WATERS. Without objection, it is so ordered.

Mr. ROSE. Mr. Dimon, why is the bank still categorically denying access to financial services for an entire legally-operating industry?

Mr. DIMON. I don't like it when I hear that we're doing the whole industry, because I think that's a mistake. You should evaluate each customer one by one and determine whether risk is high. I don't know if that's true, and I have to get back to you on it. I do know there's one large one we stopped banking.

Mr. ROSE. Okay. I appreciate that.

And I guess my next follow-up question was, would you commit to taking a look at the bank's policy with respect to this class of customers?

Mr. DIMON. Of course.

Mr. ROSE. Thank you.

And to save time, for the record, I would appreciate if the rest of you would also respond to the question of whether you'll take a fresh look, in light of this new guidance, at whatever policies you have in place with respect to this class of customers. Would you all commit to giving us a review of your policies on that?

Very good.

I'm concerned about this issue in a broader context, which is, other places where your banks are not banking legally-operating businesses. It is an area of heightened concern. And I hope you all will be mindful of how important that is, particularly when you're serving customers and are lifelines to financial services for the underbanked. Thank you for that commitment.

Mr. Moynihan, I want to shift gears for a moment. In 2019, at Fortune's inaugural Brainstorm Finance conference, you said that you want a cashless society and that Bank of America has more to gain than anybody if we were to eliminate cash as a payment option.

Mr. Moynihan, this may be difficult for you to empathize with, but I can assure you that in my district, not everyone has access to financial services. I bet you have a bank account—I do, as well—and can readily access funds to pay for goods and services, but not everyone has that luxury. If you eliminate cash and cash options to pay for food and other necessities, you end up making it more difficult to survive for our most-vulnerable populations.

I'm wondering if you and Bank of America—why do you think it is okay to make it more difficult to be poor? What would you tell someone who gets their pay in cash and who walks into a grocery store that does not accept cash under your ideal society?

Mr. MOYNIHAN. Sir, I think—a couple of things.

One is, between today and tomorrow at this time, $200 million will go out of the ATMs as our company cash. The idea of eliminating cash is when people don't need to use cash, and it's safer and more secure. And we have multiple means to do it.

Anybody can get a bank account at Bank of America if they have proper identification, for $5 a month, which allows them to get cash out of the ATMs, to go into any branch, and to do anything you or I could do there.

I think the context of that was, how do we save money in the industry for people like yourself or companies in terms of moving cash and accepting cash?

Mr. ROSE. Thank you.

I yield back, Madam Chairwoman.

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

Mr. GOTTHEIMER. Thank you, Madam Chairwoman.

And thank you to all of the witnesses for being here.

The financial services and banking industry directly supports more than 75,000 jobs in New Jersey, and provides local small businesses with the capital they need to create thousands more. I want you to know that I'm grateful, and I thank you for doing business in New Jersey.

Mr. Dimon, if I can start with you, please. Thanks for being here and for all of the important work JPMorgan does to support thousands of New Jersey jobs.

I believe more New Jersey residents who work in New York should have the option to stay and work in New Jersey if they can, to support our local small businesses, spend more time with family, and save on gas and parking in New York.

Staying in New Jersey also means stopping New York's proposed outrageous congestion tax plan. The Metropolitan Transit Authority's (MTA's) congestion tax will cost commuters $23 a day and, by the MTA's own admission, shift pollution and congestion to New Jersey and the outer boroughs. This tax hike is unaffordable for many New Jersey residents and will hurt nurses, restaurant workers, and others in mass-transit deserts who have no choice but to commute into New York City.

I just wanted to get your sense, if you would, on what you think of MTA's congestion tax proposal. And do you think there's something that we should reconsider, given how hard it will hit hardworking families?

Mr. DIMON. I honestly have not really looked into it. I've read about it. And if it hurts certain groups disproportionately, we should look at it. It has worked in other citiies and there may be ways to ameliorate the people who get hurt by it.

Mr. GOTTHEIMER. I appreciate that. Yes. We're very concerned about the impact it's going to have on hardworking families, and that it will actually cause more congestion and pollution.

Ms. Fraser, if I can turn to you for a second, I'm working with New Jersey legislators to create tax incentives for New York businesses to open up new regional hubs in northern New Jersey to allow workers who would normally commute to New York to stay and work in New Jersey.

If the MTA moves forward with things like their proposed congestion tax hike, would you consider expanding your offices in New Jersey for this purpose of allowing people to have more regional flexibility to work?

Ms. FRASER. We very much appreciate how expensive it's getting for our people to commute. We're very mindful around that, as well as being flexible for working families and providing them more options. Additional facilities and spaces for them to work, either at home or in New Jersey or in Connecticut, are certainly things that we've been looking at actively in the tri-State area.

Mr. GOTTHEIMER. Thank you. And thank you for the, I think, 6,000 jobs you have in New Jersey. Thank you.

Mr. Dimon, if I can ask you one other question, I'd like to ask about another topic that I've been very focused on, which is the rapid development of digital assets and related financial technology.

I believe the United States should leave the development of emerging technologies like distributed ledgers and blockchain and the Federal Government should provide the certainty needed for the country to serve as a hub for financial innovation. And I've developed legislation to help define qualified stablecoins, which I know the chairwoman and the ranking member are also working on, and to select the appropriate regulator.

I've read that you're a little skeptical of some of these new technologies, but what are the biggest things keeping you from being more active in this space? And do you worry that we would miss the boat and give other nations, like China, an opportunity to advance their digital currency and other payment systems that could undermine the U.S. dollar? I'd love to get some of your thoughts on that.

Mr. DIMON. You have to separate blockchain, which is real; DeFi, which is real; ledgers; tokens that do something and deliver information, money, ideas, simplify smart contracts. That's one thing. I'm not a skeptic.

I'm a major skeptic on crypto tokens, which you call currency, like bitcoin. They are decentralized Ponzi schemes, and the notion that that is good for anybody is unbelievable. We sit here in this room and talk about a lot of things, but $2 billion has been lost? Every year, $30 billion in ransomware, AML, sex trafficking, and stealing. It's dangerous.

There would be nothing wrong with a stablecoin that was properly regulated like a money market fund. You have some of them today and they are not.

JPMorgan was a big user of blockchain. There's a JPMorgan coin, which is a token, but if you send it to us, we give you a U.S. dollar. It's a dollar deposit. It can be moved just the way cryptocurrencies can be moved. Stable value, very low cost.

Mr. GOTTHEIMER. Thank you so much.

Mr. Scharf, I have a bill called the Stablecoin Innovation and Protection Act, which would create guardrails for stablecoins and ensure they're backed one-to-one with cash or equivalents to prevent runs like we saw with the so-called stablecoin, Terra, earlier this year.

Do you think that might be a step in the right direction? Have you considered this?

Mr. SCHARF. That's certainly an option in order to ensure that people understand the underlying value of that stablecoin.

Mr. GOTTHEIMER. Mr. Dimon, how do you feel about protections like that more clearly defining what a stablecoin is, and making sure that it's backed one-to-one?

Mr. DIMON. It's equivalent to a money market fund. You should look at it exactly the same way in terms of disclosure, backup, gates, and a whole bunch of different things.

Mr. GOTTHEIMER. Thank you.

And thank you all, again, for being here. We are all very grateful. Thank you.

Chairwoman WATERS. Thank you very much.

The gentleman from South Carolina, Mr. Timmons, is recognized for 5 minutes.

Mr. TIMMONS. Thank you, Madam Chairwoman.

And thank you all for being here. There are so many of you. And you are very kind to take time out of your busy, busy days to come and testify before us here today.

Earlier in this hearing my colleague, Congressman Luetkemeyer, I thought took a pretty fascinating line of questioning with you all. I don't want to rehash that, but I do think it's worth discussing the economic relationship between the United States and China.

Our two countries are obviously competing in a multitude of ways, economically, geopolitically, et cetera. But it really is more than that. It's also a clash of civilizations. And it's a clash of autocracy versus democracy. It's a clash between a command economy and capitalism. And I think we all realize the vastness of the Chinese market and how lucrative it may appear to you all, but there is a cost of doing business there.

And as my colleague said earlier, for the time being, China is the CCP and the CCP is China. They control everything. Culturally, the Chinese Government views it as their obligation to give Chinese businesses a competitive advantage in the global economy through a variety of avenues.

When you are doing business in China, in many, if not most instances, you are also doing business with the Chinese Communist Party.

Mr. Dimon, can you speak to this competition between our country and the West more broadly with China, and what you see as your institution's role, and other similar global institutions in that competition being? And if China becomes the dominant economic power in the world, which is no doubt their goal, what do you think will be the consequences for free enterprise?

Mr. DIMON. America—you have to do a full comparison—we have all of the food, water, and energy we need. They don't. We have the Atlantic and Pacific Oceans and wonderful neighbors in Canada and Mexico. They are the most complex region of the world. They have the negatives of autocracy. They have a huge amount of corruption. They don't have our financial system. They don't have our innovative society. They don't have the gifts the Founding Fathers called free enterprise.

And so I think before Americans panic about it, we should be very thoughtful.

But you are absolutely correct, this relationship for the next 50, 100 years is the most important in the world. And if America wants to make the next century our century, we have to be very careful around strategic, economic, trade, and all of those issues that really matter.

I think it's very important that you understand that the American Government sets foreign policy. The American Government does not want American business to disengage from certain parts of the world because it probably would be a bad idea. And policy is diplomatic, development, aid, economic, and America should negotiate what it's very comfortable with.

And almost everyone at this table will do what we are asked to by the American government. That's what we want to do. And we do, obviously, talk to them quite a bit about this issue, because it's just as important to me as it is to you and your constituents.

Mr. TIMMONS. Sure. Thank you for that.

Ms. Fraser, do you have any thoughts?

Ms. FRASER. When we look at the clients that we serve, many of them are multinational clients in China. And we see that there is a high degree of interdependence, as we have experienced and the Europeans have experienced as they have tried to decouple the Russian economy from the Western economies.

So I think as we look forward, we have to take a strategic view in America as to where it is that we need more strategic independence and to build that in a thoughtful manner, but also in a way that doesn't cause economic crises along the way.

I'm obviously not in a position to comment on the broader factors.

Mr. TIMMONS. Sure. Thank you.

I just have serious concerns that the way that the Western world, the way that Western democracies united against the Russian aggression in Ukraine and the economic sanctions that were placed upon Russia and the military aid that was given to Ukraine—and things seem to be going in the right direction there—my concern is that China was watching and learned what the West is not going to tolerate, and that there is a way to try to thread the needle in a moment of what I would argue is weakness for our country.

And I'm just afraid that if something happens in Taiwan, not only will the Western democracies not unite, but the global economy will not step forward and defend our allies in Taiwan.

I'd just keep that in mind as developments progress over the coming months.

And with that, Madam Chairwoman, I yield back.

Chairwoman WATERS. Thank you.

The gentleman from New York, Mr. Torres, is now recognized for 5 minutes.

Mr. TORRES. Thank you, Madam Chairwoman.

A few months ago, The New York Times wrote an article called, "Fraud is Flourishing on Zelle. The Banks Say It's Not Their Problem."

The article features the story of Bruce Barth, who was in the hospital for COVID-19 when a thief stole his phone, accessed his digital wallet, ran up charges on his credit card, took cash out of the ATM, and made a money transfer via Zelle.

Bank of America reimbursed Mr. Barth for losses associated with his credit card and the ATM, but not with the losses associated with Zelle. According to the article, after being contacted by The New York Times, Bank of America ultimately relented and reimbursed Mr. Barth for the losses associated with Zelle.

Since the episode with Mr. Barth, my question for Bank of America is, has Bank of America adopted a policy of reimbursing Bank of America Zelle customers for losses caused by unauthorized users or fraud?

Mr. MOYNIHAN. We have a policy where we, if a client of ours sends money to another client in defraud, we will take care of that because we shouldn't have let the other person in. And, frankly, that's the kind of work we are doing as an industry.

I think just—you weren't here earlier, but the context of Zelle fraud is it's lower than check at our company, claims for fraud.

And so, we are working hard as an industry to take the fraud out of the system among all of us by working together, because inside the Zelle platform it's another bank customer, and we actually kick banks out of Zelle who don't have the capabilities to assess—

Mr. TORRES. I just want to make sure I'm understanding the answer, though. If there are losses caused by an unauthorized user or by fraud via Zelle to a Bank of America customer, in a situation like Mr. Barth's, would you reimburse them?

Mr. MOYNIHAN. If it's a situation of what they call Me-to-Me, an account transfer between a customer and a customer, we will reimburse. And then across the industry, we work with our other colleague institutions to do the same thing.

Mr. TORRES. What if the victim is only a customer?

Mr. MOYNIHAN. Then, the other institution where the money went tries to recover it, and we work it through. We reimburse a lot of the fraud.

Mr. TORRES. The headline says: "The Bank Says It's Not Their Problem." The headline suggests that the banks deny—

Mr. MOYNIHAN. I will tell you categorically—

Mr. TORRES. Let me ask my question. I have to reclaim my time. The article claims that the banks deny that it's their responsibility. I just want to ask all of the owners of Zelle, do you acknowledge that your bank, as a partial owner of Zelle, has a responsibility for combating fraud on Zelle and reimbursing Zelle customers for losses caused by unauthorized users and fraud?

Mr. MOYNIHAN. Let me be precise—

Mr. TORRES. I'm going to start with U.S. Bancorp.

Mr. CECERE. Yes. If the customer's credentials were stolen, and they do not transact, we will reimburse in that situation.

Mr. TORRES. Thank you for that clear answer.

PNC?

Mr. DEMCHAK. Yes. You are describing a traditional fraud that is covered under Reg E, and we would cover that, yes.

Mr. TORRES. JPMorgan?

Mr. DIMON. Unauthorized is generally covered.

Mr. TORRES. And I don't think Citibank is an owner of Zelle, but do you want to try to give me a clear answer?

Mr. MOYNIHAN. I gave you one. Unauthorized transactions are covered. You asked for something else.

Mr. TORRES. Mr. Rogers?

Mr. ROGERS. Unauthorized transactions are covered.

Mr. TORRES. Mr. Scharf?

Mr. SCHARF. Same. Unauthorized transactions would be reimbursed.

Mr. TORRES. I have a question about cybersecurity.

With the Russian invasion of Ukraine comes a high-end threat of cyber retaliation from Russia. Has your bank seen an escalation in cyber attacks on the financial services sector?

I will start with U.S. Bancorp.

Mr. CECERE. We have not. We heightened our alerts, but we have not seen any indication of an attack.

Mr. TORRES. PNC?

Mr. DEMCHAK. The same.

Mr. TORRES. JPMorgan?

Mr. DIMON. I have to give the United States Government credit for working closely with the banks. We expected a lot, but we have not seen a lot, just a very little bit. But that doesn't mean it's over.

Mr. TORRES. Citigroup?

Ms. FRASER. We have not seen that in the United States.

Mr. TORRES. Bank of America?

Mr. MOYNIHAN. We haven't seen a major increase, but the question is, what happens next?

Mr. TORRES. Truist?

Mr. ROGERS. We have not seen a major increase specifically related to that.

Mr. TORRES. Wells Fargo?

Mr. SCHARF. The same answer as my colleagues.

Mr. TORRES. And I'm just curious, what's the size of your budget for cybersecurity in each of your banks?

PNC?

Mr. DEMCHAK. I don't know off the top of my head. I would assume it's close to the size of U.S. Bank's.

Mr. TORRES. JPMorgan?

Mr. DIMON. $700 million directly, and a lot more indirectly.

Mr. TORRES. Citigroup?

Ms. FRASER. I'm the same, almost $800 million.

Mr. TORRES. Bank of America?

Mr. MOYNIHAN. Roughly $1 billion, and a lot indirectly with our partners.

Mr. TORRES. Truist?

Mr. ROGERS. Several hundred million dollars, directly and indirectly.

Mr. TORRES. And Wells Fargo?

Mr. SCHARF. Approximately $700 million to $800 million.

Mr. TORRES. And my time is about to expire.

Thank you.

Chairwoman WATERS. Thank you very much.

The gentleman from Texas, Mr. Gooden, is now recognized for 5 minutes.

Mr. GOODEN. Thank you, Madam Chairwoman.

I want to start by thanking you all for being here.

And, thank you, Mr. Scharf. The last time we had a Wells Fargo CEO come before us here, it didn't go well. You've done a tremendous job with your institution, and I want to congratulate you. Thank you.

I had some follow-up to a lot of the conversations we had on China earlier today.

I will start with you, Ms. Fraser.

Citi's former global head of corporate and investment banking praised the Chinese Communist Party's Belt and Road Initiative. In fact, he said, "Citi's strategy is directly associated with 32 of the 69 countries, which is more than any other global institution or any other financial institution, and Citi should play a leading role in this Belt and Road Initiative."

It's my belief that the Chinese Communist Party uses this initiative to give unfair advantages to Chinese companies and forces developing countries into debt traps, often with public corruption paving the way.

I witnessed this on a trip to the Middle East with my great chairwoman, Maxine Waters, where we were told of extreme corruption that the Chinese companies have been involved in across the African continent. And by participating in the Belt and Road Initiative, you are supporting significant risk to our national security and global economy.

Ms. Fraser, Citi's support of the Belt and Road Initiative presents a serious conflict of interest by helping our strongest adversary expand across the globe.

Do you understand that Citi's support of the Belt and Road Initiative is directly opposed to the national security interests of the United States?

Ms. FRASER. Thank you very much for the opportunity to answer the question.

I do not believe, certainly since I took over as CEO, but I don't believe before that either that we have played a meaningful role, if any role, in the Chinese Belt and Road Initiative.

Mr. GOODEN. That is wonderful to hear. And if that has changed, I celebrate that. But that was, I believe, recently that the head of corporate strategy said that.

With respect to Russia, I will continue with you, Ms. Fraser. You recently stated that you want Citi to be a bank with a soul. Would you explain to me or justify perhaps how financing Russian oil and gas giant, Lukoil, while pledging to reduce financing for American energy producers, accomplishes that goal?

Ms. FRASER. As we talked about, we have already, in a short period of time, materially reduced our activities in Russia. We are winding down our consumer franchise there and commercial banking franchise as we speak, and have been doing similarly with our aquifer franchise.

What we are primarily doing is supporting the multinationals that are still operating in Russia and helping them in large part with their exit and wind-down on the ground.

Mr. GOODEN. Will you commit today to divest from Russian oil and gas giant, Lukoil, which is funding this invasion of Ukraine?

Ms. FRASER. I cannot imagine that we would have a meaningful role with them going forward.

Mr. GOODEN. Thank you.

Mr. Moynihan, do you support a free and democratic Taiwan? And does your bank as well?

Mr. MOYNIHAN. Yes.

Mr. GOODEN. Mr. Dimon, do you all share those views as well, of a free and democratic Taiwan?

Mr. DIMON. I support freedom and democracy everywhere. I'm not going to specifically comment on Taiwan. That's up to the United States Government to make that kind of statement.

Mr. GOODEN. Some of you struggled earlier today to condemn the ongoing human rights abuses in China of the Uyghurs. The Department of State, the United Nations, human rights organizations, and the like have condemned China's actions.

Will Citibank condemn the ongoing human rights abuses in China at the hands of the Chinese Communist Party?

Ms. FRASER. We certainly take any of the accusations of human rights abuses, wherever they are in the world, very seriously, and we'll be vocal in our distress that they're occurring.

Mr. GOODEN. Will you condemn the ongoing human rights abuses in China at the hands of the Chinese Communist Party?

Ms. FRASER. Condemn is a very strong word.

Mr. GOODEN. Yes, it is. So is genocide and slavery.

Ms. FRASER. Yes. We certainly are very distressed to see it going on, and we do not want to have human rights abuses happening anywhere in the world where we or anyone else operate.

Mr. GOODEN. Thank you.

I would encourage all of you to get out of doing business with Russia, and to be very careful with China, because they are working very strongly against our nation. And some of the answers earlier and the hesitancy to offend the Chinese, when many of your organizations are so willing to come down to Washington and insert yourselves into policy, yet you seem hesitant to condemn things as simple as slavery and genocide, is alarming to me.

But, thank you.

I yield back.

Chairwoman WATERS. Thank you, Mr. Gooden.

The gentleman from Massachusetts, Mr. Lynch, who is also the Chair of our Task Force on Financial Technology, is now recognized for 5 minutes.

Mr. LYNCH. Thank you, Madam Chairwoman.

Mr. Moynihan, Bank of America has a very strong presence in my district, which includes half of the City of Boston. I share that with Ms. Pressley. But I also have Quincy and Brockton.

I just want to say, to your credit, we are trying to build or rebuild over a thousand deeply-affordable housing units in the City, at the Mary Ellen McCormack Housing Development, one of the oldest public housing developments in the history of the country. And that will allow us not only to do thousands of deeply-affordable units, but also workforce housing for people who are in the middle, who seem to be priced out in our area.

But I just want to thank you, because Bank of America committed funding to that some time ago. It's good work, and we appreciate it.

I serve on our Diversity and Inclusion Subcommittee here with Mrs. Beatty, and I had a chance to sit with Miceal Chamberlain, who represents you in our area, and I asked him about progress on our hiring goals within the Cities of Boston and Brockton in my district. The numbers were much improved. But I would like to hear you talk about the system more generally, not just in my district.

And one area where I think we do need a lot more progress is that, as the Chair mentioned, I chair the Task Force on Fintech, and there is very little funding going to minority fintech principals in terms of pushing their projects forward. It's really deplorable in terms of—I think less than 5 percent of the money goes to minority heads of fintech firms. So I'm concerned about that.

I would like to hear about your efforts in both regards.

Mr. MOYNIHAN. On hiring, starting with who works for our company, women make up more than half of the workforce, and we are 49 percent diverse from the top of the company to the bottom. Managers, 42 percent women, 41 percent people of color.

This is a 30-year effort of continuing to work and watch how the hiring flows through to get to a representation of our society. And the team has done a good job with that.

In addition, we committed to hire 10,000 people of all ethnicities, from low- and moderate-income neighborhoods. We completed that. We said in 5 years, but we did it in 3 years. And we have committed to hire another 10,000 people.

In addition to that, we are working on job initiatives in Boston and other cities where we try to get kids to come work for companies like ours and my colleagues' companies that are great companies, offer great benefits and great starting wages right out of high school, and do the training. Here's a job. Here's the training we need for them. We go to the community colleges and help them do it.

Going to the question of funding, one of the things that we perceived as we looked at it was the exact point you made of the need to create equity in smaller sizes for women-owned businesses, African-American-owned businesses, and Black businesses, Asian, Hispanic, Latino.

As we looked at that, the private equity funds weren't there. So, we went out and found a hundred private equity funds across the country. We have committed $350 million to those funds. Other people have come in, and they have now funded almost a thousand companies.

The entrepreneurs, the private equity people, for lack of a better term, are from those ethnicities, and the companies they invest in are owned by those ethnicities or gender. And that thousand companies didn't get funded in prior cycles because they were too small, hard to find, and all that stuff. And now it's happening.

And we expect this program to build. And we have clients who come in and say: Can we put money with this that's good?

My colleague companies have done similar things. But we're all trying to find a way to create the same opportunities seen in our companies, outside our companies, and that's what we've been trying to do.

Mr. LYNCH. Very good. Let me ask—and I know we had a series of questions before on Zelle, the whole payments piece of this. And I'm just trying to figure out how to get at some of the fraud.

Is the lack of latency in that system, does that lend itself more to fraud because of the speed and finality of the transaction? Does that seem to be—

Mr. DEMCHAK. If I could jump in?

Mr. LYNCH. Sure. Please.

Mr. DEMCHAK. Traditional fraud in Zelle is minute. It's smaller than what we see in checking. It is two basis points—

Mr. LYNCH. Let me just say, though, let me just interject; I'm not just talking about that instance.

When we issued money through the CARES Act, through the Small Business Administration, 75 percent of the fraud on the money going out to people—it was emergency funding, and we had to get it out in a hurry, so part of the blame is with us—was through digital lending and applications. There's more to it.

Mr. DEMCHAK. You're hitting on very important points for our country, and for our industry.

Zelle is a closed network system. If there's a bad transaction between JPMorgan and ourselves, I can tell Jamie, he closes the account, and it gets fixed. If it's outside the banking system in a fintech open system, it's invisible to us.

Mr. LYNCH. Yes.

Mr. DEMCHAK. And that's where the scams occur. We have no regulation once it gets outside of the banking system.

Mr. LYNCH. Okay.

Madam Chairwoman, thank you for your indulgence. I yield back. Thank you.

Chairwoman WATERS. Thank you very much.

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

Mr. STEIL. Thank you, Madam Chairwoman.

I want to bring us back to inflation. The American people are getting clobbered by higher costs every day. Before us, we have some of the best financial minds in the country, backed by a whole array of economists and experts who are looking at economic data.

And as we see 40-year highs of inflation, 8.3 percent, people finding it harder and harder to buy the things that their family needs, I think a lot of this was avoidable and was the result of bad policy choices here in Washington.

I would love to get your take here as to what policies are driving inflation in our country so we can help families who are struggling to get by.

Mr. Dimon, the $1.9-trillion reconciliation bill has been described as inflationary, excessive spending. Do you believe that $1.9-trillion bill that was signed by the Biden Administration played into inflation?

Mr. DIMON. I mentioned earlier today that we had $6 trillion in spending over 2 years, 30 percent of the GDP, the largest it has been since World War II. Obviously, that drives some of the inflation.

We did have war in Ukraine and other—

Mr. STEIL. Not that there's not other factors at play, I absolutely agree with that. But it piled onto that.

I want to continue on. Inside of that, we have the Inflation Reduction Act, that I think drives inflation.

Then, we saw the Biden Administration unilaterally act on student loans. I'm not asking you to comment on the constitutionality of that. I think it's an illegal move, but I'm not asking you to comment on the fairness of that.

Is it an inflationary move by the Biden Administration to shift the burden of student debt to all taxpayers?

Mr. DIMON. It was badly done. I wish they had targeted the people who actually needed help. And they reformed the underwriting. When the government took it over in 2012, they stopped underwriting. We got out of the business the second that happened, knowing it was going to be an unmitigated disaster. They still didn't fix the underwriting, and they haven't fixed the cost of college.

And so we basically put a Band-Aid on, spent a lot of money, and didn't fix the problem, which will now be ongoing. Please give it a fix.

Mr. STEIL. And we would be well-served to actually hold hearings here in Congress before hundreds of billions of dollars are spent. I'm concerned about the fairness aspect. I think there are far better ways to do it.

And I completely agree with you that it does not address the underlying problem, which is the fact that we have skyrocketing college tuition costs.

Let me shift gears slightly and look at the impact of housing. I know many of you have exited the housing sector due to a whole host of regulatory burdens put in place by the Federal Government driving up the costs for Americans who are trying to get loans.

But as we look at the impact that higher interest rates are having on Americans, I think it's quite significant. The median home price in the State of Wisconsin is $271,000. Last year, it was $250,000, an increase of $20,000. And the interest rate on the 30-year mortgage went from 2.86 percent to 6 percent.

So your monthly payment on the same home in Wisconsin, which is similar to across the country, increased from $828 a month to $1,302 a month, $500 a month more to buy the same house in Wisconsin at a period of time when families can't keep up with rising costs.

Mr. Dimon, I'm aware that your bank, for many reasons, exited this space, but you have a lot of visibility into millions of Americans' financial picture. Sketch this out. How is this impacting your customers?

Mr. DIMON. Currently, the customers are actually doing okay. That inflation, high rates are going to eat away at their balance sheets, their health, eventually their jobs, and their spending money. And there are things that I wish this group would work on that could reduce the cost of mortgages efficiently and effectively and make them more affordable today, in spite of rates going up.

Mr. STEIL. Let's dive into that, if I can pivot to you, Mr. Demchak, for a second.

Over the last decade, Congress and regulators have implemented a complex bank capital liquidity standard regime, and I would argue the spring of 2020 presented a stress test of all stress tests. And the banking system came through that and showed that it was adequately-capitalized.

How do you react to proposals to increase capital requirements, including proposals to take U.S. standards over and above international standards?

Mr. DEMCHAK. Yes. In the U.S., we call it gold plating, where we take whatever the international standards are, and then add some to it, because we want to be better.

I think the stress tests have shown in the real live stress tests that the system is very adequately-capitalized and has a lot of liquidity.

Thank you.

Mr. STEIL. Thank you very much.

Madam Chairwoman, I yield back.

Chairwoman WATERS. Thank you very much.

And this side of the aisle applauds President Biden on student loan forgiveness. It's very important.

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

Ms. DEAN. Thank you, Madam Chairwoman.

And thank you to all of our CEOs for your time today.

I listened with interest to all of your opening statements, and there were certain phrases that popped out to me.

For example, Mr. Cecere, you said you are one of the world's most ethical companies.

Ms. Fraser, you said—and you spoke globally—that our banks are the envy of the world.

Mr. Dimon, you said that part of your work is to help solve the problems facing our country.

That's our mission too, to help solve the problems that are facing our country. One of the problems that is facing our country day in and day out is the deaths from gun violence. Since 2009, the United States has suffered a devastating 281 mass shootings, causing more than 1,500 deaths and, obviously, so many more injured and terrified.

We know that some of the deadliest mass shootings have been financed with credit cards. For example, in Orlando, the Pulse Nightclub shooter charged more than $26,000 in credit card charges on guns and ammunition in the 12 days ahead of his killing spree that killed 49 and wounded 53 others. His average spending prior to this was $1,500 a month.

Would you consider that to be suspicious activity? Maybe raise your hand, or nod your head. Do you find that to be suspicious activity?

I'm seeing some sort of yeses.

Mr. DIMON. We need more facts, and we don't know what they spend the money on.

Ms. DEAN. We have a reason to talk positively about that. There is a way for us to know.

In addition, before the Pulse Nightclub shooter racked up credit card debt on gun and ammunition purchases, he ran several online searches to determine whether his credit card unusual spending would be flagged and reported to the police. Of course, it was not.

To your point, Mr. Dimon, you didn't know what he was spending it on.

And to set the record straight on an issue that a few of my Republican colleagues have raised today, which is the newly-created merchant category code, or MCC, for gun and ammunition retail stores, as you may know, I co-led a letter with Senator Warren in support of this code.

And given that the International Organization for Standardization has voted to create the code, I want to confirm your response to Mr. Williams' questioning that you will be using the code. Is that correct?

I'm seeing a general absolute yes there.

It's my understanding that you already have practices for the detection of fraud and suspicious activity. Is that generally true?

Yes, we've talked a lot about fraud.

Do you think that this code, for example, had it been in place and shown that extraordinary activity of the ultimate shooter and killer in the Pulse instance, wouldn't it have been useful to note that racking up of credit card charges very unusually? Wouldn't that have been helpful to note?

There is sort of a maybe.

Mr. DIMON. If you know what it's for, and who it is, and why, then yes.

Ms. DEAN. That's why this code is going to be important.

Mr. DIMON. And you do know all of those gun sales get reported to the government, all of them.

Ms. DEAN. And, Ms. Fraser, I was thinking of you, because you have such a global view of what you are doing—I know you all do, frankly.

I was in Eastern Europe and Central Europe recently, and it happened to be the week of Uvalde. And I think about the global shame that comes upon this country as a result of our out-of-control problem with gun violence: 54,000 people died last year of gun violence, 4,400 of them children.

And in these meetings in Europe, each meeting began with: We are so sorry for your tragic losses in Buffalo and Uvalde.

What responsibilities do you, the banks, have? What conversations have you had around your boardrooms to say: How can we help slow the tragic loss of life due to gun violence? We know that many of the transactions are coming through our systems.

Ms. Fraser, what can you do?

Ms. FRASER. Yes. Thank you very much for your question.

As you say, we do operate in a number of countries where they have tragic deaths from gun violence around the world. This is something, sadly, we see in many different countries.

Ms. DEAN. None quite like ours.

Ms. FRASER. Understood. But it is a problem in many countries. And we have a lot of discussions with our board and also with our employees who are concerned for their safety and their security, as well for our customers in branches around the world. It is an active dialogue about what we can do to help prevent—

Ms. DEAN. I thank the chairwoman.

And I just ask you to continue to partner with us to try to reduce this scourge.

Thank you.

Chairwoman WATERS. Thank you.

The gentleman from South Carolina, Mr. Norman, is now recognized for 5 minutes.

Mr. NORMAN. Thank you, ma'am.

And I want to thank all of the witnesses for appearing today.

I haven't been here for all of the questions, but it shocks me some of the questions you are being asked. It really shocks me. I've heard trying to shift blame for gun violence. I've heard things about unequal equity in housing that you're responsible for. I've heard one of the Members say you sucked.

When you were asked the question—and I don't understand this, maybe you all can help me—when asked the question—and I think the bulk of it was, how many of you will raise your hands if you're going to have a person of color follow you in leadership. Why is the—and nobody raised their hand or made a comment on it.

And, by the way, I'm a real estate developer from Rock Hill, South Carolina. I'm part of the delegation there. I'm not a politician. But I don't understand the boldness is just not there to fly back at some of these people and what they're asking.

Why wouldn't the answer to that question be: Mr. or Ms. Politician, we don't look at color. We look at achievement. We look at past history of building banks, because that's the business you're in.

And, Mr. Moynihan, when the comment, "sucked,' came up, your predecessor, Hugh McColl—I would like to have seen his response. I don't think it would have been a marine response to that.

Because you all represent such a vital part of our economy. You're competitors. You compete. And I don't understand why the boldness is not there and to fly back. You can't satisfy this group. And that's why the Americans are so frustrated.

You're talking about global shame? Leaving Americans behind all over the world is a shame. Leaving $8 billion on the ground is a shame. Having inflation at a 40-year high is a shame. Cutting off our gas supplies and buying it from the very people who are killing your customers, because the last time I checked, buying oil and natural gas from countries that hate us doesn't make really good sense for your customers whom you represent and build shareholder value.

I wrote each of you a letter. We had 37 cosponsors. And I asked the question: How is paying for abortions for your employees building shareholder value? And maybe, it's a disagreement on what healthcare is; I don't consider healthcare to be killing a baby.

With that being said, you all have such an opportunity to show boldness. And maybe in my letter to you it was—maybe your board of directors is not getting involved. We're sending the letter certified mail to every director of your corporations.

But it's an honest opinion to try to understand it from somebody who is in the workforce. I didn't make my money in politics as so many of these professional politicians have done. I would just beg you to get your voice back.

This ESG stuff, really? You're just lying down and taking it, the wokeness that exists today.

The silence has been deafening to me as a business guy who competes and who pays a lot of taxes and who does it gladly to support our law enforcement, to support our first responders, to support our schools. And you all represent a great tradition, and I wish you would just voice your opinion more.

The Disney Company learned a valuable lesson about trying to get involved in something they don't have any need to be involved with. The governor kind of taught them a lesson. And I hope and pray we are going to have more governors who teach lessons for companies that have no business getting in the political arena.

Thank you for what you do.

Quickly put a value, what's the cost of ESG that you're having to comply with?

Let's start with Mr. Scharf. I have 45 seconds.

Mr. SCHARF. Today, it's very small, but it's going to grow to be something substantial.

Mr. NORMAN. Okay.

Mr. ROGERS. Similarly, I don't know the exact number, but it is small and growing.

Mr. NORMAN. What's small?

Mr. ROGERS. It would be in the tens of millions at this particular juncture relative to our size.

Mr. NORMAN. Mr. Moynihan?

Mr. MOYNIHAN. I think that today, the gathering data is small, but it will grow because we are getting more requests that we are not sure are the right things. We're getting more requests for data from more sources.

Ms. FRASER. I would give the same answer, sir.

Thank you.

Mr. NORMAN. Small things lead to big things, don't they? And shareholder value and paying dividends is a big thing.

Yes, sir?

Mr. DIMON. We'll get you an exact number. I would say it's tens of millions. But we have ESG requests from every regulator around the world, every central bank around the world, every government around the world. It will likely be hundreds of millions of dollars at one point.

Mr. DEMCHAK. I can't top that.

Mr. NORMAN. Will you answer?

Mr. DEMCHAK. It's a large number and growing, and we get more requests every day, to Jamie's point.

Mr. CECERE. Same comment.

Chairwoman WATERS. The gentleman's time has expired.

The gentlewoman from Michigan, Ms. Tlaib, is now recognized for 5 minutes.

Ms. TLAIB. Thank you, Madam Chairwoman.

And thank you all so much for being here. I really appreciate this opportunity.

I represent one of the largest-populated counties in Michigan, and in recent years I know the Michigan chapters of the Arab American Civil Rights League and the Council on American-Islamic Relations have filed complaints regarding banking discrimination against those of the Muslim faith.

Mr. Moynihan, you might know that in May, there was a class action lawsuit that was filed alleging that Bank of America engaged in discriminatory banking practices by targeting, restricting, and closing the accounts of people of the Muslim faith.

Are you aware of that?

Mr. MOYNIHAN. No, I'm not.

Ms. TLAIB. Right now, it's a class filed. One of them is Mohammed, who had met all of the bank's requirements of showing residency and providing proof of that and still his account was unlawfully closed.

How does your bank ensure that the bank's customer identification program complies with anti-money laundering (AML) regulations without freezing out whole classes of consumers from access to banking services to support their families and their businesses? What steps have you all taken in that regard? It sounds like you don't even know about the class action suit. You don't care?

Mr. MOYNIHAN. I said before, yes, I'm not aware of the class action suit.

We have a deep history of banking all Americans, and another million Americans will open accounts with us this quarter. So, I think we have a strong track record across all ethnicities and all people.

If you have a specific issue—

Mr. TLAIB. You should be really concerned, Mr. Moynihan, you should really be concerned about this because, again, you can see that there is a pattern that specific groups from certain backgrounds or ethnicities or faith—again, this is a lawsuit that was filed in May—and that we need to make sure that Americans of Muslim faith or any national origin are not being targeted and that you guys are not implementing processes that single them out.

Are you at least supportive of making sure that you are not discriminating against a whole community?

Mr. MOYNIHAN. I can assure you that's not the case.

Mr. TLAIB. Okay. I hope you have good lawyers.

You have all committed, as you all know, to transition the emissions from lending and investment activities to align with pathways to net zero in 2050.

Do you know what the International Energy Agency has said is required to meet our global 2050 net-zero targets of limiting global temperature rise to 2.7 degrees Fahrenheit or 1.5 degrees Celsius? No new fossil fuel production starting today, so that's, like, zero.

I would like to ask all of you, and go down the list, because, again, you all agreed to do this. Please answer with a simple yes or no. Does your bank have a policy against funding new oil and gas products?

Mr. Dimon?

Mr. DIMON. Absolutely not. And that would be the road to hell for America.

Ms. TLAIB. Yes, that's fine.

Sir, everybody who got relief from student loans, who has a bank account with your bank, should probably close their account. The fact that you're not even there to help relieve many of the folks who are in debt, extreme debt because of student loan debt, and you're out there criticizing it.

Ms. Fraser, how about you?

Ms. FRASER. We will continue to invest in and support clients who are investing in fossil fuels and in helping them transition to cleaner energies.

Mr. TLAIB. And, Mr. Moynihan?

Mr. MOYNIHAN. We are helping our clients make a transition, and that means we're lending to both oil and gas companies and to new energy companies and helping monitor their course towards the standards you're talking about.

Mr. TLAIB. Mr. Scharf?

Mr. SCHARF. The same thing as Mr. Moynihan said.

Mr. TLAIB. Yes. I'm not going to ask you, Mr. Dimon, because you obviously don't care about working-class people in frontline communities like ours that are facing huge amounts of high rates of asthma, respiratory issues, and so much more. Cancer rates are so high among my communities that I represent. So, I'm not going to even ask you if you're committing to ending financing of new oil and gas projects.

But, Ms. Fraser, Mr. Moynihan, Mr. Scharf, we are living through a climate crisis today, and a commitment to net zero requires a commitment to ending fossil fuel financing.

It is important, because I want you all to know that at the end, we're going to pay the cost of the public health impact. These are people that you are supposed to be serving, the folks that you're supposed to be providing for and supporting in communities. Anything else defies all logic and scientific evidence at our disposal.

If your financial institutions aren't going to follow through on the net-zero commitment, then regulators, including the Federal Reserve and Congress, must step in and make them.

And with that, Madam Chairwoman, thank you so much for holding this hearing. I think it's so important for the people we represent.

I yield back.

Chairwoman WATERS. Thank you.

The gentlewoman from New York, Ms. Ocasio-Cortez, is now recognized for 5 minutes.

Ms. OCASIO-CORTEZ. Thank you, Madam Chairwoman.

And thank you to all of our witnesses who are here testifying today.

I want to dive a little bit into the Paycheck Protection Program and a bit of what we've seen afterwards. I have one of three reports here that I would like to present today, a Forbes report detailing some of the revenues that banks have made during the Paycheck Protection Program. And also, digging into a little bit of the fact that when it comes to loan forgiveness, the Small Business Administration (SBA) recently opened a portal for small business owners to appeal directly with them for forgiveness.

Chase, Bank of America, and PNC have opted out of that direct program. Is that correct, Mr. Demchak, Mr. Dimon, and Mr. Moynihan?

Mr. DEMCHAK. I believe so.

Mr. DIMON. Yes. I'm not aware of it.

Mr. MOYNIHAN. I'm not aware of it.

Ms. OCASIO-CORTEZ. Okay. For your awareness, your banks have opted out of Paycheck Protection Program forgiveness and—

Mr. DEMCHAK. Excuse me. That is incorrect.

Ms. OCASIO-CORTEZ. With the portal with the SBA. Thank you. And I was trying to finish my sentence.

Now, I would like to zero in a little bit on Bank of America.

Mr. Moynihan, are you aware of how many PPP loans your bank has facilitated on behalf of its customers?

Mr. MOYNIHAN. Almost 500,000, and 95 percent are forgiven or repaid already, and we're finishing up the rest of them.

Ms. OCASIO-CORTEZ. How many of those loans, in terms of a percentage, have been forgiven in full as opposed to in part?

Mr. MOYNIHAN. The ones that are forgiven are mostly—the vast, vast majority will be forgiven in full.

Ms. OCASIO-CORTEZ. In full.

What we're starting to see here with some reporting in The Intercept—and this is just one reason why I was curious about the numbers—is that we're starting to see that Bank of America is refusing to forgive some PPP loans in full. But in terms of the portal that Bank of America has set up, it's very difficult to appeal these decisions.

And, in fact, what we're seeing is that Bank of America had prepopulated a forgiveness amount in their portal sometimes drastically lower than small business owners had anticipated and had qualified for. And in instances where these small business owners have documentation, there is very little recourse or appeal.

Does your portal make it easy to appeal the decisions so that after two attempts, the SBA can then take over the case?

Mr. MOYNIHAN. Borrowers can appeal. Ninety-five percent of loans are forgiven and repaid today, so we are only talking 5 percent of loans, and a substantial number of those are going through the appeal process as we speak. So, the borrowers can appeal. And we are in the process of finishing up that last 20,000 or so loans. It's a small amount of loans, and they're finishing up—

Ms. OCASIO-CORTEZ. And to certify, that 95 percent is a full forgiveness amount percent?

Mr. MOYNIHAN. Forgiveness or repayment. Some of them—

Ms. OCASIO-CORTEZ. Full forgiveness, not partial?

Mr. MOYNIHAN. The vast majority are full forgiveness, but I can get the data to you.

Ms. OCASIO-CORTEZ. So is the 95—I apologize. Not to belabor the point, but is that 95 percent a partial loan forgiveness or a full loan forgiveness rate?

Mr. MOYNIHAN. They're getting what—the borrowers are applying for the forgiveness entitled in the program. Ninety-five percent of them have gone through or repaid, and the vast majority of them are full forgiveness.

But they're entitled to what the program designed. The government designed the program, and we implemented the program on very short notice, a half million people, 10,000 people working on this program, Easter weekend working on the program to help those borrowers at the time. And so, we're finishing that up.

Just let the process go. And a lot of what you are reading, frankly, is not the facts because it's old. It doesn't understand how the math works. So, just give us some time. We'll give you the facts, and you'll see it. It's all in the—

Ms. OCASIO-CORTEZ. What is the reason that Bank of America chose to opt out of the SBA portal?

Mr. MOYNIHAN. I can get somebody to give you that. I have no idea of whether—I told you before, I'm not sure if we did or didn't, and I have no idea why they would have made the decision. But we are processing loans as fast as anybody.

Ms. OCASIO-CORTEZ. Okay. And I'm sorry, I'm just having a tough time. This is about $25.2 billion in loan amounts in your bank, correct?

Mr. MOYNIHAN. Not anymore. No, it's down to—

Ms. OCASIO-CORTEZ. At one point in time. So, you're uncertain as to why the bank has not chosen to enroll in the SBA portal?

Mr. MOYNIHAN. I said we will get you the information. The amount of loans we have left on this thing is a billion or so. It's down to a very small amount.

Ms. OCASIO-CORTEZ. No worries.

Mr. MOYNIHAN. It's all paid back. It's all through. The team did a great job. And we're happy to supply the information to you.

Ms. OCASIO-CORTEZ. Okay. We look forward to it.

Thank you very much.

Chairwoman WATERS. Thank you.

The gentlewoman from Texas, Ms. Garcia, who is also the Vice Chair of our Subcommittee on Diversity and Inclusion, is now recognized for 5 minutes.

Ms. GARCIA OF TEXAS. Thank you, Madam Chairwoman. And thank you so much for bringing this hearing to the table today. It's really important for us to continue our oversight role in this committee which, as you know, we've been doing and continue to do today.

I want to thank all of the witnesses. It has been a long day. And I want to apologize, because you've seen me going in and out. I was triple booked this afternoon. I have been running to a markup in Judiciary and a hearing at Armed Services, so I'm coming and going in all directions.

But I wanted to be here to ask some specific questions related to a bill that I recently introduced called the Multilingual Financial Literacy Act. This bill would direct the Financial Literacy Education Commission to conduct a study of the impact of limited English proficiency on financial health.

In the U.S., over 20 percent of households speak a language other than English at home, and nearly 9 percent of individuals have limited English proficiency, meaning they speak English, "less than very well." This means that 26 million households in the United States have limited English proficiency, a huge number of potential customers, in your language.

It is important to me and to my constituents—my district is about 77-percent Latino—and it's important for the economy that everyone has the same opportunity for financial health, no matter what language they speak.

Mr. Demchak, I want to begin with you. PNC Bank started a new mobile branch service, a function in both English and Spanish for unbanked and underbanked communities in north Texas. This banking service operates in a 30-foot mobile unit resembling an RV. Residents have the option of withdrawing or depositing from an ATM, opening bank accounts, applying for loans, and much more.

Has this effort been successful so far? And have you been able to get a sense of the difference that language inclusion makes in financial services? And are you expanding this to other mobile branches? And are you telling your stories so that perhaps some of the folks at the table with you can copy what you're doing?

Mr. DEMCHAK. Thank you for that.

Yes, yes, and yes. We have a fleet of mobile branches that is growing every day. We deploy it into both rural and urban LMI communities. And the financial economics make sense because it can cover multiple communities out of—it's fancier than an RV—one big truck. And it offers every service that you can get in a traditional bank.

I'll stop there. But we're proud of it, and we would encourage others to do it.

Ms. GARCIA OF TEXAS. I call it the [inaudible] truck model.

Mr. DEMCHAK. It's the old bookmobile from when we were kids.

Ms. GARCIA OF TEXAS. I grew up in a rural community, and, yes, the bookmobile came by every week during the summer. And my biggest disappointment was that before the end of the summer, I had already read every book in the bookmobile. But I was an avid reader, and I totally believe in mobile units.

Thank you for doing that. And I hope that your colleagues are listening because I think that's obviously a model that can be used to serve so many other underserved communities around our country.

My next question is for Mr. Dimon.

As I said earlier, my district is 77-percent Latino. I noticed in your written remarks that you said that JPMorgan Chase was advancing an Hispanics and Latinos program which is committed to creating a future for Hispanics and Latinos worldwide.

What does that mean? Can you be specific as to what—

Mr. DIMON. Say it again?

Ms. GARCIA OF TEXAS. You said in your written testimony that you're advancing Hispanics and Latino programs which are committed to creating a future where Hispanics and Latinos worldwide have opportunities to grow and thrive. Could you be more specific?

Mr. DIMON. To hire and train. We have special programs for mortgages, special programs for affordable housing, special programs for financial education. We have banks in the bus, too. We have complete Hispanic-speaking call centers, documents, forms—

Ms. GARCIA OF TEXAS. Hispanic is not a language.

Mr. DIMON. Well, Spanish. I'm sorry.

Ms. GARCIA OF TEXAS. Yes, sir.

Mr. DIMON. And so we try to do all of that, and it has been quite successful, if you want to come visit some of it.

Ms. GARCIA OF TEXAS. I certainly don't see much of—if it's in Houston, I'm not seeing it in my neighborhood.

Mr. DIMON. It's in Houston.

Ms. GARCIA OF TEXAS. I just wondered if you could be specific about a program where you are really working and making sure that the Latino community is included.

Mr. DIMON. I have been to those communities myself in Houston, and I'm going to send you all of the documents and details.

Ms. GARCIA OF TEXAS. Okay. I'll look forward to seeing that.

Just one last thing for Ms. Fraser. Thank you for all of the work—I noticed in your written testimony that you said you're the number-one affordable housing lender. Thank you. We need to do more.

With that, I yield back.

Chairwoman WATERS. Thank you.

The gentlewoman from Georgia, Ms. Williams, who is also the Vice Chair of our Subcommittee on Oversight and Investigations, is now recognized for 5 minutes.

Ms. WILLIAMS OF GEORGIA. Thank you, Madam Chairwoman, for holding this hearing today.

And thank you to our witnesses who joined us for this very long day.

As a newer Member of Congress, I have the benefit of listening to all of the other questions before it is my turn, so a lot of my questions have already been answered. But I do have one that is very specific to my district.

I represent Atlanta, Georgia, and, unfortunately, Atlanta leads the nation in the racial wealth gap. Homeownership has proven to be one way to help close the racial wealth gap.

Too many people have faced barriers to getting a home loan because of their lack of traditional credit information. In fact, 45 million people don't have enough credit history to be accurately scored, and many of them are our family, our friends, and our neighbors.

That is why I'm very interested in Bank of America's announcement last month of a new special purpose credit program mortgage product which requires no minimum credit score and relies on factors such as rent, utility bills, phones, phone bills, and auto insurance payments to underwrite mortgage loans.

Mr. Moynihan, do you expect that this product will help more underserved borrowers, including borrowers of color, qualify for a home mortgage? And, if so, how do you plan to track those results?

Mr. MOYNIHAN. We expect it to expand mortgages, as you said, and we will track the results because we will be reporting on the success of that program, along with our $15 billion homeownership programs. This is another version of that. So, yes, we expect it to help.

Ms. WILLIAMS OF GEORGIA. The question was, how do you plan to track the results, not if you plan to track them, but how?

Mr. MOYNIHAN. How? Every person who comes in—it's a special program. It is designated separately so that you can see the application come through the program. The person is getting a HUD counselor, down payment assistance. It's a special program, so you track the results against—you track it coming through. It's not a regular way program that's available everywhere.

Ms. WILLIAMS OF GEORGIA. Can you tell us more about how this program will work in practice? For example, how will borrowers know that they can use rent and other data that's not typically on their credit report to help them qualify for this new mortgage product?

Mr. MOYNIHAN. It's available at all of our financial systems. You can find the information on it in all of our online systems, which 97 percent of low- and moderate-income households use, and you can find it in our specialized mortgage product, our Better Money Habits, and things like that. It's available in all of our operating channels so everybody can see it and find it.

Ms. WILLIAMS OF GEORGIA. And this is something that people coming in to look for a mortgage product are told is available?

Mr. MOYNIHAN. I was at the branch up the street here the day after we announced it, and we had people coming in already here in Washington, D.C., so I'm sure that we'll have a lot of people coming into the branches and asking about the program.

Ms. WILLIAMS OF GEORGIA. Mr. Moynihan, I think this is a great thing, so I want to hear more about it. So, if you could tell me more about why you decided to make this pilot program available in certain cities and if you expect to expand to other cities, as well as expanding this product offering in the future?

Mr. MOYNIHAN. If the program is successful and it serves the customer the way we hope it does, yes, we'll be able to bring it to other cities.

It's an extension of work that we've been doing for many, many, many years. The unique aspect to this is the—from the 1974 Equal Credit Opportunity Act enabling these types of programs through to now.

This has a little bit different qualification mechanisms to it. We expect it to be expanded to other cities once we sort of get used to it and see how it operates. But it's meant to—it's about where the mortgage is being done and the borrower, not just about the borrower, which other programs are.

Ms. WILLIAMS OF GEORGIA. Do you think it's reasonable and feasible for other banks to underwrite mortgages with this type of nontraditional or alternative credit information?

Mr. MOYNIHAN. Not only is it reasonable, they already do it. I can let them speak to it. But I'm well aware the other institutions that we spoke to in earlier questions do use a way to complete that part of the credit analysis above and beyond traditional means.

Ms. WILLIAMS OF GEORGIA. And I would love to hear from other banks about what they're doing to underwrite mortgages with information for nontraditional or alternative credit information.

Mr. DIMON. We're doing fundamentally the same thing, and we'll send you the package on how we do it.

Ms. WILLIAMS OF GEORGIA. I would love to hear more about it. Anyone else?

Mr. SCHARF. I would just add that this is something that the OCC has organized around Project REACh, where all of the banks are working together to try and use all of the information that we have, to go beyond the FICO score, to help make credit decisions on a more informed basis, not just for mortgages but for a host of products.

Ms. WILLIAMS OF GEORGIA. Anyone else before my time expires?

Thank you, Madam Chairwoman, for my time today, and I yield back.

Chairwoman WATERS. Thank you.

The gentleman from Massachusetts, Mr. Auchincloss, who is also the Vice Chair of the committee, is now recognized for 5 minutes.

Mr. AUCHINCLOSS. Thank you, Madam Chairwoman.

This has been a long hearing, but we're almost done.

As we've been in this hearing, the Fed announced a 75-basis-point increase. The Fed Chairman is channeling his inner Volcker and is committing publicly to using the full weight of monetary policy to reverse QE and rein in inflation. His greatest asset in this endeavor is going to be his credibility as an inflation fighter.

By a show of hands, how many of you have confidence in the Fed's resolve through 2022 and 2023 to pursue its mandate of price stability?

That's a show of confidence from Wall Street in Chairman Powell.

The best way to reduce inflation, though, is to expand the productive capacity of our economy. Mr. Dimon, you said this in your remarks. That means raising labor force participation rates and, perhaps most impactfully, building more housing.

At the State and local level, that means pushing back on NIMBY opposition to multifamily housing in particular. At the Federal level, what can government and big banks do together to help build more affordable housing? To help build more affordable housing, not just to finance it.

Mr. Moynihan, because our home State of Massachusetts is so crucially under the weight of housing costs, I'd like you to answer first, and then anybody else can jump in.

Mr. MOYNIHAN. If you're talking about developers—first of all, the financing that we all do as an industry, the financing our company does, about $5 billion a year in housing, low-income/moderate-income housing and low-income housing tax credits.

In terms of development, one of the perceptions is we have to create more development. So, a group of my colleagues in Charlotte created $60 million of equity to go to more developers to close that gap. We're working in Boston to see if we can put together the same kind of program, on the theory that there's a need to develop more developers who can do more work.

Mr. AUCHINCLOSS. Right.

Mr. MOYNIHAN. But it's a universal problem, whether it's in Charlotte, with 20,000, 30,000 housing units short; Boston, the same thing; or New York City. Getting housing developments fast is critically important.

But it's a multifaceted question, which requires us to think about university housing, it requires us to think about kids who work for us in New York City housing, which is different from family housing, and it takes some thinking. And that's one of the planning cycle things you could help with.

Mr. AUCHINCLOSS. It takes some thinking, but, most of all, it takes some building. In Massachusetts, we have created two jobs for every one unit of housing in the last 20 years. And you don't have to have the team of economists that you all have to understand what happens when you do that. Housing prices go up. And it's the single most important thing we can do in my home State to help people, and working families in particular.

The property market in the USA is way too tight, but in China, it's collapsing. Xi Jinping's zero-COVID policy has been a catastrophe. The U.S. economy has grown faster than the Chinese economy in the last year for the first time in my entire lifetime.

Where can Capitol Hill and Wall Street collaborate to seize the initiative and outcompete the CCP for leadership of the world economy?

Mr. Dimon, I'd love your thoughts.

Mr. DIMON. I think it's very important. We're kind of doing that a little bit with some of the bills, the CHIPS Act, et cetera.

Faster permitting for grids, solar, wind power, hydroelectric power building. Sometimes, it's a coordinated thing. The building can't get built because the road can't be built, because the water's not being put in, because the grid's not being built.

And getting our schools to—more STEM teaching, which a lot of them are starting to do together.

The whole panoply of things that—I think we know what they are, and there's a great list we can send to you.

Mr. AUCHINCLOSS. I'd appreciate that.

One other person can jump in if they have a—

Mr. MOYNIHAN. I think that, earlier, one of your colleagues mentioned investing in research. And what America has is the best research platform in the world. And that's where you win long-term. You have to do a lot of things short-term, but long-term. And so, in the CHIPS Act, it's the investment piece that is as critical as the other pieces.

Likewise around the medical platforms. And we just saw the miracle pulled off in the United States—

Mr. AUCHINCLOSS. Right.

Mr. MOYNIHAN. —and why we didn't have to have a zero-COVID policy.

We can't forget research. The great research universities, labs, et cetera, have to be funded and have to be funded in a way that they can plan ahead and do the work.

Mr. AUCHINCLOSS. And I'll note that it's not just the United States; it's Massachusetts leading the way on that biomedical research.

And, with the CHIPS Act, we appropriated and authorized for the CHIPS, but we did not appropriate for the Science part of that bill. And we're going to have to continue to appropriate the money that we authorized in CHIPS and Science for biomedical research. I'm assuming you'll be committed to that.

Mr. Dimon, in my last 30 seconds, a previous member of this panel impugned your motives relative to working-class families, and didn't give you a chance to respond as a courtesy. Do you want to respond in my last 30 seconds?

Mr. DIMON. We all do a tremendous job taking care of our employees, trying to help our communities, lifting up impoverished communities, supporting things like the Earned Income Tax Credit, minimum wages, and the CHIPS and Science Act.

Yes, that did impugn me a little bit, and it was wrong. Most of us care about our employees more than just about anybody else, and our communities, and hopefully, we demonstrated a little bit of that here today.

Mr. AUCHINCLOSS. Madam Chairwoman, I yield back.

Chairwoman WATERS. Thank you very much.

To our witnesses today, we are very appreciative for the time that you have spent, and we certainly appreciate your patience. This is difficult work, but, as you know, we have the responsibility for oversight, investigation, and protecting our consumers, and we do that with regulations.

Having said all of that, of course there are concerns, and there are disagreements. But that's how democracy works.

Let me just say thank you for the time that you have spent here today. Thank you for the way that you have responded to our concerns and our questions. And, of course, we have a lot of work that we must continue as we interact with each other to do the people's business. So, I'd like to thank you for all of your testimony today.

And I do want to note for the record my concern that despite providing some of you, or all of you, our invitation with questions well in advance, at your request, on July 1st, more than 50 days ago, not all witnesses had fully responded to the questions in their testimony. I fully expect that those who did not will promptly provide a complete set of responses within the next week so we can include those in the hearing record.

The Chair notes that some Members may have additional questions for these witnesses, 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 these witnesses and to place their 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.

With that, again, my sincere thanks for the time that you have spent and the patience that you have demonstrated.

This hearing is adjourned. Thank you.

[Whereupon, at 4:32 p.m., the hearing was adjourned.]

A P P E N D I X

September 21, 2022

House Committee on Financial Services

Written Statement of

Andy Cecere

Chairman, President and Chief Executive Officer

U.S. Bancorp

September 21, 2022

Chairwoman Waters, Ranking Member McHenry, and distinguished members of the Committee, I appreciate the invitation to appear before you to talk about U.S. Bancorp, innovation in the retail banking business, and the people, businesses, and communities we serve.

U.S. Bancorp is the parent company of U.S. Bank, which was founded in 1863 in Cincinnati, Ohio; we still operate under this original charter. We are headquartered in Minneapolis, Minnesota, and for nearly 160 years, our company has grown to serve millions of customers and clients by helping them realize their dreams and save for the future.

We are a regional financial services firm with assets of $587 billion, approximately 70,000 employees, and more than 2,000 branches in 26 states. Our corporate structure is simple and straightforward. We operate four core businesses: Consumer and Business Banking, Corporate and Commercial Banking, Payment Services, and Wealth Management and Investment Services.

Our teams work diligently and responsibly, which has resulted in the Ethisphere Institute naming U.S. Bank as one of the World's Most Ethical Companies eight years in a row. Because of our financial discipline, strong underwriting, and first-class risk management, U.S. Bank has among the highest debt ratings. We have also successfully passed the Federal Reserve's CCAR stress test every year.

These achievements would not be possible without our exceptional employees. We know people have options for where they will build their careers, and we seek to attract top talent and support our employees by offering competitive compensation and benefits. We continually look to enhance our offerings to respond to the things employees find most valuable. In fact, we recently expanded leave benefits and announced increases to our minimum wage and merit pay.

I would like to share our perspective on three key areas that may be of interest to the Committee:

- First, in our retail banking business, we have invested for the future so all of our customers have access to safe, reliable, and trusted banking products.
- Second, during the pandemic, we worked hard to support our employees, serve our customers, and help businesses in need.

- Third, we remain focused on fulfilling our commitments to diversity, equity, and inclusion.

In our retail banking business, we have invested in the future to ensure consumers have access to safe, reliable, and trusted banking products.

It is a dynamic time to be in financial services. Whether interacting with customers, developing new products and services, or collaborating with others across our organization, the opportunities, and decisions we make today are transforming the banking business. Our vision for the future of banking combines human plus digital engagement to deliver the products and services that our customers need to succeed on their financial journeys.

Branch Network

Branches are a critical component of our connections to our customers. By using our branch network in combination with digital tools, we enable our customers to be more connected to their financial future. We are continuously reviewing our branch structure, making changes to improve the customer experience, and working to ensure that the needs of our communities are met.

During the past year, I personally met with hundreds of community leaders who told me that branches are a beacon of hope in many communities. I agree with this, and we have worked across the country to ensure that this hope remains strong. Additionally, we have a large number of branches serving our customers in rural areas. We value the connection that our branches have to those communities, and we are committed to ensuring that these towns and villages have access to first-class banking services.

Digital capabilities

We seek to meet customers where they are. Last quarter, 82 percent of our consumer transactions were enabled by our digital capabilities, with 64 percent of loan sales executed digitally. Digital advancements that differentiate us from the market add to the customer experience. Independent reviewer Javelin Research named us the overall leader in mobile banking in 2022. In addition, our mobile app won accolades, including the No. 1 ranking among banking apps by industry benchmarking firm Keynova Group and No. 1 rankings in both Alerts and Account Management categories. We have delivered more than 200 new features across our consumer website and mobile app this year. In April, we launched Asistente Inteligente de U.S. Bank™, a Spanish-language version of our best-in-class Smart Assistant in the U.S. Bank mobile app. Smart Assistant is one of just two banking voice assistants awarded Corporate Insight's highest rating of "Excellent," and Asistente Inteligente has all the same features and functionality as the popular English-language version. These digital advancements are important because they simplify the banking process for our customers, allowing them to spend less time banking and more time on the activities that matter most to them.

Cobrowse

Another market innovation we have developed is Cobrowse with video. This tool allows a banker to work with a customer remotely connected on the same device without the customer having to come into the branch. Customers with limited mobility can have their questions answered in the palm of their hands. For example, a family member may contact us when their loved one, who handled the family finances, is no longer able to do so. Cobrowse gives our customers a level of comfort that they can work directly with a banker even if they are not able, or do not desire to, come into a branch.

Simple Loan

We know there are times when an unexpected expense or hardship arises, which is why we created a low-cost, small-dollar loan product to help our customers address short-term liquidity needs. We were one of the first banks to offer a small-dollar loan product, launching it in 2018.

The Simple Loan provides up to $1,000, which can be repaid over a three-month period at an interest rate that is substantially below that of other alternative financial service providers. Simple Loan gives consumers access to affordable short-term credit that allows them to begin building a credit history. With a positive credit profile, access to more mainstream credit options become accessible creating stability and financial growth opportunities.

This loan can be funded in a matter of minutes on our mobile app and enables our customers to address their financial needs immediately. It is structured so that for every $100 borrowed a borrower pays a $6 fee. For example, if a customer borrows $400, their fee will be $24 to be paid back in three monthly payments of approximately $141.33 each. We believe this product helps our customers, who may otherwise need to rely on more expensive options, save their hard-earned money. We have also learned that many customers use the product to pay down other, more expensive debts. Our surveys have found that nine out of ten Simple Loan users are satisfied with the loan process, valuing the ease of use and speed at which they can get funded.

Small business

Small businesses are the foundation of our economy, and our goal is to make it easy for them to get the funding they need to grow. Our goal is to make small-business lending simple and straightforward. Through our innovations, we can now approve and fund a small business loan of up to $250,000 in less than 15 minutes. Additionally, our investments enable small-business owners manage their money with time-saving software so they can get back to what they are most passionate about—serving their customers.

Last year, we aligned our Access Business program with our Access Commitment™ initiative, which further expanded our lending to underrepresented small businesses (more detail on this initiative is provided later in this testimony). We have cultivated business access advisors (BAAs), who are culturally competent professionals dedicated to providing consultation and guidance to minority business owners in nine markets: Chicago, Charlotte, Colorado Springs, Denver, Los Angeles, Little Rock, Minneapolis/St. Paul, Omaha, and San Francisco. We intend to double the size of this program as part of the community benefits plan that we recently announced in conjunction with the proposed acquisition of MUFG Union Bank. We initially focused this program to support Black business owners, and we will grow it to support Hispanic business owners in 2023. Our goal is to support micro-businesses (less than $500,000 in annual revenue) to fuel growth and employment. In the first half of 2022, more than 250 business owners were engaged with BAAs through our program.

Mortgages

Because having a safe and affordable place to live is important to achieving financial stability, we created programs to address mortgage affordability for our customers. In addition to the "Home Ready" and "Home Possible" programs at Fannie Mae and Freddie Mac and the FHA program, we have created our own proprietary U.S. Bank "American Dream ™" loan. Our product has helped thousands of low- and moderate-income (LMI) borrowers become homeowners and is unique in that it uses manual underwriting, allowing for a more comprehensive look at a borrower's financial situation instead of relying on a computer-generated assessment of a borrower's credit. Another unique feature of this loan product is that it can fund down payment assistance and home repairs. In conjunction with these loans, we launched AccessHome as a pilot program in 2021 to help increase Black homeownership through engagement with community partners, financial education, and recruitment of community-based loan officers and appraisers. We have launched this pilot in five cities and plan to expand to more cities in the near future.

We have focused on building a world-class mortgage group that meets the needs of our customers and offers end-to-end products and services that help them realize the dream of homeownership. We service nearly 1.9 million mortgage loans, including almost 1.3 million mortgages serviced for Fannie Mae, Freddie Mac, Ginnie Mae, USDA, VA, and Housing Finance Agencies (HFAs); 315,000 mortgages held on our balance sheet; and 262,000 home equity mortgages. Our HFA lending channel supports state and local HFAs' down payment assistance programs. We are a leading partner that provides these services, and we do so for 13 state HFAs and 26 local HFAs.

Our mortgage servicing division has been recognized for providing industry-leading performance:

- We achieved the rating of SQ2 from independent rating agency Moody's as an above average prime servicer over multiple years. U.S. Bank is one of a very few servicers to be rated as high as SQ2.
- We achieved the Servicer Total Achievement and Rewards (STAR) servicing designation over multiple years from Fannie Mae.
- We achieved a leading Tier 1 rating from HUD for servicing for the past 30 quarters and received a perfect score of 100 percent in the Loss Mitigation area for 23 consecutive quarters.
- We were named winner of Outstanding Transformation in Digital Servicing during COVID-19 in March 2022 by Digital Banker.
- We were named by Kiplinger's as the leader in Digital Servicing capability in 2021.

Privacy

Our customers and clients trust us with their data. We strive to earn that trust by protecting the confidentiality, integrity, availability, and privacy of customer data.

U.S. Bancorp maintains a comprehensive enterprise data protection and privacy program (Privacy Program) designed to identify and mitigate risks to the privacy and security of customer, employee, and company information. The Privacy Program is designed to comply with all applicable laws and regulations governing the privacy of personal data.

It is important for us to have clear and accessible policies around how information is collected and how we use it. We have several privacy notices tailored to varying business practices that describe the purpose for which personal information is collected, used, shared, and maintained. Our main privacy notice for U.S. Bank and U.S. Bancorp Investments Inc. (USBI) is based on the Gramm-Leach-Bliley Act's (GLBA) Model Form Privacy Notice. We have additional privacy notices, which are also based on GLBA's Model Form Privacy Notice, for other relationships which can be found here. Within the GLBA notices, U.S. Bank also includes notices in accordance with the Fair Credit Reporting Act (FCRA) to inform a consumer about the sharing of transaction and creditworthiness information among affiliates and to provide an opportunity to opt out. Although not required under GLBA or the FCRA, we also provide our customers with the ability to limit direct marketing to them via mail, phone, and/or email.

We maintain an Online Privacy and Security Policy. This privacy notice for our various digital properties (including usbank.com) describes the treatment of information that visitors to our websites and mobile applications provide to us or information that we collect.

For additional information about our efforts to earn and keep our customers' trust through protecting the confidentiality, integrity, availability and privacy of customer data, please see our ESG Report.

Financial Education

We are committed to supporting our communities by empowering individuals and businesses with a comprehensive approach to financial education, including free financial education options, our Financial IQ website and our regular Financial Wellness Webinars and newsletters. Through these educational options individuals learn tips for setting goals and building smart financial habits. Topics include: saving, investing, credit, debt, red flags of elder fraud, homeownership, college preparation, job planning, and more. Our in-language financial education programming includes Spanish.

We try to bring awareness to financial fraud, and how to recognize trending scams. Webinars on fraud issues are available for all of our customers. We also have specific programs for elderly customers and their caregivers on how to recognize, react and report fraudulent activity. We conduct campaigns across our branches, ATMs, social media and marketing channels to bring awareness to common fraud and scams impacting consumers and we generate alerts to bring awareness to potential scams during the money movement process.

We also partner with Operation HOPE as a member of "Financial Literacy for All," a 10-year national initiative to reach millions of youths and working adults by making financial literacy enjoyable and engaging.

Supporting students is an additional area of emphasis. In 2021, we celebrated the 10th year of our online Student Scholarship Program. Primarily serving students of color, it offers learning modules to students on topics ranging from credit scores, to savings, to financing higher education. In 2021, approximately 51,000 students completed 275,000 financial education modules.

MUFG Union Bank

A year ago, we announced our proposed acquisition of MUFG Union Bank. If approved, our combined organization will result in a stronger bank on the West Coast for customers, communities, employees, and the economy as a whole. We believe that existing Union Bank customers will benefit from U.S. Bank's digital tools and innovative products. We also expect customers will benefit from enhanced small-business lending products, lower overdraft fees, affordable emergency small dollar loans, and world-class customer service. The California market is currently dominated by a few players. The U.S. Bank/Union Bank combination enhances competition by establishing a new, formidable regional bank competitor in that market.

We filed our merger applications with federal regulators on October 6, 2021. Since that time, I have met with hundreds of community leaders across the country, participated in a Federal Reserve/OCC public hearing, and developed a $100 billion community benefits plan (CBP) to be implemented following approval of the transaction and customer conversion. During this process, we worked with the National Community Reinvestment Coalition and the California Reinvestment Coalition, each of which supports this transaction because they know we will be a solid partner in the community. We recognize that banks are the economic engines of our communities. As such, we can make meaningful and significant impacts in supporting the ability of LMI communities and communities of color to access capital and build wealth. This plan will create a ripple effect benefitting communities across the country. Details of the CBP can be found here.

Employees will benefit too. We will retain all Union Bank front-line branch employees and increase the minimum wage to $20 per hour. Also, our employees will have access to technology that will help them better serve our customers. The combined company will be a stronger employer across the West Coast for years to come.

During the pandemic, we worked hard to support our employees, service our customers, and help businesses in need.

Employees

The COVID-19 pandemic impacted every aspect of our lives. Our primary goals during this time have been to make sure that our employees are safe, and our customers are well taken care of. In 2020, our teams quickly shifted to remote work wherever possible, and we took quick action to provide safe work environments for our employees where remote work was not an option. We instituted new policies that facilitated remote work, offered incentives to those who needed to be in our facilities in person, and expanded our leave policies to allow employees to care for themselves and their families. We expanded drive-up options to promote social distancing in our branches, and we regularly checked in on our team to make sure that they were doing okay.

Paycheck Protection Program (PPP)

Once PPP launched, we were eager to get to work. We dedicated thousands of U.S. Bank employees from across the country to stand up our program. Our goal was to help as many businesses as possible, regardless of their size. For U.S. Bank, the number of businesses supported mattered more than the size of the loan. We secured funding approval for more than 175,000 applicants, totaling approximately $10.8 billion and the potential to impact more than 1.1 million employees across the country.

Importantly, we did not limit our engagement to our existing customers or our biggest customers. Instead, we reached out across the country from large cities to small towns and assisted existing customers and non-customers alike. We also supported minority communities and successfully made PPP loans to thousands of minority and woman-owned small businesses.

You also may be interested to know:

- Approximately 88 percent of loans approved via U.S. Bank were for less than $100,000. Our average PPP loan was approximately $62,000.
- Approximately 94 percent of approved loans went to businesses with 20 employees or fewer, and the average company size was 8 people.
- The top five industries supported, as reported by applicants, were full-service restaurants, dental offices, real estate agents and brokers, insurance agencies and brokerages, and legal offices.
- Recipients represented businesses and workers across 48 states and the District of Columbia.

PPP Bridge Funding for CDFIs

Community Development Financial Institutions (CDFIs), like other community-based groups, faced significant challenges during the COVID-19 pandemic. Recognizing this, and the urgent need for the services that CDFI's provide, we committed $50 million of below-market rate capital to several CDFIs so they had the liquidity to provide PPP loans to their smaller, less-well capitalized borrowers, many of whom would be Black, Indigenous, and People of Color (BIPOC) and woman-owned. We then went a step further and acted as correspondent bank for seven CDFIs to facilitate access to the Federal Reserve's PPP Liquidity Facility Program. This provided liquidity to CDFIs through U.S. Bank's Federal Reserve discount window account to fund PPP loans.

Mortgage Pandemic Assistance

From March 2020 through June 2022, U.S. Bank worked proactively to help approximately 234,000 mortgage customers through assistance programs. Our bank undertook a total of nearly 357,300 loss mitigation treatments such as forbearances, modifications, and deferments. We also improved digital capabilities, which empowered borrowers to choose to work with a servicer directly or use self-service options.

U.S. Bank is an active participant in the Treasury-led Homeowner Assistance Fund (HAF) programs and has received about $18.5 million in payments for approximately 1,860 customers. This program is still in its initial stages, and we expect these numbers to increase substantially as more states initiate companion versions. As a result of actively engaging customers early in the process and providing multiple forms of assistance, we believe that we have been able to reduce the risk of customers going into foreclosure. Ninety-eight percent of the customers who received a forbearance are no longer delinquent post-forbearance.

We remain focused on fulfilling our commitments to diversity, equity, and inclusion (DEI).

George Floyd was murdered less than two miles from our headquarters. His death and the ensuing public demonstrations caused many companies, including U.S. Bank, to examine their ability to address racial disparities. One of our first actions was to show our commitment to our community by rebuilding our damaged branches in Minneapolis and donating another property to be developed by a local CDFI.

Our commitment to DEI shows up in everything we do and finds its focus in our Access Commitment™, our multi-year, multi-dimensional initiative to help close the racial wealth gap. This is important to me personally, and I am committed to doing better on behalf of all of U.S. Bank. In February 2021, we launched this framework to help build wealth, redefine how we serve diverse communities, and create more opportunities for employees, starting with the Black community. Our commitment builds upon initial commitments we made in June 2020: a focus to have our workforce reflect the communities we serve, support Black-owned businesses through grants, access to capital, and supplier relationships, and support nonprofits and community institutions working toward racial equity. The work is focused on three primary areas: supporting businesses owned by people of color, helping individuals and communities of color advance economically, and enhancing career opportunities for employees and prospective employees. To date, we have made substantial progress on our 2020 commitments:

- We committed more than $197 million in capital to Black-owned or-led businesses and organizations through U.S. Bank Community Development Corporation (USBCDC) in 2021.
- We made $305 million in loan commitments to CDFIs during 2021.
- We received a $65 million New Market Tax Credit allocation that will help finance community investments in projects that support racial equity.
- We invested in McKinsey Black Leadership Academy development career training for 260 Black executive and mid-level leaders.
- We expanded our inclusive hiring practices in 2021 to require the inclusion of at least one woman or person of color on interview slates for all roles at U.S. Bank.
- We have committed to expanding the Access Commitment™ in 2023 to reach Hispanic communities in need.

As a company, we take our commitment to diversity very seriously. U.S. Bank was named to the DiversityInc Top 50 list for the fourth consecutive year. In addition, our Board of Directors is a leader among large companies in terms of board diversity, with nearly 60 percent identifying as women and/or people of color. We have a Board of Directors that brings a diversity of perspectives, a Chief Diversity Officer who reports directly to me, and managing committee-level support for all DEI initiatives.

Every day, we work hard to earn the trust of our customers and communities and to create value for all our stakeholders. One way we are doing this is by integrating key environmental, social and governance (ESG) topics into our overall business strategy. As our world continues to evolve and change, so must our approach to addressing the challenges facing it. We are focused on identifying and mitigating the risks to our company that are presented by our changing world and on seizing opportunities to provide for the continued health of our company. Our ESG efforts reflect our commitment to being a responsible corporate citizen, including our work to meet our Community Reinvestment Act (CRA) goals, to support community development through the U.S. Bancorp Community Development Corporation, and to dedicate ourselves to creating an inclusive workplace. Our most recent ESG report was released in August 2022 highlighting our commitment to DEI and sustainability.

U.S. Bancorp Community Development Corporation (USBCDC)

Our community development work also focuses on equity. The USBCDC is a national leader in community development financing, delivering social and environmental impact, primarily through tax credit investing and community lending. Underlying all our work is a commitment to racial equity. We invest, lend and help manage capital in ways that advance economic opportunity for all with a goal to close the racial wealth gap.

We are intentional about this work, investing in projects and providing responsive capital to partners who share our commitment, helping build capacity in organizations that have historically been doing this work, and driving more conversation about racial equity within the community-development industry.

Our investments in affordable housing, economic development in LMI communities, historic renovations, and renewable energy have a lasting social and environmental impact in communities. We provide innovative financing solutions for community development projects nationwide using state and federally sponsored tax credit programs, and we lend to affordable housing and solar projects to help bridge financial gaps.

> *Expanding Access to Affordable Housing*: Investments in affordable housing are one way we are working to help bring economic opportunity to those who need it most. In 2021, USBCDC invested more than $989 million in Low Income Housing Tax Credit (LIHTC) equity and provided more than $951 million in affordable housing lending, helping create more than 28,486 affordable housing units across the nation.

> *Driving Economic Development in LMI Communities*: New Markets Tax Credits (NMTC) create opportunities for us to invest in economic development projects that can

help build thriving communities. By driving capital to historically under-invested areas, these investments can help close gaps and promote much-needed business growth, job creation and economic development. In 2021, USBCDC invested more than $333 million in tax credit equity in more than 130 projects across every state in the country—plus Puerto Rico and Guam.

Caring for Our Environment: USBCDC's Renewable Energy Tax Credit (RETC) investments are one of the ways we can be a responsible steward of the environment, address climate change and create jobs in the process. We invest in projects that help provide clean energy options to our nation's homes, towns, and businesses, primarily through residential, utility, and community solar projects. See the "Enable a Sustainable Future" section of our latest ESG Report for more information.

Supporting CDFIs: We recognize the critical role CDFIs play in bringing investment to underserved communities and those who may not be eligible for traditional business financing, and we value their focus on women- and minority-owned businesses and LMI communities. We are focused on expanding CDFI relationships and exploring innovative ways to support them. Some recent examples include the first racial equity bond with a CDFI, and grants to support Black- and person of color-led developers through our Access to Capital initiative (see page 80 of our ESG Report). Through U.S. Bank Access Fund, we are working through African American Alliance of CDFI CEO-member organizations to support women of color-owned microbusinesses.

Leveraging Our CDE to Drive Equity and Help Close the Racial Wealth Gap: U.S. Bank's Community Development Entity (CDE) has made a strategic commitment to use its allocation on projects that support racial equity and accountability. This includes the $65 million NMTC allocation it was awarded from the U.S. Department of the Treasury in 2021. Projects are evaluated based on a scorecard that considers key racial equity objectives, such as whether the project decreases segregation and inequality, increases quality schools, and improves social capital. Our goal is for the benefits to flow from those projects directly to the communities that need them most.

Conclusion

At U.S. Bank, we believe relationships are a differentiator. That is why we are taking the best of our person-to-person interactions and enhancing them with new digital capabilities. This allows us to help people bank when, where and how they want—with the support of trusted partners and advisors who can guide them every step of the way. Relationships are the center of our business, and the core of all the communities we serve, and that commitment will never change.

As I mentioned earlier, at U.S. Bank, we are a consumer banker. Our bank was built on the premise of creating opportunities for our customers. We offer traditional banking products like checking accounts, savings accounts, credit cards, mortgages and auto loans. We are a responsible provider that works for American consumers and the economy as a whole.

I want to close by thanking our employees for the work they do for our customers and communities every day. Our employees stepped up to help combat the impact of the Covid-19 pandemic, they work to make our communities better every day and they ensure that their customers are getting first class service. As we face rapid changes in the financial services sector, I am proud to work alongside such amazing members of our U.S. Bank team.

Thank you for your leadership and the work you do for our country.

Committee on Financial Services

U.S. House of Representatives

Written Statement of William S. Demchak

Chairman, President and CEO

The PNC Financial Services Group, Inc.

September 21, 2022

Chairwoman Waters, Ranking Member McHenry and distinguished members of the Committee, I am pleased to be here today on behalf of The PNC Financial Services Group, Inc. (PNC) to discuss PNC's commitment to the communities we serve.

PNC's Main Street Bank Business Model

PNC is a Main Street banking organization focused on traditional banking activities, including retail banking, consumer and residential mortgage lending, corporate and institutional banking, and asset management. We firmly believe that our success is directly tied to the success of our customers and communities, and our business model is focused on serving the needs of our customers and the communities in which our customers and employees work and live. We work to become embedded in the local communities we serve, with Regional Presidents in each of our major markets who are responsible for delivering the whole bank locally, and ensuring PNC understands—and supports—the local community development and banking needs of our communities. PNC's commitment to our communities is reflected in our Outstanding rating under the Community Reinvestment Act (CRA); in fact, we are proud that PNC has received an Outstanding CRA rating in *every* CRA evaluation since the CRA was enacted in 1977.

PNC also is financially strong and resilient. As of June 30, 2022, our Common Equity Tier 1 (CET1) ratio was 9.6 percent and our Supplementary Leverage Ratio was 7.0 percent, in each case more than twice the regulatory minimum. We consistently perform well through the Federal Reserve's supervisory stress tests, reflecting the strength of our balance sheet and conservative, through-the-cycle approach to credit risk management. We also have limited capital markets, derivative and foreign operations, and the vast majority of our operations are conducted through our single national bank subsidiary, PNC Bank, National Association (PNC Bank). As a result of our simple organizational structure and Main Street bank focus, PNC is not a globally systemically important bank (GSIB), and our estimated GSIB score (Method 1) was only 38 as of December 31, 2021, far below the 130 level necessary to be classified as a GSIB.

Serving Retail Consumers and Our Employees

We are committed to serving the banking and credit needs of retail consumers, and offer a wide range of checking, savings, and money market deposit products, as well as residential mortgage, home equity, auto, credit card, student and other unsecured consumer loans. Our retail customers have access to more than 2,500 PNC branches and more than 9,000 PNC ATMs across our footprint, as well as surcharge-free access to an additional 51,000 ATMs nationwide. Our ATMs support interactions in multiple languages, and we offer support in over 240 languages via interpretation services available through our branches and our toll-free Customer Service Center. We maintain a designated Customer Care Center line (1-866-HOLA-PNC) for Spanish speaking customers, and our mobile banking application and website are available in Spanish. We regularly assess our product and service offerings, as well as fees charged, to help ensure that they are responsive to consumer needs as well as fair and reasonable.

I know that overdraft fees have received a lot of attention recently, and for good reason. Data demonstrates that, within the industry as a whole, a small percentage of customers bear a large percentage of all overdraft fees. And some small and mid-size banks receive a significant percentage of their revenue from overdraft and related non-sufficient fund (NSF) fees. At PNC, however, overdraft fees have traditionally been a small percentage of our overall revenue. For example, in 2019, overdraft and NSF fees represented less than 2.5 percent of our total revenue, based on Call Report data. This is likely due to the fact that, consistent with our customer-centric business model, PNC employees, managers and executives do *not* have performance targets, or receive bonuses or other types of incentive compensation, based on the number or percentage of customers who "opt-in" for overdraft coverage for ATM transactions and one-time debit transactions.[1]

[1] Regulation E permits banks to provide consumers overdraft coverage for checks, Automated Clearing House (ACH) transactions, and recurring electronic debits without obtaining the customer's affirmative consent. As the

Nevertheless, I challenged the leadership of our Retail Bank to develop a solution to provide consumers even greater control and transparency with respect to overdraft fees. As a result, I am proud to note that PNC was the first mover among large banks in modifying our overdraft practices and providing relief to consumers. Specifically, in January 2021 PNC began rolling out Low Cash Mode℠—a unique set of features that provides consumers greater control over their finances and the ability to avoid overdraft fees—to all of our Virtual Wallet® customers. Importantly, our research indicates that consumers value the ability to have important payments—such as a rent or auto loan bill—paid by their financial institution, even if the consumer does not have sufficient funds in their account to cover the item at the time it is presented. Returning the payment in such circumstances may well have adverse and costly consequences for the consumer, such as late fees imposed by the biller and adverse credit reporting impacts. In addition, eliminating or greatly limiting the availability of overdraft services may well cause consumers who experience a short-term shortage of funds to turn to more costly, and possibly predatory, alternatives, such as payday or title lenders.

Thus, Low Cash Mode does not eliminate the ability of consumers to incur an overdraft when doing so is the best financial option available to them. Rather, it provides consumers unprecedented transparency into their transactions and control over whether they incur an overdraft. It does so by offering consumers three key features:

- **Real-Time, Intelligent Alerts.** Low Cash Mode's Real-Time, Intelligent Alerts (i) allow customers to set their own "low cash" threshold, and (ii) sends the consumer an alert, via smartphone and email, whenever their checking account balance is below their established "low cash" threshold, as well as when an item brings their balance below zero. They are then able to decide whether they can and want to take action to avoid overdrawing their checking account, such as by making a mobile or branch deposit, transferring in funds from another source, or delaying discretionary payments. We send out *millions of Intelligent Alerts* each month.

- **Extra Time.** If a consumer's transactions do take an account negative, Low Cash Mode's Extra Time feature provides at least 24 hours (and approximately 51 hours on average) for the consumer to cure the negative balance *before* any

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Federal Reserve Board observed when it adopted Regulation E, participants in consumer testing generally indicated that they were more likely to pay important bills using checks, ACH, and recurring debits, and that they would prefer to have these items paid by their financial institution, even if there was not sufficient funds in the consumer's account to cover the item. *See* 74 Fed. Reg. 59033 at 59040. PNC reserves the right to pay such overdrafts for consumers at our discretion.

overdraft fee is assessed. Importantly, we display how much Extra Time is remaining to the consumer in the PNC Mobile Banking smartphone app, so that they have complete transparency as to when the Extra Time for each item expires. In our experience, approximately *65 percent of account holders are able to cure a negative balance within the Extra Time that Low Cash Mode provides*. This confirms that for many consumers a negative balance event often is the result of a short-term, cash-flow imbalance, which can be remedied if just provided a little extra time.

PNC also provides all consumers a $5 overdraft cushion or tolerance, which means we do not charge an overdraft fee—even after any Extra Time has expired—if the consumer's negative balance is $5 or less. While this tolerance is helpful in preventing small charges by a consumer from generating an overdraft fee, our customer data shows that the average transaction size that takes a consumer negative is approximately $250. This data confirms that most customers use overdraft services to timely make more substantial payments, such as loan and utility payments. PNC has chosen to allow customers to overdraft their account to pay these items where possible, and we believe that our customers' financial health is the better for it.

- **Payment Control**. Lastly, Low Cash Mode's Payment Controls are unique in the industry and provide our customers unequalled control over their accounts. With Payment Control, customers can choose whether to pay or return certain ACH and check payments when their balance is negative. The Payment Control dashboard is intuitive and gives our customers the ability to control their payments item by item in a way that no other financial institution does. The Payment Control dashboard also allows customers to make a transfer from a linked account with no additional fee or make a mobile deposit to help bring the account positive.

With the phased rollout of Low Cash Mode, PNC also completely eliminated NSF fees across the entire line of our consumer checking accounts, and reduced the maximum number of overdraft fees that can be assessed per day to one for our Low Cash Mode customers (regardless of the number of items paid into overdraft during the day).

Together these actions have provided significant financial benefits to our retail consumers, while still allowing them to have important items paid when needed. For example, since Low Cash Mode launched in 2021:

- Overdraft fees have dropped by nearly 50 percent;
- In dollar terms, Low Cash Mode has saved PNC customers more than $130 million in fees between April 2021 and May 2022;
- PNC has paid more than 17 million items, totaling more than $3.1 billion, that resulted in a negative account balance without the consumer incurring an overdraft fee; and

- Customer complaints regarding overdraft fees have dropped by more than 50 percent.

Building Low Cash Mode was neither simple nor cheap, but we did it because we felt that it was the right thing to do for our customers. We continue to believe that the availability of overdraft services, when conducted in a responsible fashion, is important, as it can help customers meet their short-term liquidity needs at a reasonable price. Eliminating or significantly restricting overdraft services (such as allowing overdrafts only up to a low dollar threshold)—a step taken by some of our competitors—can cause additional harm for consumers. Uniformly returning all items that would cause a consumer's account to go into overdraft by more than $50 or $100 can, at best, result in some important consumer bills going unpaid, resulting late fees and/or negative credit reporting by the biller. At worst, it can force the consumer to turn to expensive payday or title lenders to solve their low cash moments.

That said, PNC also has designed products specifically for consumers who may not want the flexibility to overdraft their account. In fact, PNC is the only bank to offer two "Bank On" certified, low-cost, no overdraft products: the PNC Foundation Checking account and the PNC SmartAccess prepaid Visa® card.[2] A Foundation Checking Account can be opened with as little as $25, bears a low ($5) monthly service fee (which is waived for customers over 62), and is designed for consumers who may not qualify for a traditional checking account. The account also comes with a Foundation Savings account with no monthly service charge for the first year. The SmartAccess prepaid card, which bears a low $5 monthly fee, is easily reloadable and can be used anywhere Visa debit cards are accepted. Overdrafts are not permitted with either product, but customers continue to have access to PNC's award-winning online banking service, as well as our extensive branch and ATM network.

We also have taken other actions to assist our retail banking customers. For example, we have eliminated overdraft protection transfer fees and continuous overdraft fees across our entire line of consumer checking accounts. In addition, we have eliminated ACH and check representment fees, which could occur when such items are represented for payment after initially being rejected for insufficient funds. These actions have saved PNC customers nearly

[2] "Bank On" is a certification provided by the Cities for Financial Empowerment Fund to transaction account products that meet certain standards for affordability, customer service and functionality. For more information about the Bank On certification, visit About – BankOn (joinbankon.org).

an additional $90 million in fees, and reflect our ongoing commitment to provide our customers easy and accessible banking services at a reasonable cost.

Delivering Innovative Payment Technology While Protecting Consumers from Fraud

Consumers are increasingly looking to make payments faster, easier and more cheaply. To enable that, PNC along with the other owner banks of Early Warning Services, LLC (EWS) developed and rolled-out Zelle®, a real-time, person-to-person (P2P) payment platform. Zelle allows consumers to send money to individuals and businesses throughout the United States using the sender's U.S. mobile phone number or email address. More than 3.3 million PNC consumers and small business customers are currently enrolled in Zelle. PNC does not charge a fee to use Zelle, giving our customers a convenient, accessible and low-cost way to send and receive payments.

Unfortunately, bad actors have sought to use the near real-time feature of P2P payment services, such as Zelle, Cash App and PayPal, as part of schemes to defraud consumers. At PNC, we take seriously our obligation to protect consumers from fraud. We have engaged in extensive activities to educate consumers on how to identify and prevent payment scams. For example, we educate and alert customers to payment scams in the PNC Mobile app experience by presenting "Scam Alerts." We also were a prime mover in encouraging the American Bankers Association to develop its national anti-phishing/smishing campaign "Banks Never Ask That," a campaign that has included more than 2000 participating banks since its launch in 2020.[3] We also are planning additional efforts through various communication channels in the near future to drive customer awareness on how to identify and avoid bad actors targeting P2P digital payment services.

In addition, we have built features into the Zelle experience in the PNC Mobile app designed to help customers protect themselves. For example, when customers send a Zelle payment in the PNC Mobile app, they are presented with the opportunity to review the mobile number or email address of the intended recipient, as well as the first and last name of the enrolled user associated with the mobile number or email address. Moreover, in instances where a PNC customer is sending a Zelle payment to a recipient for the first time, the sender is required

[3] More information on the Banks Never Ask That campaign is *available at* https://www.aba.com/advocacy/community-programs/banksneveraskthat#.

to enter their ATM PIN number prior to completing the payment in order to reconfirm that the sender intends to complete and authorizes the transaction. Our PNC Mobile app experience also warns customers to use Zelle only for transactions with people they know and trust, that, once a payment is sent, it cannot be cancelled, and to be aware for payment scams.

And we utilize multi-layered and comprehensive fraud detection systems, both within PNC and at EWS, to help detect and prevent fraud and remove bad actors from the Zelle Network. For example, we—

- Have implemented real-time automated fraud screening that helps PNC flag and prevent fraudulent incoming and outgoing Zelle transactions;

- Have implemented machine learning for outgoing Zelle transactions that has allowed us to establish new fraud rules to identify and interdict payment scams;

- Migrated PNC Online Banking and the PNC Mobile app to a stronger authentication platform – which includes enhanced two-factor authentication and device intelligence and binding features – to help enhance customer security while delivering a seamless experience;

- Utilize mobile authentication risk scoring to help detect suspicious mobile app sign-on sessions and prompt additional authentication measures;

- Have established daily and monthly transaction limits on Zelle transactions to help limit the potential for fraud;

- Prevent customers from enrolling in Zelle with a phone number or email address that has been identified as fraudulent or previously associated with known fraud, based on records within PNC or EWS;

- Developed an internal Zelle Administrative Portal (ZAP) that is used by PNC employees to service PNC customers and assist in conducting fraud investigations. ZAP increases our ability to identify and flag certain accounts or transactions based on patterns of fraudulent activity. Accounts that are identified as having fraudulent activity through ZAP can be prevented from having the ability to send, request, or split money with Zelle; and

- Use Risk Insights for Zelle, a service provided by EWS that allows PNC to incorporate EWS-provided fraud attributes into its system to help identify and prevent potentially risky transactions more quickly and effectively.

PNC and our peer institutions also have employed a coordinated approach to how we detect, prevent, and mitigate fraud on the Zelle Network. For example, each participating financial institution is required to promptly report to EWS any activity that is indicative of fraud or payment scams on the platform, and these reports are used to determine whether a user's access to Zelle should be restricted or terminated.

Due to these and other measures, fraud on the Zelle Network is relatively rare. Monthly reporting from the first half of 2022 indicates that less than 0.027 percent of total Zelle transactions performed by PNC customers were disputed as unauthorized. In fact, Zelle has a much lower rate of disputes compared to other P2P digital payment services used by our customers. For example, in the first half of 2022, the PNC customer dispute rate for unauthorized transactions on Cash App and PayPal was more than 1,280 percent and 210 percent, respectively, above the Zelle rate.

Nevertheless, when consumers do dispute a Zelle transaction as fraudulent, we investigate the dispute and disposition it in accordance with the robust set of rights provided consumers under the Electronic Funds Transfer Act and Regulation E. In acting on disputes, we follow all applicable regulatory requirements and guidance, including the Consumer Financial Protection Bureau's (CFPB) recent guidance on the types of payment scams that are considered "unauthorized" for purposes of Regulation E, such as when a consumer is fraudulently induced to provide their access credentials to a bad actor who then uses the credentials to access the consumer's account.[4]

PNC, in partnership with EWS and our peer institutions, will continue to improve our systems and tools to identify and prevent fraud and educate consumers on how to avoid payment scams. However, many of the tools bad actors use to dupe consumers into making payments are outside the banking system perimeter and effective fraud reduction efforts may require the action of policymakers and others. For example, PNC would support policies that reduce the ability of bad actors to use social engineering to target customers, a common tactic used in P2P payment scams, such as by requiring social media firms to more expeditiously remove or block scammer

[4] *See* CFPB, Electronic Fund Transfer FAQs, *available at* https://www.consumerfinance.gov/compliance/compliance-resources/deposit-accounts-resources/electronic-fund-transfers/electronic-fund-transfers-faqs/.

content, requiring search engines to remove or block spoofed websites, and preventing telephone companies from allowing spoofed telephone numbers or caller IDs.

Protecting Consumer Financial Information

Maintaining the security of consumer information also is critical to preventing payment scams, account takeover and other malicious activity. Scammers often use consumer information that is available as the result of prior data breaches to dupe customers into trusting them or to "engineer" identities that can then be used for fraudulent purposes.

At PNC, we work hard to maintain the privacy and security of the confidential financial and personal information that consumers share with us, or that are the result of the consumer's transactions with PNC. We have invested heavily in our cyber-security and information security infrastructure in recent years, and are regularly examined by our federal bank supervisors for compliance with the information security requirements under the Gramm-Leach-Bliley Act (GLBA).

We are concerned, however, that gaps in the consumer financial data ecosystem currently place consumer information and the financial system at considerable risk. Specifically, many data aggregators that power third party financial technology applications continue to rely on credential-based, "screen scraping" methodologies to gather consumer financial information from financial institutions, including banks. By requiring consumers to share their bank credentials (e.g., online banking log-in ID and password), these data aggregators create significant risk to consumers' financial health, including the potential for account takeover, unauthorized payment transactions and identity theft. This is especially true because data aggregators generally are *not* subject to examination and supervision by the federal banking authorities or CFPB for cyber-security and information security purposes, even though some data aggregators report holding the financial data of tens of millions of U.S. consumers.

Screen scraping also permits data aggregators to effectively harvest *all* of the data that might be available through a consumer's online banking portal—even if this data has nothing to do with the financial app that the customer is using, or pertains to other individuals (such as the consumer's minor children or spouse) who may have accounts "linked" to the consumer's online banking account. Moreover, this data harvesting is occurring largely unbeknownst to the consumer. A 2021 survey conducted by The Clearing House Association (TCH) found that 73 percent of financial app users were not aware that the apps or third parties may store their bank account username and password, and 80 percent were not aware that apps may use third parties to access their personal and financial information.[5]

Let me be clear, PNC fully supports our customer's access to their financial data and their use of the financial applications of their choice. But we believe that consumer financial information should be safe and secure regardless of who holds it, that informed consumer consent should be a precondition to any sharing of consumer financial information, and that the consumer should have effective control over the type and amount of information that is shared. That is why we have urged the CFPB to use its rulemaking authority under Section 1033 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) to mandate the end of screen-scraping and adopt rules consistent with these principles. It is also why we have been working with the other owners of TCH to stand-up Akoya, a utility-like entity that can facilitate the safe, secure and consumer-permissioned sharing of consumer financial information using Application Program Interfaces (APIs), the tokenization of customer data, and common industry standards, rather than through screen scraping. Importantly, Akoya would be available to all financial institutions, greatly reducing the costs of consumer-permissioned data sharing for financial institutions, financial apps and their third party data aggregators. Through arrangements like Akoya, we can bring an end to the dangerous practice of screen scraping and create a safer financial system for consumers and financial institutions.

There is another gap in the current regulatory framework that also poses a threat to consumers and the financial system—the so-called industrial loan company (ILC) loophole. This loophole allows any type of company—including a large technology or commercial firm—to acquire a full-service, FDIC-insured bank *without* being subject to the type of consolidated supervision and regulation that Congress has mandated for all other corporate owners of full-service, insured banks. This loophole, for example, would allow a large technology company to acquire an FDIC-insured bank, but avoid the consolidated capital and liquidity requirements established for bank holding companies, the cyber-security and information security

[5] The Clearing House, "Data Privacy and Financial App Usage," p. 3 (Dec. 2021), *available at* https://www.theclearinghouse.org/-/media/new/tch/documents/data-privacy/2021-tch-consumersurveyreport_final.pdf.

examinations of the federal banking agencies, and the Community Reinvestment Act obligations adopted in the GLBA. We believe it is time for Congress to close this anachronistic and dangerous loophole.

BBVA USA and Our $88 Billion Community Benefits Plan

In June 2021, PNC acquired BBVA USA, the Birmingham, Alabama-based bank subsidiary of Banco Bilbao Vizcaya Argenteria, S.A., a global Spanish bank. In October 2021, we successfully merged BBVA USA into PNC Bank and, contemporaneously, converted BBVA USA's approximately 2.6 million customers into PNC products and systems. The transaction had numerous positive impacts for PNC and our customers. For example, the transaction accelerated PNC's growth into the South and Southwest, providing additional geographic diversification to our banking business and access to some of the most vibrant local economies in the U.S. In addition, BBVA USA's retail transaction accounts were converted to PNC Virtual Wallet accounts, giving these customers the benefit of Low Cash Mode and the other financial management tools available in Virtual Wallet.

While this combination expanded PNC's branch network and operations into the South and Southwest, it did *not* change our Main Street bank business model, our approach to serving our communities, or our non-systemic risk profile.[6] Moreover, in connection with the transaction, PNC announced a new $88 billion, 4-year Community Benefits Plan covering both PNC's legacy markets and the new markets brought into our footprint through the BBVA USA acquisition. At the time of announcement, this was the largest Community Benefits Plan ever announced in connection with a bank acquisition. To develop the Plan, PNC engaged in listening sessions with more than 150 community groups from across the country, including members of the National Community Reinvestment Coalition, the National Diversity Coalition, the Greenlining Coalition, and the California Reinvestment Coalition.

The Plan is comprehensive, with expansive goals for loans, investments and other financial support to assist our communities, including low- to moderate-income (LMI)

[6] The acquisition increased PNC's GSIB score by only 1 point, confirming that the transaction posed no threat to the financial stability of the United States. *See* Federal Reserve Board Order 2021-04, at p. 21, *available at* Order Approving the Acquisition of a Bank Holding Company -- The PNC Financial Services Group, Inc. (federalreserve.gov).

individuals and neighborhoods, people and communities of color, and other underserved individuals and communities. The following highlights only some of the most important aspects of the Plan.

- Home Lending: The Plan calls for PNC to originate at least **$47 billion** in residential and home equity loans to LMI and minority borrowers and in LMI and majority-minority census tracts over the Plan's 4-year period (2022 – 2025). In connection with these efforts, PNC also will increase its home lending outreach in LMI and majority-minority communities, increase the availability of PNC's affordable home lending products, and reduce the minimum credit score needed for low-income borrowers to qualify for PNC's affordable Community Mortgage product and Federal Housing Administration (FHA) mortgage loans.

- Small Business Lending: In recognition of the critical role that small businesses play in the U.S. economy, the Plan calls for PNC to originate at least **$26.5 billion** in loans to small businesses during the Plan period. This includes at least (i) **$11.5 billion** in loans to small businesses in LMI communities, (ii) **$10 billion** in loans to businesses with revenues of less than $1 million and small farms, and (iii) **$5 billion** in loans to small businesses in majority-minority census tracts. PNC also plans to increase its Small Business Association (SBA) lending, by both dollar volume and units, across its footprint and increase the availability of technical assistance for LMI, minority-, and women-owned small businesses.

- Community Development Loans, Investments and Services. Building on our status as a leader in community development activities, the Plan calls for PNC to make at least **$14.5 billion** in community development loans and investments over the Plan period. This includes the financing or syndication of **$4 billion** in Low Income Housing Tax Credits (LIHTC) and New Markets Tax Credits (NMTC), and the investment of at least **$400 million** in Community Development Financial Institutions (CDFIs) that assist traditionally underserved communities.

- Charitable Giving and Community Support. PNC has a long history of strengthening and enriching the communities we serve through charitable support from PNC and the PNC Foundation. During the Plan period, PNC expects to increase its charitable giving to at least **$500 million**, and we will honor all of BBVA USA's multi-year grants and charitable commitments.

  PNC is also extending our signature *Grow Up Great®* program into our new markets. *Grow Up Great®* (also known as PNC *Crezca con Éxito)* is our $500 million, multi-year, bilingual initiative focused on improving early childhood education. Since the program's launch in 2004, PNC has provided $368 million in support for early education. The program has supported more than 7 million children—particularly underserved children—throughout 25 states and the District of Columbia. Employees have volunteered over 1,000,000 hours and have donated more than 1.4 million items for use in preschool classrooms or for the personal well-being of young children.

- Branches. Access to physical locations remains an important part of PNC's retail banking delivery model. To help ensure our products remain accessible to all customer segments and populations, PNC plans to open at least 20 new branches and 25 ATMs in LMI communities over the Plan period.

  PNC has also been a leader in deploying mobile branches as a way to ensure in-person banking services remain available in areas that have traditionally been underserved or in geographies that can no longer economically support a brick-and-mortar branch. Our mobile branches visit partnering nonprofits and allow residents to deposit and withdraw funds, open bank accounts, apply for loans and speak with PNC bankers. Today, we have 16 mobile branches deployed across our footprint, including in the cities of Baltimore, Chicago, Detroit and Dallas/Ft. Worth, and we plan to have 10 mobile banking units that are primarily dedicated to serving LMI communities. We also regularly deploy our mobile branches to assist communities affected by natural disasters, which can frequently result in damage or disruption to local banking facilities. For example, we deployed our mobile branches to assist residents of Florida affected by Hurricane Michael (2018), residents of Delaware and North Carolina affected by Hurricane Florence (2018), and residents of Kentucky affected by tornadoes in 2021.

We believe our multi-year Community Benefits Plan demonstrates our commitment to helping all populations and communities move forward financially, including our newly acquired markets and traditionally underserved communities and populations throughout our footprint. Importantly, we are off to a strong start under the Plan. Through June 2022, we have already provided more than $3.4 billion in home loans to LMI borrowers and to borrowers in LMI census tracts, and nearly $10 billion to minority borrowers and to borrowers in majority minority census tracts. In addition, through June 2022, we have provided more than $2.7 billion in small business financing within our Plan goals, and more than $1.3 billion in community development financing, including more than $700 million for affordable housing. Moreover, in July 2022, we hosted the first meeting of the Community Advisory Council that we formed under the Plan. The 17-member Council includes representatives from national, regional and local community organizations from across our footprint and is designed to assist PNC in identifying and addressing emerging areas of community needs, as well as monitoring our progress under the Community Benefits Plan.

Besides working to do the right thing for our retail customers, we also constantly evaluate our employee benefit and compensation programs to ensure they are competitive, provide employee's at least a living wage, and are consistent with our corporate values. I'm pleased to note that in November 2021, we raised our minimum wage to at least $18 per hour for employees, more than double the federal minimum wage of $7.25 per hour and a 20 percent increase from our previous minimum wage rate. Employees in certain high-cost jurisdictions, such as California, Chicago and New Jersey, qualify for a slightly higher minimum wage. Importantly, beyond cash compensation, PNC offers full-time employees a broad range of employee benefits, including a 401(k) plan with a company match, a defined benefit pension plan, Health Savings Accounts, a Dependent Care Reimbursement Plan, tax benefits for commuting costs, educational assistance, and competitive health, dental, vision benefits. Taking these additional benefits into account, our lowest wage full-time workers receive more than $46,500 in total value each year, on average.

Assisting Customers Through the Pandemic

The Covid-19 pandemic had a dramatic effect on the U.S. economy, consumers and businesses, and particularly small businesses, beginning in early 2020. We applaud Congress, in combination with the Administration and Federal Reserve, for taking significant and forceful action to ameliorate the effects of the pandemic and provide critical assistance to consumers and small businesses.

At PNC, throughout the pandemic we remained focused on assisting our customers and communities that were negatively impacted. For example, following passage of Coronavirus Aid, Relief and Economic Security Act (CARES Act), we quickly mobilized our technology teams to build an online portal to accept applications from small businesses for Paycheck Protection Program (PPP) loans. Thousands of PNC personnel also volunteered to take on new assignments to assist with PPP application processing; in all, more than 4,000 PNC employees rallied to accept, review and process PPP applications in accordance with SBA guidance. More recently, our employees have been working diligently to assist our PPP customers obtain forgiveness of their PPP loans, again in accordance with SBA rules. PPP involved a massive and sustained effort by the entire enterprise. We participated in the program, and have continued to support our customers throughout the process, because we know how important small businesses are to the communities we serve.

Due to the dedication of our employees, PNC successfully registered more than 149,000 PPP loans with the SBA, totaling $21.3 billion, making PNC the 3rd largest PPP lender by dollar volume. We worked to process every PPP application as quickly as possible, regardless of the borrower's size. The vast majority (89 percent) of the PPP applications we processed and registered were from our Business Banking clients, which is our business segment that services business clients (including non-profits, sole proprietors and independent contractors) with less than $5 million in annual revenues. Our efforts to fairly serve our entire small business customer base is reflected in the loan amounts of the PPP loans registered by PNC. Approximately 83 percent of the PPP loans that we registered with the SBA were for amounts of $150,000 or less, and approximately 49 percent of these loans were for amounts of $25,000 or less. An additional 7.8 percent of the loans we registered were for amounts of $300,000 or less (but more than $150,000). Although the statutory maximum PPP loan size per business was $10 million, only 0.2 percent of our registered PPP loans were for amounts above $5 million. In total, the average loan amount for our SBA registered loans was only approximately $142,000.

In addition, because we know that small businesses operating in LMI communities face special challenges and non-profits often support vulnerable communities, we took special care to ensure that small businesses in LMI geographies and non-profits who applied for PPP loans were not left behind. I am pleased to note that, as a result of these efforts, PNC registered approximately 34,000 loans, aggregating more than $5.5 billion, from small businesses located in LMI census tracts, and approximately 8,000 loans, totaling more than $1.9 billion from non-profit organizations. In March 2020, we also committed more than $45 million to eight CDFIs to support their own origination of PPP loans in potentially underserved geographies and sectors.

We have continued to work with customers throughout the PPP process and have been actively assisting them in applying for forgiveness, to the extent permitted by SBA rules. To date, more than 95 percent of our PPP loans by number, and 94 percent of loans by dollar volume, have successfully obtained forgiveness from the SBA. Of the remaining loans, approximately 36 percent by dollar volume are awaiting forgiveness decisions from the SBA, and we continue outreach to those customers that have not yet applied for forgiveness.

We also took numerous other actions to support our customers and communities during the pandemic. For example, from the start of the pandemic through June 30, 2022, PNC provided COVID-19 related modifications to more than 430,000 loan customers, with balances totaling more than $18.2 billion. Student loan borrowers represented the largest segment by number of modifications (approximately 156,900), while mortgage modifications represented the largest segment in terms of balances (approximately $10.6 billion). Other loan segments with significant COVID-19 modification activity include auto (more than 111,500 modifications affecting $2.7 billion in balances), credit card (more than 53,000 modifications affecting $380 million in balances), and home equity (more than 16,600 modifications affecting $1.6 billion in balances). I'm pleased to report that more than 98 percent of our loan customers who received COVID-19-related modifications have exited assistance, and more than 90 percent of active customers who have exited assistance are making timely payment as agreed, demonstrating that the vast majority of consumers benefitted from the temporary forbearance or other concessions granted as part of these modifications.

We also took action to help ensure that our customers, as well as non-customers, could receive full access to their Economic Impact Payments (EIP) from the Federal government, which provided critical assistance to qualifying individuals during the pandemic. Specifically, we provided temporary credits to deposit customers who had a negative balance in their account prior to receipt of their EIPs from the Treasury Department, thereby ensuring that the customer had full access to their stimulus payments. We also waived all fees for non-customers seeking to cash EIP checks at PNC branches. We also exempted EIP and similar stimulus payments from potential garnishment by third-party creditors to the fullest extent permitted by law. Taken as a whole, we believe our actions during the pandemic were responsive to the needs of our customers and communities, and helped provide important assistance during this period of unprecedented economic disruption.

Supporting Diversity, Inclusion and Racial Equity

Diversity and Inclusion is one of our core values, and we are strongly committed to diversity and inclusion in all aspects of our business. We recognize that embracing diversity and inclusion is not just the right thing to do, it also is a business imperative. We know that to most effectively compete in the market, our company must reflect the diversity of our customers and suppliers, as well as the communities in which we operate.

PNC's commitment to diversity and inclusion starts at the top of the organization. Today, nearly 50 percent of the independent directors on our Board of Directors are women or people of color, and 50 percent of the executives that report directly to me and who are members of our management Executive Committee are women or people of color. We also have increased diversity at all levels within our organization over the past 5 years, including at senior levels. For example, female representation at our senior level has increased 44 percent over the past 5 years, and people of color representation at our senior level has increased more than 55 percent over the same period.

I am firmly committed to advancing diversity and inclusion further within PNC and our society, and I co-chair PNC's Corporate Diversity Council (CDC) along with our Chief Diversity Officer. The CDC identifies, leads and monitors enterprise-wide strategic initiatives that integrate diversity and inclusion into PNC's processes and culture. It consists of 29 senior leaders from across the organization who help champion the integration of diversity and inclusion into all PNC business practices. Many of these leaders also serve as sponsors for PNC's numerous employee business resource groups (EBRGs), which serve as important forums for PNC's employees, including our African American, Latino, Asian-American, veteran, multicultural, LQBTQ+ and female employees.

Recognizing the importance of diversity and inclusion to the success of our company, we have embedded an "Includes Intentionally" objective within our Leadership Standards for all managers. We also are focused on increasing our recruitment from diverse segments and populations. We have a dedicated Diversity Recruitment team that helps build a pipeline of diverse candidates through partnerships with organizations focused on diverse segments including, for example, National Black MBA, Association of Latino Professionals for America, National Center for Women & Information Technology, Recruit Military, American Association of People with Disabilities and Out & Equal Workplace Advocates.

In addition, PNC maintains a robust Supplier Diversity Program that guides our efforts to purchase value-added products and services from diverse-owned business enterprises, maintain a diverse supplier base and gain exposure to the varied perspectives, unique skills and innovative thinking that ultimately enhances our competitiveness and allows us to better serve our evolving customer base. Through our Supplier Diversity Program, we maintain alliances with such organizations as the National Minority Supplier Development Council, the Women's Business Enterprise National Council, the National Veteran-Owned Business Association, the National Gay & Lesbian Chamber of Commerce, the US Hispanic Chamber of Commerce, and the US Pan Asian Chamber of Commerce. As part of our Community Benefits Plan, we expect to increase our spending with diverse suppliers by at least 20 percent by the end of 2025.

As a result of our demonstrated commitment to diversity and inclusion, PNC is regularly recognized by diversity organizations. Examples of recent honors include:

- Top 70 Companies for Executive Women (National Association for Female Executives, 2021);
- 50 Out Front Best Places to Work for Women & Diverse Managers (Diversity MBA Magazine, 2021);
- Best Places to Work for LGBTQ Equality (Human Rights Campaign, for 10 consecutive years, 2022);
- Best-of-the-Best Top Veteran-Friendly Supplier-Diversity Programs (U.S. Veterans Magazine, 2021); and
- 100% Score on Disability Equality Index® (DEI®) (Best Places to Work™, 2021).

PNC also is committed to addressing systemic racism and promoting social justice, both within the financial services industry and more broadly in our economy. Once again, our Board of Directors has been deeply involved in our actions, forming a Special Committee on Equity and Inclusion in 2020 that provides direction and oversight of our actions in this important area. The Special Committee is responsible for overseeing the progress under our Community Benefits Plan.

A major element of that commitment is fostering minority entrepreneurship and business opportunities as a way of assisting minority business owners build wealth and address the persistent wealth gap between minorities and other Americans. Consistent with that goal, in April 2022 our Retail Bank launched a new Minority Business Development Group to deliver products, solutions and resources focused on advancing the financial wellness of emerging minority businesses. The Group is comprised of bankers and advocacy partners that will help prepare minority-owned businesses for effective growth, development and sustainability. The

Group will work in close collaboration with PNC's Community Development Banking and Corporate Responsibility Groups, as well as the bank's Regional Presidents across the country to establish and deepen relationships with minority-owned business clients and prospects.

In conjunction with the formation of the Minority Business Development Group, we also launched a PNC Certified Minority Business Advocate (cMBA) program. The program is a voluntary advocacy training program available to PNC employees interested in providing enhanced support for minority business decision makers. The new certificate program focuses on helping PNC employees understand the unique challenges facing diverse businesses, ultimately supporting PNC's brand purpose of leveraging the power of our resources to help all move forward financially. cMBAs will have the opportunity to serve as PNC ambassadors in their communities, strengthening community engagement through volunteerism, mentorship and technical support.

To further support minority business owners, in October 2021, we announced a five-year, $16.8 million grant to create The Howard University and PNC National Center for Entrepreneurship. The center will support expanded opportunities for Black entrepreneurship with enhanced educational, leadership and capacity-building resources and programs nationwide. More recently, we announced a $2 million grant to 5 historically Black colleges and universities (HBCUs) in North Carolina (Elizabeth City State University, Fayetteville State University, North Carolina Central University, Johnson C. Smith University and Winston-Salem State University) to enrich the future of Black entrepreneurship and create workforce opportunities.

These actions build on the strong relationships we have developed with HBCUs across our footprint as part of our effort to identify and hire diverse talent. We actively recruit from Howard University, Hampton University, Clark Atlanta University, Morehouse College, Florida A&M, as well as other HBCUs. We also have a full-time Campus Recruiting Diversity Specialist who partners with universities of all types to identify a diverse pipeline of candidates for our Development Program. As a result of these and other actions, the diversity of our intern and Development Program associates—both key channels to a career at PNC—has increased significantly, with a majority of both our 2022 intern class and 2022 Development Program class being diverse across gender, race and ethnicity characteristics.

As part of PNC's continuing commitment to diversity and inclusion, PNC conducts ongoing review and analysis of how we treat our employees and customers, including along the diversity dimensions of race/ethnicity, gender, veteran, disability, and LGBTQ+. In 2021, PNC retained outside consultants to perform a racial equity audit and regularly conducts ongoing updates of these metrics as we continue our efforts to advance inclusion and equity in our workforce. PNC also conducts regular assessments of compensation, retention, and advancement of our employees across various diversity dimensions, including regular reviews of our pay practices to ensure our employees are being compensated fairly and consistently. These assessments indicate that, on average among PNC employees, minorities are paid 100 percent of what non-minorities are paid within like roles, taking into account factors such as time in job, performance, and geography.

While we are proud of our accomplishments with respect to diversity, inclusion, and promoting racial equity, we are committed to continuously improving our contributions in these areas. We also recognize that the road ahead of us remains long, and we look forward to continuing to work with our community partners, the industry, and policymakers to make steady and meaningful progress in these areas in the years ahead.

Supporting the Transition to a Low Carbon Economy

We recognize that continued greenhouse gas emissions by economies around the world are contributing to climate change, which threatens the goals established by the Paris Agreement to limit global warming to below 2° Celsius, and preferably to less than 1.5° Celsius, compared to pre-industrial levels. While the need for action is clear, climate change itself is a complex problem that will require collaboration and cooperation across sectors, institutions and nations, as well as continued significant and transformative technological advancements. No individual corporation or bank can itself address climate change, and managing the transition to a lower carbon environment will require the careful balancing of several important policy interests, including the need to reduce greenhouse gas emissions while continuing to ensure that energy remains affordable, reliable and safe. Compromising on these latter objectives may weaken the necessary public resolve to address climate change as aggressively as possible, and have significant repercussions for the economy and communities, including economically vulnerable segments.

At PNC, we believe we can have the greatest positive impact by taking tangible action to lower our own carbon footprint and by assisting and financing our clients' own transition to a low-carbon economy. Our journey started with a focus on our own buildings. In 2000, we opened Firstside Center in Pittsburgh, Pennsylvania, which was the first building certified under the Leadership in Energy and Environmental Design (LEED) 2.0 standard, and the largest LEED-certified building at the time. Today, we have more than 300 LEED-certified buildings, we pursue LEED certifications on all new buildings and major renovation projects, and our corporate headquarters carries the highest LEED certification for new buildings (Platinum).

Building on these efforts, in 2017 we announced aggressive plans to reduce our Scope 1 (direct) and Scope 2 (indirect) carbon emissions and energy usage by 75 percent by 2035, compared to 2009 levels, and reduce our water usage by 50 percent by 2035, compared to 2012 levels. In 2019, we joined RE100 and announced plans use 100 percent renewable energy in our operations by 2025. I am very pleased to report that we are well on our way to meet—or exceed—these ambitious objectives. We have already reduced our direct and indirect carbon emissions by 66 percent (compared to 2009 levels), our energy usage by 50 percent (compared to 2009 levels), and our water usage by 55 percent (compared to 2012 levels).

We also have made significant strides in the use of renewable energy for our operations. In 2021, PNC purchased approximately 150 million kilowatt-hours (kWh) of green power, which is enough green power to meet 46 percent of the company's purchased electricity use. And in July 2022 we announced a long-term renewable energy supply agreement with a leading clean energy company. Under the agreement, PNC will receive 148 million kWh of renewable energy, sufficient to power nearly 50 percent of our operations in Pennsylvania, Ohio, Maryland, New Jersey, Delaware, the District of Columbia, and parts of Illinois. The agreement will help PNC reduce its carbon footprint by more than 55,000 metric tons annually, the equivalent emissions of nearly 12,000 passenger vehicles, according to comparative data from the Environmental Protection Agency.

We also are investing significantly in sustainable finance initiatives. For example:

- We are signatories to the Green Bond Principles and, in October 2019, issued our first Green Bond. This offering raised $650 million for initiatives that support the transition to a low-carbon economy and offer sustainability benefits, such as renewable energy, energy efficiency and green buildings.

- In 2019, we created a sustainable finance practice. The practice is focused on counseling clients through their own climate transition strategies, goals and approaches, and curates bespoke banking products to support clients' corporate environmental, social and governance (ESG) efforts. The sustainable finance practice works across lines of business at PNC to assist with structuring loans and debt issuances that incorporate preferential pricing tied to a green or social use of proceeds, or the achievement of a client's environmental or social key performance indicators.

- In 2021, we committed to mobilize $20 billion in environmental financing, such as green buildings, renewable energy, clean transportation, and environmental sustainability-linked bonds and loans. We are positioned to reach this goal within our five-year time frame, having achieved nearly 47 percent of our commitment just one year into our plan, as a result of a 70 percent year-over-year increase in sustainable finance activity. Our progress includes more than $900 million in investments in renewable energy projects, including $875 million in 10 solar tax equity partnerships, which developed more than 2,000 megawatts (MWs) of new solar assets, as well as a $54 million loan to a new solar portfolio, which will develop 362 MWs of solar assets.

- In 2021, we joined the Partnership for Carbon Accounting Financials (PCAF), a global partnership of financial institutions that works together to develop and implement a harmonized approach to assess and disclose the greenhouse gas emissions associated with loans and investments.

- Also in 2021 we published our first Task Force for Climate-Related Financial Disclosures (TCFD) report.[7] The TCFD was formed by the international Financial Stability Board (FSB) to assist financial institutions in providing relevant and decision-useful information to investors and other stakeholders regarding climate risks and opportunities. The TCFD's disclosure recommendations are structured around four thematic areas: governance, strategy, risk management, and metrics and targets.

In addition, we are incorporating climate risk into our risk management practices and Enterprise Risk Management framework. We support the principles-based approach outlined by the Office of the Comptroller of the Currency (OCC) for climate-related financial risk management[8] and look forward to working with our bank supervisors as their guidance on climate risk management evolves. As part of our efforts, we developed a carbon intensity score, designed to provide a top-down indication of where climate risk resides within our loan portfolio to facilitate high-level benchmarking and the assessment of portfolio trends. We also have analyzed the effect that rising sea levels and chronic flooding could have on our residential real

[7] *Available at* https://www.pnc.com/content/dam/pnc-com/pdf/aboutpnc/CorporateResponsibilityReports/PNC_TCFD_Report_2020.pdf.

[8] OCC, Principles for Climate-Related Financial Risk Management for Large Banks, OCC Bulletin 2021-61 (Dec. 16, 2021), *available at* https://www.occ.gov/news-issuances/bulletins/2021/bulletin-2021-62a.pdf.

estate portfolio through scenario analysis. Evaluating similar scenarios will enable us to better prepare for the possibility of these risks becoming more prevalent in the future. And, we utilize an Environmental and Social Risk Management (ESRM) Rapid Risk Screen in our Corporate & Institutional Bank to help us better identify and mitigate environmental risks that may be present in transactions. Transactions identified as having elevated levels of environmental risk are escalated to leaders in the business and underwriting groups for further analysis and decisioning.

We also are diligently analyzing and preparing for the climate disclosures recently proposed by the Securities and Exchange Commission (SEC). While we believe some climate risk disclosures are appropriate by public companies, we are concerned that aspects of the proposal go beyond what is practically feasible given data limitations and the traditional filing schedule for public company reports, depart from traditional concepts of materiality that have long guided public company disclosures, and could result in disclosures that are not useful to investors. We are particularly concerned with the proposed requirement to disclose, within the financial statement notes, the impact of physical or transition-related climate events if such events had a 1 percent or greater impact on the relevant financial line item. The 1 percent threshold is well below the level at which impacts are typically considered material for financial disclosure purposes and it may be difficult, or impossible, to assess and isolate the relationship between a physical or transition-related climate event (e.g., a change in a regulation affecting the economy) and individual line items within a bank's financial statements. Similarly, we believe the required disclosure of all upstream and downstream emissions within a public company's value chain (Scope 3 emissions) is impractical at this time, given the very limited emissions information available for large segments of the economy, and could be particularly burdensome for smaller suppliers and customers of banks.

In closing, PNC's climate "4+1" climate action strategy is designed to set us on a pathway to finance the transition to a low-carbon economy. Our approach is intended to be iterative and flexible, allowing for necessary course corrections in response to future regulatory, political and technological developments. The strategy is based on four areas for immediate action: (i) engaging our employees, (ii) collaborating for long-term solutions, (iii) understanding and supporting our customers' transition plans, and (iv) executing on our own ambitious operational sustainability goals. We're also focused on the foundational work necessary to begin aligning our portfolio with the goals of the Paris Agreement. Initial steps in this "+1" category include calculating and disclosing our financed emissions according to the PCAF methodology, and we expect to issue our first PCAF disclosures in 2024.

Closing

Thank you for the opportunity to discuss how PNC is seeking to improve the lives of our retail customers and our communities. I am immensely proud of the work our nearly 60,000 employees do every day to help customers, make new loans, assist customers open new accounts or solve issues, and deliver for our local communities. I know that there are many challenges facing consumers and our communities, especially traditionally underserved communities, but we remain committed to working with you and our community partners in finding solutions to those challenges. I welcome any questions that you may have.

U.S. House of Representatives Committee on Financial Services

Written Statement of Jamie Dimon

Chairman and Chief Executive Officer

JPMorgan Chase & Co.

September 21, 2022

Chair Waters, Ranking Member McHenry and distinguished members of the Committee, I appreciate the opportunity to talk about JPMorgan Chase and the role of America's largest banks as a force for good for the country, its citizens and the global economy.

We live in the greatest country in the world predicated on foundational beliefs in freedom of speech, freedom of religion, freedom of enterprise, the sanctity of the individual, and the promise of equality and opportunity for all. These core values are the fabric that binds us as Americans, where the best of what we are shines through especially in times of adversity. This system has created what is still the most prosperous and innovative economy the world has ever seen – one that nurtures vibrant businesses large and small, and a welcoming environment for innovation, science and technology. My enduring faith in the strength of the country remains as strong as ever.

A country's economy can only be as strong as its financial system. The United States has the best financial system in the world – and we must strive to maintain it. The financial system encompasses asset managers, investors, banks, investment banks, private equity, hedge funds, pension plans and non-bank financial service providers. It is protected and enhanced by the rule of law (including banking and consumer protection laws), transparency regarding governance and accounting, and complete and free access to global investors.

The free flow of credit and investments is key to our nation's global competitiveness. Free enterprise is the flywheel of the economy as capital seeks out the investments, individuals and ideas that drive growth and innovation. And free enterprise celebrates, and is inseparable from, human freedom and creativity, which ultimately are the stimuli for all human progress. Free enterprise requires not only the free movement of capital, but more importantly the value of knowledge and free people exercising their rights. What this country needs most is free enterprise, extraordinarily competent government and policies, and more civic-minded companies and citizens.

THE IMPORTANCE OF OUR WORK TO THE AMERICAN ECONOMY

JPMorgan Chase is a global financial services firm with assets of $3.8 trillion and operations in 100+ global markets. We are a leader in financial services for consumers and small businesses, commercial banking, investment banking, financial transaction processing and asset management. More information about our financial performance and shareholder information can be found in our 2022 Annual Proxy Statement and in previous annual filings.

Our nearly 160,000 U.S. employees serve over 66 million households including more than 5 million small businesses, and many of the world's most prominent corporate, institutional and government clients. Last year, we became the first bank to have branches in all the contiguous 48 states and the District of Columbia, with about 4,800 branches covering about 80% of the U.S. population. We are now able to cover more of the U.S population with fewer branches in more states than in 2017, when we had ~5,150 branches in 23 states covering about 61% of the population. We are intensely focused on building trust with customers in every community we serve by making investments that will have a lasting impact for families, small businesses and neighborhoods.

The work we do at JPMorgan Chase matters, in good times, and particularly in tough times. We provide critical financing to nearly every sector, including manufacturing, service, energy, real estate and transportation. We finance federal, state and local governments for infrastructure projects for schools, bridges, hospitals, universities and transit. We finance Americans' ambitions with loans for homes, autos, and growing a small business, and provide valuable products and services to more than half of American households.

SUPPORTING THE ECONOMY THROUGH CHALLENGING TIMES

The past few years have demonstrated the resilience of the American people, government and businesses. The U.S. government moved with unprecedented speed to support the economy in the early days of the pandemic. Large, diversified banks were part of the solution and a source of strength for a troubled economy. Since the early days of the pandemic, our strength and resilience allowed us to extend more than $5.5 trillion in new and renewed credit and capital to large and small businesses, state and local governments, universities and hospitals at a time when they needed it the most. We waived hundreds of millions in fees and postponed debt repayments for consumers struggling to make ends meet. In addition, JPMorgan Chase launched several ambitious flagship programs, including our $30 billion commitment to help close the racial wealth gap and drive economic inclusion.

During the COVID-induced economic crisis:

- We were critical financial partners to businesses large and small, governments and public entities, nonprofit organizations and American households. Of the $5.5 trillion of new and renewed credit provided and capital raised for our clients in 2020 and 2021, more than $1 trillion went to small business, middle market and commercial clients, more than $600 billion went to government and nonprofit organizations and more than $550 billion to consumers.
- JPMorgan Chase was the #1 PPP lender. Over the life of the program, we funded more than 400,000 loans totaling over $40 billion. We worked closely with the U.S. Small Business Administration to help them modernize their lending platforms to handle the unprecedented loan demand. We were also proud to have participated in various Federal Reserve emergency programs, such as the Primary Dealer Credit Facility, Commercial Paper Funding Facility, Money Market Mutual Fund Liquidity Facility and the Secondary Market Corporate Credit Facility, among others. Of note, nonbanks were involved in instances of illegitimate PPP loans and Economic Injury Disaster Loan assistance, as well as stimulus money fraud, often at rates almost five times those of traditional banks like JPMorgan Chase that protected these taxpayer dollars, largely due to existing AML/KYC standards and controls, technology and fraud monitoring tools.
- Since March 13, 2020, we delayed payments due and refunded fees for more than 3.5 million customer accounts – refunding more than $250 million for nearly 2 million consumer deposit and lending accounts and offering delayed payments and forbearance on more than 2 million mortgage, auto and credit card accounts, representing approximately $90 billion in loans.
- We took steps to make sure those in need, including those without access to traditional banking services, received each round of stimulus payments quickly. We credited funds into our customers' accounts quickly after receiving them from the IRS and temporarily credited any

overdrawn accounts so customers could access the full value of their stimulus funds. We also cashed non-customer stimulus checks at our branches and waived the check cashing fee.

Large U.S. banks were more than able to weather the terrible economic storm while supporting their customers and clients, supporting the federal and local governments, and while setting aside extensive reserves for potential future loan losses. Subsequent stress tests and additional sensitivity analyses conducted by the Federal Reserve showed that large banks like JPMorgan Chase could withstand these extreme conditions – even more extreme than what we lived through – while continuing to lend to American consumers and businesses of all sizes.

BEING PREPARED FOR WHAT COMES NEXT

The U.S. economy today is a classic tale of two cities. There are headwinds and tailwinds, making it challenging to predict the future. We continue to see strong consumer spending from solid consumer balance sheets, fueled by unprecedented economic stimulus and charge off rates on consumer credit remaining historically low. There are plentiful job openings, with encouraging jobs reports that continue to surprise economic forecasters. Businesses remain healthy. At the same time, many Americans are being crushed by high inflation eroding real incomes, particularly from higher prices on gas and food. Supply chain issues persist, as does a devastating war in Ukraine. The Fed is also going through an unprecedented quantitative tightening and quickly raising interest rates in an effort to tame runaway inflation. Many Americans are feeling the pain, and consumer confidence continues to drop.

While these storm clouds build on the horizon, even the best and brightest economists are split as to whether these could evolve into a major economic storm or something much less severe. Regardless, JPMorgan Chase is prepared for even the worst outcome so we can continue to serve our customers, clients and communities, even through – especially through – the most challenging times. The investments we have made over the years, and the discipline and rigor with which we manage the firm, enable us to consistently serve American households and businesses and protect the American economy.

At the same time, the continued upward trajectory of regulatory capital requirements on America's already fortified largest banks, particularly when not reflective of actual risk, is itself becoming a significant economic risk, because unrepresentative capital requirements erode banks' ability to meet customer needs. For example, regulatory capital minimum requirements already have JPMorgan Chase setting aside more than $200 billion in capital, which is in addition to loan loss reserves. In the coming months JP Morgan's amount of required capital will increase not due to increased risk, but because long- needed adjustments have not yet been made to risk-agnostic size-based factors in parts of the capital framework, like the GSIB surcharge. This is bad for America, as it handicaps regulated banks at precisely the wrong time, causing them to be capital constrained and reduce growth in areas like lending, as the country enters difficult economic conditions. It is bad for consumers, as it forces banks to do illogical things like reducing mortgage exposure in order to drive down assets. Strong and resilient banks that can support the American economy through a crisis are key to American growth and competitiveness. I urge our nation's leaders to be thoughtful about the effect of arbitrary increases in capital requirements and its cumulative impact on lending, market liquidity and other economic activity.

HELPING AMERICANS REACH THEIR GOALS

We are intensely focused on lifting people up in every community we serve by making investments that will have a lasting impact for families, small businesses and neighborhoods. We're achieving this by offering products, services and solutions that are relevant and valuable for all customer segments.

Services for Consumers and Small Businesses

Account Access and Management
- Savings accounts
- Checking accounts
- Overdraft protection
- Paperless statements
- Account alerts
- Debit cards
- Direct deposit
- Credit cards
- Assistance from bankers
- 24/7 customer service
- 24/7 Chase Mobile® app support
- Digital wallets
- Banking on the go
- Mobile check deposits
- Access to 4,800 Chase branches
- Access to over 16,000 ATMs
- Cash withdrawals at non-Chase ATMs

Home and Auto
- Home loan prequalification
- Mortgage calculator
- Home value estimator
- Home refinancing resources
- Car buying guidance
- Auto financing prequalification
- Vehicle trade-in value

Moving Money
- Pay people through Zelle
- Bill payments
- Money transfers
- Checks
- Money orders
- Cashier's checks
- Same-day wire transfers

Financial Health
- Financial health and planning tips
- Spending summary
- Automatic saving tools
- Budgeting tools
- Credit score checks
- Financial education workshops
- Banking account access for kids

Wealth Management and Investing
- Guidance from financial advisors
- Online investing tools
- Self-directed investing accounts
- Online trading
- Investment checkups
- Market research

Security
- Debit and credit card fraud monitoring
- Fraud alerts
- Replacement debit cards
- Rushed replacement cards
- Zero Liability Protection on credit cards
- Account monitoring

Small Businesses
- Check monitoring for businesses
- Business budgeting
- Insights for businesses
- Employee deposit cards
- Educational content for businesses

Travel, Shopping and Entertainment
- Trip cancellation insurance
- Debit card currency exchanges
- Extended warranties on card purchases
- Deals on your favorite stuff
- Auto rental collision damage waiver
- Access to early ticket sales

Serving our customers

About 100,000 Chase employees proudly serve our customers through branches, call centers and online. We have about 4,800 branches and over 16,000 ATMs located in all 48 contiguous states and the District of Columbia. About 70% of our customers visited a branch in 2021.

Today, nearly one-third of our 4,800 branches are in low-to moderate income neighborhoods and nearly one-third in communities of color. One-third of our small business banking customers are in majority-minority census tracts. Detailed information on our branch footprint each year can be found in our Annual Reports.

We also serve customers over the phone from our modern and efficient call centers, where we receive an average of 32 million calls each month. Most are resolved through automated prompts, which allows us to focus our workforce more intensely on the remaining 10 million calls each month that require more specialized customer service. We are proud to say that our customers get through to a human in 44 seconds on average – with nine out of ten of those calls answered in under two minutes. Each servicing group has an escalation unit of highly experienced employees. We have a dedicated fraud and dispute call center, which receives about 3.5 million callers per month. These employees investigate all claims made by our customers based on the information they provide and other data available to us. During the early days of the pandemic, our tens of thousands of call center employees were considered "essential workers," given the important work they do for our customers, and continued to come into the office to serve our customers through very challenging times.

Our customers also value our digital servicing options. Every day, we have about 20 million active users, logging in an average of two times a day. Our digital assistant is capable of handling 77% of tasks and has about 1.2 million engaged customers each month.

Serving American small businesses

Chase is the nation's leading small business bank and recognized as #1 in customer satisfaction in the Northeast and West Regions in the J.D. Power 2021 U.S Small Business Banking Satisfaction Study. We serve about five million small businesses, helping clients safely store and move their money, process payments, access credit to expand and grow, pay their employees and manage their daily cash flows. With more than 11,000 specially trained business bankers across 48 states and the District of Columbia, we work with small business owners through our branches and at the businesses themselves.

One Columbus client is particularly illustrative of how our bankers serve small businesses. Lisa Gutierrez, now CEO of Dos Hermanos, a thriving Mexican-inspired food business, began with a borrowed food truck. Lisa thought she was unbankable when she first came to Chase, with a low credit score and little in her account. Her Business Banking relationship manager saw her differently – she had 15 years of experience managing restaurants, a passion for food, excellent family recipes and a village of support behind her. Her banker helped her make important connections to grow her business, including our friends at concessions at Buckeye Stadium. Today, Dos Hermanos generates $3 million a year, employs 45 people and includes multiple food trucks and concession stands at Lower.com Field, the Greater Columbus Convention Center and a commissary kitchen that serves an underserved community. I'm proud of this banker, and all of the Chase bankers who help customers like Lisa to grow their business every day.

Banking is personal, particularly when working with small business owners. Our small business customers are often also personal customers too and like having access to our extensive branch network with bankers to help address their needs. We have also seen an uptick in the use of digital tools by our small business customers, particularly since the pandemic. We therefore did things like raising mobile deposit limits so clients could deposit more checks remotely. We gave our bankers digital tools to interact with their customers, which was particularly helpful for screen-sharing and fixing applications for PPP. We are also developing tools to give business owners access to actionable customer insights based on their data, helping them improve their operations, staffing and marketing strategies.

We also understand that supporting small businesses and underserved entrepreneurs is key to lifting entire communities, yet many Black-, Hispanic-, Latino- and women-owned small businesses are underrepresented among firms with substantial external financing, limiting opportunities to scale their business. In 2021, the firm made a five-year, $350 million commitment to grow these businesses through low-cost, long-term capital and technical expertise for underserved entrepreneurs. We also expanded our Entrepreneurs of Color Fund, in collaboration with a network of investors, foundations and CDFIs, to fuel these small businesses.

We are committed to promoting inclusive economic growth in traditionally underserved neighborhoods through sustainable, long-term programs that increase access to credit for small businesses. Earlier this year, Chase began piloting a Special Purpose Credit Program to provide incremental credit to small businesses located in certain majority minority neighborhoods to help them invest and grow. We have seen promising results to date that demonstrate we are responsibly extending more credit to more businesses in these historically underserved areas, and we look forward to expanding this program nationwide before the end of the year.

Community building through community banking

A local bank branch, especially in a low-income neighborhood, can be successful only when it fits the community's needs. That is why over the last several years we have shifted our approach to how we offer access to financial health education, as well as low-cost products and services, to help build wealth, especially in Black, Hispanic and Latino communities. We are delivering this approach through our ***Community Center branches***, unique spaces in the heart of urban communities. Beginning with Harlem in New York City and Ventura Village in Minneapolis, we have recently opened new Community Center branches in neighborhoods like Stony Island in the South Shore of Chicago, Crenshaw in Los Angeles, Goodyear Heights in Akron, Ohio, Anacostia in Washington, D.C., and Little Havana in Miami. These branches have more space to host grassroots community events, small business mentoring sessions and financial health seminars. With branches expanding to Atlanta, Baltimore, Philadelphia and Tulsa, we expect to have more Community Center branches serving customers in underserved communities in the year ahead.

The Community Manager, a new role within the bank, primarily functions as a local ambassador to build and nurture relationships with community leaders, nonprofit partners and small businesses. We have now hired over 100 Community Managers in underserved communities and intend to keep growing that number. Our Community Managers have hosted more than 1,300 financial health events with over 36,000 people in attendance and have participated in 600+ community service events. We want people who live and work in these communities to feel welcome and included when they visit our branches (and even bring the dog). They are also likely to know the employees in the branch, as we hire locally — people who live in the community and care about serving their neighbors. I've attended many grand openings of our Community Center branches in person and have been so impressed to see the personal dedication of our employees to their community.

Our business is only as strong as our communities, so we increased our investments in places like Mattapan in Boston and Oak Cliff in Dallas to help local **minority small businesses access the capital** and support they need to grow. We've expanded our **homebuyer grant program**, which provides $5,000 to cover closing costs and down payments when customers buy homes in 6,700 minority neighborhoods nationwide.

Evolving from "community banking" to "community building" is important in serving communities where it is long overdue. While it is early, our approach has the promise to create real local impact.

Protecting our customers' privacy

Just as our customers trust us to protect their money, so too our customers trust us to protect their personal information. Building the best products and services relies on our collection, use and sharing of all manner of personal information and financial data every day, and we have processes to manage that data in accordance with the laws, rules and regulations. But legal compliance is just the foundation – our multi-faceted approach to addressing privacy and data protection risks includes maintaining and evolving our internal controls, establishing policies covering all stages of the data lifecycle and deploying appropriate technology. Our internal policy on personal information applies globally to our legal entities as well as third parties that handle personal information on our behalf.

We provide a wealth of information to our customers about privacy and security. In addition to traditional privacy notices, we often publish related materials such as frequently asked questions and tips for keeping personal financial information safe, and make it easy for customers to set their privacy preferences. We have a wide range of technological, administrative, organizational and physical security measures designed to safeguard the confidentiality, integrity and availability of personal information.

Of note, we are proud of our leadership in developing a secure Application Programming Interface (API) that gives our customers control and visibility in sharing specific account information from only the accounts they choose and with only the apps or companies they choose. In addition, our API eliminates the need for customers to share their Chase username and password with aggregators and third parties, effectively ending the practice of screen scraping Chase accounts. Since mid-2020, we've required all apps and companies to start moving over to the API and to meet high standards for data protection and use.

Paying millions of transactions without overdraft fees

Our customers have told us they want convenient access to funds to help them when they are short on money in their accounts. These "overdraft services" help customers make critical payments, like covering a rent check, or automatic withdrawals by third parties, like utilities, which may help customers avoid a late fee or negative impact on their credit report. For those customers who need to buy gas and groceries and are short on funds, they can opt into "debit card coverage" to cover these important purchases. This service can be more affordable than many nonbank services like payday loans or check cashing services and can also be more affordable than the late fee the customer avoids – like an unpaid parking ticket in Washington, D.C. that costs double the amount of the original ticket, for example.

Today, nearly 70 percent of transactions that we cover via overdraft incur no overdraft fee at all. Improvements we made in 2021 to our overdraft services program, including a -$50 balance cushion before incurring a fee and elimination of the non-sufficient funds fee, helped more than 3.5 million accounts avoid overdraft fees, and that number continues to grow by the day. In June 2022, we added a new feature, giving customers an extra business day to bring their account balance to -$50 or less to avoid overdraft fees. As a result, in the second quarter of 2022 alone, Chase paid nearly 17 million transactions despite a shortage of funds in the account – a prescription at a pharmacy, a few gallons of gas, milk and toilet paper at the grocery store – with no overdraft fee at all. Overall, our overdraft fee revenue has declined by ~40% since before the pandemic (Q42019).

We give our customers tools to make informed choices and help them manage their accounts and avoid overdrawing, such as alerts – something used by most of our customers. For those customers who prefer not to have access to overdraft at all, we offer an account called "Secure Banking," which is our BankOn certified product that has no overdraft services, and therefore no overdraft fees.

Fighting to protect our customers

Each year we proactively identify nation-state and cybercriminal threats to protect the firm and its suppliers, while also stopping more than $5 billion in fraud attempts. We are also focused on helping our customers avoid scams – a decades old form of crime where bad actors prey upon some of the most vulnerable Americans, tricking them into paying with cash, checks, wire transfers, cryptocurrencies, gift cards or more recently peer-to-peer payment platforms

On the Zelle network specifically, more than 99.9% of all transactions are authorized by the consumer and fraud rates have decreased over time due to fraud prevention and detection techniques implemented by banks like Chase. At Chase, our financial crimes and cybersecurity experts work to identify patterns and other markers where scams are more likely to occur and invest significant resources to help our customers avoid becoming a victim. When bad actors are identified, Zelle's participant institutions restrict the bad actor's access to Zelle and report the transaction for monitoring. We reimburse customers for unauthorized transactions reported in a timely manner. Overall, we reimburse an average of $1.6 million each month for fraudulent payments.

Unfortunately, banks including Chase have seen a number of scams involving a bad actor deceiving a customer into sending money via Zelle by impersonating a bank representative. The bad actor contacts the customer claiming to be helping resolve fraud on the account and asking the customer to send money "to themselves." The customer is then duped into providing access credentials – like a one-time passcode – to the bad actor who then registers the customer's email or phone number as their own in a different account. The customer then sends money to their own email or phone number, not realizing that these are now tied to a bad actor's account. Chase has been reimbursing customers for this impersonation "token flip" type of "me-to-me" scam. We also prominently remind customers, in the Zelle experience, that Chase will never contact them asking them to send themselves money.

These are serious issues requiring collaboration between business, government and law enforcement to address. We identify and refer suspicious activity through the Financial Crimes Enforcement Network, which law enforcement may access to assist with their investigations. However, on a local level, we recognize that law enforcement has limited resources, and many cases largely go unprosecuted. We would welcome the opportunity to work with our nation's leaders to help prevent fraud and scams, including a more formalized public-private partnership between financial institutions and local law enforcement to help them investigate and prosecute these crimes and bring justice for victims.

ADVANCING RACIAL EQUITY, DIVERSITY AND ECONOMIC EQUALITY

We have made strong progress over the past few years to create a more inclusive company and promote equity in all our communities. We are as committed as ever to doing what is right and just. I will spotlight a few areas of focus and describe the progress we have made:

A More Diverse Workforce

We continue to believe that if our team is more diverse, we will generate better ideas and better outcomes, enjoy a stronger corporate culture and outperform our competitors. This appears to be proving true. Despite the pandemic and talent retention challenges, we continue to boost our representation among women and people of color. Here are some examples:

- By the end of 2021, based on employees who self-identified, women represented 49% of the firm's total workforce. Overall Hispanic representation was 20%, Asian representation grew to 17% and Black representation increased to 14%. More detailed information can be found in our 2021 Workforce Composition Disclosure. More women were promoted to the position of managing director in 2021 than ever before; similarly, a record number of women were promoted to executive director.
- We expanded our global Diversity, Equity and Inclusion department to include three new Centers of Excellence: Advancing Hispanics and Latinos, The Office of Asian and Pacific Islander

Affairs, and The Office of LGBT+ Affairs. These added to the existing Advancing Black Pathways Center of Excellence.

- To promote greater participation in our workforce by Black professionals, we expanded our Historically Black Colleges and Universities partnerships to 19 schools across the U.S. to boost recruitment connections, expand student career pathways and support long-term student development and financial health. As part of this effort, we launched a JPMorgan scholarship program for 75 students interested in the financial planning profession, including internship opportunities, training and licensing support.
- JPMorgan Chase hired more than 4,300 people with criminal backgrounds in 2021, approximately 10% of our new hires. The firm also supported Clean Slate legislation to help clear or seal eligible criminal records and open access to jobs in places such as Connecticut, Delaware, Michigan and most recently in Colorado — and continues to push for measures in New York, Texas and Washington state.
- We just celebrated the 10th anniversary of the Veteran Jobs Mission, a coalition JPMorgan Chase co-founded in 2011 as the 100,000 Jobs Mission. It began as 11 companies committed to hiring military talent across the private sector, and now membership exceeds 300 companies with more than 830,000 veterans hired. JPMorgan Chase alone has hired over 17,000 U.S. veterans since 2011, including more than 1,200 in 2021, 58% of whom self-identified as being ethnically diverse.

An Update on Our $30 Billion Racial Equity Commitment

The murder of George Floyd highlighted what we already knew: More was required by all of us to address systemic racism. In October 2020, less than five months after his tragic murder, our company made a $30 billion commitment to help close the racial wealth gap. We committed to trying new things and putting the full force of our firm behind solutions that could really make an impact. By the end of 2021, we had deployed or committed more than $18 billion toward our goal.

These are new business commitments that focus on increasing homeownership, expanding affordable rental housing and growing small businesses in Black, Hispanic and Latino communities. We committed to spending more with Black, Hispanic and Latino suppliers, improving financial health and access to banking for the underbanked, investing in minority depository institutions (MDI) and community development financial institutions (CDFI), and investing in communities through philanthropic capital. Here are some details on our progress to date:

- **Affordable Rental Housing**: We approved funding of approximately $13 billion in loans and equity investments to create and preserve more than 100,000 affordable housing and rental units across the U.S.
- **Homeownership**: We established a Community and Affordable Home Lending business, hiring over 150 Community Home Lending Advisors and expanding the Chase Homebuyer Grant to $5,000 to help cover customers' closing cost and down payments for homes purchased in 6,700 majority-minority neighborhoods nationwide.
- **Small Business**: We hired diverse senior business consultants to provide free one-on-one coaching for minority business owners in 15 U.S. cities and to mentor more than 1,000 small businesses to help access information, capital, banking solutions and other resources to grow their businesses.
- **MDIs**: We invested more than $100 million in equity in 15 diverse financial institutions that serve nearly 90 communities in 19 states and the District of Columbia.

- **CDFIs**: We provided more than $190 million in incremental financing to CDFIs to support communities that lack access to traditional financing.
- **Supplier Diversity**: In 2021, we spent an additional $155 million with 140 Black, Hispanic and Latino suppliers – more than doubling the first-year spend goal.
- **Access to Banking**: We helped more than 200,000 customers open low-cost checking accounts with no overdraft fees; opened 10 additional Community Center Branches, often in areas with larger Black, Hispanic and Latino populations; and hired over 100 Community Managers in underserved communities to build relationships with community leaders, nonprofits and small businesses.

While our investment commitment is significant, there is no doubt we – both as a company and society – have more work to do. Our focus today and moving forward is on sustainable, long-term systemic change, rather than short-term programmatic impact. We are actively tracking our investments over time to evaluate their impact and recently announced our plan to perform a Racial Equity Audit, to be conducted by independent auditors, in order to hold ourselves accountable and to ensure we have the resources in place to advance racial equity. This audit builds on the firm's existing risk and control efforts, including an internal audit function, which has been reviewing and evaluating processes, products and obligations related to the firm's Racial Equity Commitment. JPMorgan Chase will prepare and publish a report based on the results of the audit by the end of 2022.

Diverse venture capital funds

We launched a new initiative called Project Spark, which is aimed at providing capital to diverse, emerging alternative managers, including minority-led, women-led, and veteran-led venture capital funds and certain other private funds. To date, the initiative, which is managed by diverse senior executives across our Asset Management business, has a budget of $140 million in funding and has committed more than $55 million in investments across 12 emerging managers.

Bringing visibility to credit invisibles

In partnership with the OCC's Project REACh, last Fall we launched a pilot for a new utility that begins to address the 50 million Americans who are "credit invisible" and cannot access affordable credit. Working with Early Warning Systems and the three credit bureaus, a participating lender can use the applicants' deposit data to improve their ability to assess the creditworthiness for customers with no credit history or credit score. Thousands of customers have been able to access credit because of this utility and that is just the beginning of new opportunities for more Americans to access the credit that is essential to building wealth.

Revitalizing communities with affordable housing and homeownership

We continue our efforts to help expand homeownership for Black, Hispanic and Latino households and, in doing so, help to stabilize and revitalize communities across the country. We are expanding our affordable lending products and plan to continue prudently expanding Federal Housing Administration ("FHA") lending. We are also exploring new financing options and working with public resources to support the development of vital community facilities and new affordable housing units.

Last year, we announced a five-year $400 million philanthropic commitment to help address housing stability, affordability and wealth creation. We also announced new business practices such as the new Chase Community Home Lending Advisor roles, which will help more people on the journey to homeownership. We're also actively finding better ways to address valuation bias in the residential appraisal process.

Affordable housing is a national challenge requiring collaboration among businesses, government and communities. Our government leaders should consider policy reforms that increase funding for rental assistance and housing vouchers. Also, to encourage greater participation by financial institutions in increasing affordable homeownership, the Federal Housing Administration must move forward with reform efforts to both rationalize and modernize its rules around originating and servicing loans to be able to serve the needs of consumers most in need of these products.

SUPPORTING AMERICA

The work we do at JPMorgan Chase matters. For the countries, companies, customers and communities we support, our work matters in good times – and is particularly important through challenging times. The last volatile year has brought disruption and stress for so many as the world grapples with war in Ukraine, economic volatility and inflation, climate change and energy insecurity, and a pandemic. It has also shown what great companies with the size and scale of JPMorgan Chase can do as a source of strength for the economy. Because of the investments we have made over the years to build a strong and healthy company, we can consistently serve and finance American households and businesses, while building our communities and protecting America and the American economy.

- **Lifting up the U.S. economy**. We recognize our role as a guardian of the economy and the country and we take that role seriously. We underwrite IPOs and provide federal, state and local governments financing for schools, bridges, hospitals, universities and transit. We move nearly $10 trillion in payments every day. We finance Americans' dreams with loans for homes, autos and starting or growing a small business. We provide critical financing to nearly every sector, providing trillions each year in new and renewed credit and capital to large and small businesses including in manufacturing, service, real estate, energy, transportation, non-profits and the government.
- **Investing in American communities**. JPMorgan Chase is working to advance economic opportunities and the long-term health of communities across the world, through our skilled global workforce, expertise, resources, unique data and collaboration with expert local partners. The firm has committed $500 million to help drive inclusive, equitable growth and create greater economic opportunities in U.S. communities that have historically not benefitted from growth in the broader economy. We have made large-scale investments in locations across the country – including Detroit, Chicago, San Francisco and the Greater Washington, D.C. Region – where conditions are right for success and broader, deeper investments are needed to drive inclusive growth. Such local programs include investments in job training and placement programs, small business capital and technical assistance, financial health and affordable housing – made more powerful when we pair these investments with new or modernized branch locations and increased consumer and small business lending.
- **Supporting rural America**. Last year, JPMorgan Chase provided over $40 billion in lending and investments to rural areas and small towns across America to support local farms, agribusiness and manufacturing facilities and to open and expand local grocery stores, healthcare facilities and schools. These efforts help create jobs, drive inclusive growth and boost local economies – that's why we're looking to do even more over time. Our recent branch expansion made us the first bank to be in all 48 lower states. We are now opening our first branches in places like the Dakotas, Alabama and Mississippi, and are eying further expansion. Finally, we're continuing to provide significant strategic advice, capital raising and risk management expertise to large and mid-size companies in states like Alabama, Mississippi, Kentucky and Florida, including the aerospace, manufacturing, automotive, energy, IT and agriculture industries.

- **Fueling good jobs – and careers – for Americans**. JPMorgan Chase alone employs nearly 160,000 people in the U.S. We pay a good living wage with full benefits and provide career growth opportunities. Jobs bring dignity. The first job is often the first rung on the employment ladder – and people who start working generally continue working. We have steadily been increasing pay for entry-level employees, and for the fourth time in five years, we increased pay to at least $20 to $25 per hour, depending on location, with a benefits package worth more than $16,000 a year. In a state like Ohio, for example, our entry level wage is twice as much as Ohio's minimum wage, and our hourly average rate for non-exempt employees is nearly three times as much. Seventy percent of our workers who started here five years ago who made less than $40,000 are still with the company and have since received a 40% increase in compensation. Through our suppliers, we support another 24,000 employees full time. JPMorgan Chase also finances U.S. businesses, big and small, who collectively employ hundreds of millions of Americans and help them grow and prosper as businesses.
- **Contributing billions in taxes**. In the last 10 years, we paid $42 billion in federal, state and local taxes in the U.S. and $17 billion in taxes outside of the U.S. We also paid the Federal Deposit Insurance Corporation $11 billion so that it has the resources to cover the failure of any major bank.
- **Offering a second chance for Americans with criminal records.** America still has more job openings than job applicants, yet there are worthy and qualified candidates facing unjust obstacles to securing a good job: people with criminal records. As noted above, in 2021 more than 4,300 people with arrest or conviction records joined JPMorgan Chase, thanks to concerted efforts to clear pathways for these candidates. We have adjusted our hiring policies and been a leader in "banning the box" on job applications to help ensure that qualified applicants with criminal backgrounds receive the same consideration as any other applicant, advocating for Clean Slate policy reforms in Congress and at a state level and working in close collaboration with nonprofit organizations in local communities like Chicago, Columbus and Phoenix. We also proudly helped to lead the creation of the Second Chance Business Coalition, which includes 43 large private-sector firms committed to expanding second chance hiring.
- **Providing energy security and a transition to clean energy**. The war in Ukraine, ongoing sanctions and supply chain disruptions reinforce the global need for providing energy that is secure, reliable and affordable. There is also a need to accelerate collective progress in addressing climate change. These objectives are not mutually exclusive. We can and must do both. JPMorgan is among the largest financers of both traditional and clean energy. Working with clients and private and public sector partners, we are helping promote energy affordability and security, and remain fully committed to reducing emissions, scaling investments in new green technologies that create more supply, and advancing policies that spur long-term, large-scale capital deployment for low-carbon solutions that create jobs and economic growth. There is no quick fix to meet the world's energy and climate goals. But tackling both of these challenges is built into how we serve our customers, clients, and communities and maximize value for shareholders each day.
- **Supporting law enforcement in deterring financial crime**. As guardians of the financial system, we continue to devote considerable resources to support law enforcement and national security efforts to help detect and stop money laundering, terrorism financing, sex trafficking and other financial crimes, with thousands of employees and hundreds of millions of dollars devoted to this national and global priority. JPMorgan has taken a leadership role in advocating for Anti-Money Laundering (AML) reform to drive the regime towards more proactive and effective

intelligence-led investigations and develop innovative techniques to help combat financial crime.

- **Protecting critical infrastructure from cyberattacks**. Cyber threats pose extreme hazards to our company and our country. This has become more evident as the cost of ransomware has increased dramatically, and it is evident to everyone that grave damage could be inflicted if cyber is widely used as a tool of war. Due to significant investments in cybersecurity, we believe our company has some of the best cyber protections in place and the best talent to monitor and guard our information. JPMorgan has proudly partnered with the financial services industry, designated critical infrastructure, and U.S. government agencies to help build national resilience and protect the country. Lori Beer, our Global Chief Information Officer, is serving on the CISA Cybersecurity Advisory Committee, which recently offered recommendations on how to best enhance public-private partnership and protect systemically important entities from cyber threats.
- **Implementing U.S. and Allied sanctions**. As part of the international response, the Biden Administration has strategically imposed a broad range of sanctions and export controls directed at specific Russian targets. We have worked closely with the U.S. government to understand, implement and comply with all sanctions. Managing these evolving sanctions has been an enormous undertaking for all global financial institutions, who have quickly and diligently implemented multilateral sanctions on Russia's major banks, its Central Bank, companies and individuals.

Through challenging times, JPMorgan Chase has led with a tireless focus on doing the right thing, even when it's not easy or expedient.

OUR SHAREHOLDERS HOLD US ACCOUNTABLE

Our success and accomplishments are founded on our commitment to our shareholders. Shareholder value is built ***only*** by maintaining a healthy and vibrant company, which means doing a good job taking care of your customers, employees and communities. Shareholder value has increased because of – not in lieu of – a rejection of short-term thinking. Neglecting any of these stakeholders will harm the company, and therefore our shareholders.

While JPMorgan Chase stock is owned by large institutions, pension plans, mutual funds and directly by individual investors, in almost all cases, the ultimate beneficiaries are individuals in our communities – real people. More than 100 million people in the U.S., including teachers, law enforcement, healthcare workers, firefighters and people saving for retirement or education, either directly or indirectly own stock, and a large percentage of these individuals own JPMorgan Chase stock. These shareholders are rewarded as the value of our stock increases and we are able to distribute excess capital.

We take our responsibility to these shareholders seriously and reinvest every dollar we can – measured in the tens of billions of dollars – back into our company to maintain a fortress balance sheet, constantly innovate, nurture talent, comply with regulations, continually improve risk management, governance and controls, and serve customers and clients while lifting up communities. Neglecting any of these critical investments or stakeholders will harm the company, and therefore our shareholders. Only after these investments do we then turn to paying a sustainable dividend, followed by returning any remaining excess capital to shareholders – the real people that own our company. More detail can be found here.

I want to close by thanking our employees for the tireless work, ingenuity and singular focus on doing right by our customers. Over these last few years, many of you have faced personal challenges because of the pandemic, whether it was your own health or the health of a loved one, or caring for your children as they struggle with education needs or unpredictable childcare schedules and school closings. At the same time, our work has hardly been more challenging, or more important, than the last several years. You continue to persevere, with a grace and fortitude that makes me proud. I have been particularly moved by our essential worker population, the tens of thousands of you who continued to come to work during the height of the pandemic – our branch employees, call centers, security and building services, check processing, vaults and others whose jobs could not be performed at home. You have my deep gratitude. And for all JPMorgan Chase employees, who perform your jobs with integrity and excellence every day – you embody the best of American values and make your country proud.

Thank you, Members of the Committee, for the work you do for our country. I look forward to working with all of you to solve the challenges facing our country and help to grow and safeguard the economy.

I welcome any questions that you may have.

HEARING BEFORE THE U.S. HOUSE COMMITTEE ON FINANCIAL SERVICES

September 21, 2022

Testimony of Jane Fraser,
Chief Executive Officer, Citi

Chairwoman Waters, Ranking Member McHenry, and Members of the Committee: Thank you for the opportunity to represent Citi today.

When a similar group convened with this Committee last year, we shared how our banks supported the economy during the global pandemic. Today, the worst of Covid may be behind us, but the economic challenges we face are no less daunting. And while the world has changed a lot in the last few years, our commitment to serving the millions of Americans and thousands of businesses we call customers has not. The reforms you put in place – and the work we've done since the financial crisis to strengthen our bank's financial foundation and risk management – have enabled us to continue serving as a source of stability.

While today I am a proud American citizen, as someone who grew up in the UK, I can attest that the banking system and capital markets here in the U.S. are the envy of others. A competitive and diverse banking landscape ensures more choice and efficiency for customers while helping expand access to credit in communities that need it most. Banks are essential to American competitiveness abroad and a reason why the U.S. is a top destination for foreign investment.

Through Citi's extensive global network and footprint, we partner with the most iconic American institutions, including the federal government, to navigate markets. As businesses large and small adjust to the evolving economy, we help them build resiliency, reconfigure supply chains and adapt to inflationary pressures. We help partners in the private and public sectors to finance the capital investments that help America's economy compete in the 21st century. Last year, Citi worked with state and local governments to catalyze more than $27 billion in infrastructure, such as schools, hospitals and roads. Many of these large projects wouldn't have been possible without a bank of Citi's scale to back them.

Citi Today and Tomorrow

Our vision for Citi is to be the preeminent banking partner for institutions with cross-border needs, a global leader in wealth management and a valued personal bank in our home market of the U.S. It has led us to focus on five interconnected businesses: Services, Markets, Banking, Global Wealth Management and U.S. Personal Banking. This comes after a restructuring following the global financial crisis during which we shed more than 70 businesses and divested more than $800 billion of non-core assets.

Our retail bank serves roughly 70 million customers in the U.S., where we operate 651 retail branches concentrated in the six metropolitan areas of New York, Washington, D.C., Miami, Chicago, San Francisco and Los Angeles. We have fewer than the approximately 1,000 branches we had 10 years ago, but more than the 450 branches we operated at the turn of the millennium. Roughly 29% of our branches are in low- and moderate-income census tracts. Through investments in our digital capabilities, new and expanded partnerships, and our role as the nation's second largest credit card issuer, we have been able to extend our reach beyond our core, physical footprint to serve communities across the country and deepen customer relationships.

In the invitation to testify today, the Committee requested that we provide updates and additional information regarding Citi's initiatives in several areas. Citi's responses to those questions appear throughout the remainder of the testimony below or in the appendix.

Meeting Small Business and Housing Demand

Earlier this year Citi was named the largest financer of affordable multifamily housing in the country for the 12th consecutive year. We are proud of our leadership in this space. Over those 12 years, we have helped create or preserve nearly 400,000 affordable housing units across the U.S. In 2021 alone, the $5.6 billion Citi financed went to support 32,000 new affordable housing units in 32 states from California to Ohio to New York.

Citi is also helping Americans achieve the dream of homeownership through our mortgage lending and by working to remove some of the barriers that borrowers encounter. We recently announced a special purpose credit program that will grow our lender paid assistance programs, including our HomeRun program, which permits low down payments and removes mortgage insurance requirements for eligible borrowers with low to moderate incomes. These enhancements will expand income eligibility and distribution of lending solutions to serve more diverse consumers within and outside of our bank's physical footprint.

Citi continues to strengthen relationships with homeownership counseling groups, such as HomeFree-USA, and is participating as a member of the Office of the Comptroller of the Currency's Project REACh Homeownership workstream to promote financial inclusion through greater access to credit and capital. We have also expanded our community lending team and its continue to invest in our digital mortgage capabilities to better reach all communities, including underserved markets. Recently, Citi committed $200 million of equity to the preservation of affordable and workforce housing projects that will be co-managed by five Black investment managers.

We offer a number of products, including Small Business Administration (SBA) loans, term loans, commercial mortgage loans and credit card lending through our Branded Cards and Retail Services portfolios. The lending we provide as the nation's second-largest credit card issuer translates into essential liquidity for consumers and small businesses. Citi's supply chain financing offering in our institutional business also provides critical early financing for small and medium-size enterprises that supply large companies around the globe.

During the pandemic, we were proud to stand up a robust Paycheck Protection Program (PPP) to meet the extraordinary needs of the time. We have applied the learnings from PPP and have grown our SBA lending team to expand our lending relationships with small businesses. We also recently launched a program called "Bridge Built by Citi," which is a digital lending platform that connects small businesses to local and regional banks for their commercial lending needs.

In 2021, we provided small businesses with more than $11.8 billion in funding, with supply chain financing and credit card products accounting for a significant share of that total.

Closing the Racial Wealth Gap

Breaking down barriers to banking is also a priority. We understand that communities of color face disproportionate challenges when accessing financial products and we are working to expand banking services and increase access.

Two years ago, we launched Action for Racial Equity to help close the racial wealth gap and increase economic mobility in the U.S. We have already invested more than $1.1 billion in strategic initiatives, exceeding our original commitment made in 2020.

Earlier this year, we launched a first-of-its kind diverse financial institutions group to lead our engagement with minority depository institutions (MDIs) and help them to scale and expand into new markets. This work includes a groundbreaking rotational program that embeds Citi executives within MDIs for up to a year.

Citi recently enlisted three of our partner MDIs to take part in a $1.2 billion syndicated corporate loan. We also worked exclusively with five Black-owned firms to syndicate a $2.5 billion bond.

We launched the Citi Impact Fund in 2020 to invest our own capital in "double bottom line" U.S. companies. Just this month we expanded the Fund to $500 million. More than 40% of the companies receiving investments are founded or co-founded by Black entrepreneurs.

Expanding Access to Financial Services

This past summer, we became the first of the largest U.S. banks to completely eliminate overdraft fees and returned item fees for our customers. We are expanding banking services in communities of color by extending surcharge-free access to Citibank ATMs through our Citi ATM Community Network of 32 community banks, 16 of which are MDIs. We have expanded our Citi Start Savings Platform, which we first launched with the City of San Francisco to help families establish no-cost education savings accounts, to Los Angeles, San Diego and Atlanta.

We've also pioneered partnerships with other institutions that help us make an impact beyond the six U.S. cities where we have retail branches. Since 2020, the Citi Foundation has committed $115 million in funding to Community Development Financial Institutions (CDFI) and other community-based change agents and Citi has made $44 million in equity investments and $57 million in revenue-generating opportunities with 11 MDIs.

Citi is committed to complying with all applicable laws, including fair lending and other anti-discrimination laws. When we have fallen short of that commitment, we have recognized it and remediated the affected parties.

Diversity at Citi

We maintain a culture that embraces the diversity of our people and the communities we serve. Today, 58% of our board of directors are women and 8% are racially/ethnically diverse. I am proud to be the first woman to run a global financial institution and equally proud to serve alongside our CFO, Mark Mason, who is one of the most senior Black executives in our industry. Of Citi's executive management team, four are women and five are racially/ethnically diverse.

We recognize the importance of transparency and accountability to our diversity efforts. In 2018, Citi was the first major U.S. financial institution to publicly disclose its adjusted pay gap comparing compensation of women to men and U.S. minorities to U.S. non-minorities. Since 2019, Citi has disclosed both its raw and adjusted pay gap for women globally and for minorities in the U.S.

In 2018, we set three-year goals to increase at the senior levels of our firm the percentages of women globally and Black talent in the U.S. Last year Citi exceeded those aspirational representation goals and we are expanding our goals to include additional markets and under-represented groups, including Hispanics and Latinos in the U.S, Black, Asian and other minorities in the UK, and members of the LGBTQ+ community across the globe.

To help recruit more racially diverse talent, we have established talent pipelines with historically Black colleges and universities and have expanded the diverse slates of candidates we interview for open roles. To help solve the two-pronged issues of representation and pay equity, we must have more women and minorities in senior, high-paying roles. Last year, we celebrated the promotion of one of the largest and most diverse managing director classes in recent years.

Data Security and Privacy

At Citi, our customers trust us to protect their most important assets and today their data is near the top of that list. We put the highest priority on keeping customer and Citi data safe and secure, and we understand the role we play in helping to protect the critical infrastructure that runs our financial system. With the proliferation of new technologies, the use of mobile and cloud and managed services to conduct financial transactions, a changing geopolitical landscape and the increasing sophistication of threat actors, Citi and other financial institutions have been and will continue to be subject to cyber incidents. Recognizing the significance of these risks, Citi employs a threat-focused, data-driven strategy to protect against, detect, respond to and recover from cyberattacks. We actively participate in industry, government and cross-sector knowledge-sharing groups to enhance our resilience. We also devote significant resources to implement, maintain, monitor and regularly upgrade our systems and networks. In addition, we have implemented multiple layers of controls, including intrusion detection and prevention, endpoint detection and response, as well as various other prevention, detection and response processes.

The fair, ethical and lawful collection, use and processing of customers' personal information is essential to build trust, provide best-in-class services and achieve our corporate objectives. To help meet this goal, Citi has established both a global Chief Privacy Officer, as part of our

Independent Compliance Risk Management team, and a global Chief Privacy Counsel, under the General Counsel's Office. Our privacy program provides a framework for Citi businesses and functions to manage privacy and confidentiality risks for the firm.

Citi does not sell personal information. In our U.S. consumer business, as reflected in our privacy notices (sample enclosed in the appendix), Citi shares information with third parties we partner with and those that provide services to us in the operation of our business. These third parties are required to comply with our privacy requirements. Controls and monitoring are in place to ensure they are compliant. Citi may share de-identified or aggregated information with third parties to help deliver products and services and for other business purposes. We allow customers to opt out of affiliate or third-party sharing for marketing.

Approach to Emerging Technologies

Citi prides itself on both financing emerging technologies to enable progress and leveraging them responsibly to better serve our customers. With a focus on risk and controls as our guiding principle, we believe new technologies can help us meet changing needs in the market and improve the user experience for our clients. For example, our digital wallet investments and our partnerships with mature digital wallet providers enable us to streamline and simplify payments across merchants and devices. Similarly, we leverage artificial intelligence in fraud prevention and for credit-scoring, in support of our responsible and customer-centric approach to decision-making.

Last year, we established a dedicated Center of Excellence for Artificial Intelligence and Machine-Learning (AI/ML) to develop best practices and help set standards for AI/MI in our products and services. This group will enhance our internal processes and further strengthen our risk and control functions in line with the AI/ML ethical principles we had already developed. We are committed to the safe use of AI/ML across the bank, under strong governance, so we can stay at the forefront of digital developments and continue innovating at a pace that helps us compete and deliver for our clients.

In the distributed ledger technologies (DLT) and digital assets space, Citi is focusing resources and efforts to adapt to the fast-evolving environment and the risks and opportunities it brings, including client interest, regulatory developments and technology advancements. We are taking a measured approach based on client demand and under strong governance scrutiny, and only as allowed by our regulators. Similar to our approach to AI/ML, we launched a DLT Center of Excellence this year. It will enable us to consistently drive appropriate levels of governance, risk management and responsible innovation in any use of DLT and digital assets across the organization.

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I hope my pride in Citi's story has come through, but I also want to be clear about recognizing the need to continue improving: We're never satisfied with where we are, and we strive to build an even better bank for the future. Thank you for the opportunity to speak with you about the work we're doing to support American consumers and businesses.

Appendix

Approach to Consumer Fees

Through our Affordable Access to Banking Initiative, we continue to expand banking services across the U.S., including in communities of color, by offering the Citi Access Account Package. This initiative includes low or avoidable monthly service fees, low-cost checking and savings products along with digital capabilities to several national and regional community partners such as the National Urban League, and the Local Initiatives Support Corporation.

Citi eliminated overdraft and non-sufficient funds (NSF) fees earlier this year. This change didn't happen overnight and demonstrates our long-held commitment to have a customer-friendly approach to fees. Importantly, we did not eliminate the ability to overdraft, just the fee, allowing for needed customer flexibility. Before eliminating this fee in 2022, Citi collected approximately $103 million in overdraft and NSF fees in the U.S. in 2021.

Other fees charged on deposit and credit products include fees for late payments, annual fees and monthly service fees and wire transfer fees. With respect to fee revenues paid by retail and credit card customers to Citi in the U.S., the amount reported in 2021 was approximately $2.7 billion or about 8% of Citi's total revenue in North America. This revenue and the percentage of revenue they account for have been relatively consistent over the last 10 years.

Arbitration clauses in contracts with consumers, employees, investors, and contractors

Select consumer products offer arbitration as a way to resolve disputes with an opt-out right for retail bank and credit card customers, and there are no arbitration clauses in our mortgage products. We do require arbitration of employment disputes for U.S. employees, as permitted by law and as is customary in many firms in our industry and others. Our arbitration agreements with our employees specifically state that they are not prohibited from reporting their concerns to government agencies, such as the Equal Employment Opportunity Commission, other state and local human rights agencies or our regulators.

Capital Markets Activities

Citi's Banking, Capital Markets and Advisory division provides comprehensive relationship coverage and a full suite of products and services in an effort to be the best possible financial partner to its institutional clients. More information on Citi's offerings within this division can be found at https://icg.citi.com/icghome/what-we-do/bcma.

Compensation, including minimum wage, and claw back policies.

Citi's compensation policy is designed to encourage prudent risk-taking and management of controls while attracting the world-class talent necessary to our success. Our approach is summarized by the following five objectives: reinforce a business culture based on the highest ethical standards; manage our risks by encouraging prudent decision-making; reflect regulatory guidance in compensation programs; attract and retain the best talent to lead us to success; and align compensation programs, structures, and decisions with stockholder and other stakeholder interests.

To support compensation decisions and to promote accountability among executives, we evaluate their performance across four pillars – risk and control, financial, client and franchise and leadership. The results of these evaluations, combined with the market rates of pay adjusted to reflect each executive officer's experience and the scope of his or her role in our system, form the basis for our compensation committee's determination of incentive compensation amounts.

We provide a minimum hourly wage of $18 for all U.S. employees; the average teller is paid more than $21 per hour; and the median hourly wage is $46.88. In 2021, CEO Jane Fraser's compensation compared to the median pay of U.S. employees was a ratio of 211 to 1.

Our robust claw back policies are applicable to incentive awards to executive officers and all other employees eligible for similar awards. We reserve the right to recover unvested deferred incentive compensation under a range of misconduct scenarios and adverse outcomes. We will also consider making public disclosures whenever a decision has been made to cancel deferred compensation payable to an executive officer because he or she had significant responsibility for a material adverse outcome or otherwise.

In regards to employee bargaining rights, we respect the legal rights of our employees.

Environmental and Social Risk Management

Citi manages and mitigates credit and reputational risk through a number of internal initiatives, including Citi's Environmental and Social Risk Management (ESRM) Policy. The ESRM Policy provides the framework for how Citi identifies, mitigates and manages the potential environmental and social risks associated with customers' activities that could lead to credit or reputational risks to the company. More information on Citi's ESRM policy can be found here: https://www.citigroup.com/citi/sustainability/policies.htm.

Climate change presents risks to Citi and its clients that will increase over time. We are committed to helping our clients mitigate these risks and transition to cleaner energy. To that end, we committed Citi to net zero emissions by 2050 and we presented our initial approach to get there in our most recent Taskforce on Climate-Related Financial Disclosures Report that can be found at https://www.citigroup.com/citi/sustainability/data/taskforce-on-climate-related-financial-disclosures-report-2021.pdf. In 2021, Citi also committed to $1 trillion in sustainable finance by 2030. More information on that commitment can be found at https://blog.citigroup.com/2021/04/citi-commits-1-trillion-to-sustainable-finance-by-2030/.

Government Benefits

The government and many private sector industries have a symbiotic relationship that helps the U.S. economy function as efficiently and productively as possible. Citi has directly benefitted from government programs and facilities, including FDIC insurance and access to the Federal

Reserve's Discount Window. Banks also benefit indirectly from government activities that promote macroeconomic stabilization.

But in turn, banks provide an important benefit to the government and the broader economy through the services we offer. For example, banks, including Citi, served as a conduit for the government to deliver relief to Americans during the pandemic, including the Paycheck Protection Program (PPP). Citi donated its net profits from PPP to community development financial institutions across the country. Citi also supports the federal government directly as a client in providing financial services at home and across the globe.

Pandemic Relief

During the pandemic, for our small business customers, we offered waivers on monthly service fees and remote deposit capture fees, as well as penalty waivers for early Certificate of Deposit withdrawals. Citi exited the direct mortgage servicing business in 2019, however, our mortgage sub-servicer continues to provide forbearance, loss mitigation, foreclosure and eviction practices in compliance with the CARES Act, GSE and other governmental pronouncements.

During the pandemic, we also expanded access to check cashing services for non-customers, eliminated surcharges for prepaid debit cards issued for stimulus payments and adjusted policies and procedures covering the garnishment of customer stimulus payments. For internal matters (i.e., where a customer owes funds to Citi), Citi continues to prohibit levying on any CARES Act or stimulus payments identified by the bank. For third-party garnishment orders, Citi complies with applicable state and federal laws and acts in conjunction with regulatory guidelines.

Mergers, Acquisitions and Divestitures

Citi announced its intention to exit the consumer businesses in a number of markets including Australia, Philippines, Malaysia, Thailand, Vietnam, Indonesia, Bahrain, Taiwan, India, Russia, South Korea, China, Mexico, Russia and Poland. We have made significant progress towards divesting these businesses, signing sale agreements in nine of these markets, and closing two sales. In addition, we have announced the wind-down of the consumer businesses in Korea. In each of these markets, we will continue to serve our institutional clients through our ICG franchise. For Russia, we recently announced our intent to wind-down the local consumer and commercial banking operations, and intend to support our multinational institutional clients, particularly those that are undergoing the complex task of unwinding their own operations in Russia. Citi does not have any pending or recent mergers and acquisitions in the U.S.

Share buybacks, dividend payments, and other capital distributions

See Citi Supplemental Data.

Public enforcement actions against Citi by a Federal or State government agency since reported to the Committee in May 2021

See Citi Supplemental Data.

Citi Supplemental Data

Public enforcement actions against Citi by a Federal or State government agency since reported to the Committee in May 2021

Matter	Date	Regulator	Description of Allegations	Economic Sanction	Number of Customers	Settlement Document
In the Matter of: Citibank, N.A. and Citigroup Global Markets Limited	September 27, 2021	CFTC	Citibank, N.A. ("CBNA") and Citigroup Group Global Markets Limited ("CGML") entered into a settlement (the "Settlement") with the U.S. Commodity Futures Trading Commission ("CFTC"), in connection with Citi's swap reporting practices.	$1,000,000.00	Not Applicable	https://www.cftc.gov/PressRoom/PressReleases/8428-21
State of New Mexico ex rel. Integra REC, LLC Civil Litigation Settlement	November 19, 2021	New Mexico Attorney General	On November 19, 2021, the New Mexico AG settled civil litigation it brought against seven financial institutions, including Citigroup Global Markets Inc. ("CGMI"), for $32.5 million collectively, resulting in the dismissal of allegations that the institutions did not adequately disclose the characteristics of certain mortgage-backed securities ultimately purchased by New Mexico pension funds and a state-run investment council in around 2003-2010.	Non-public settlement allocation.	To the extent this matter affected customers, this settlement does not provide specific information about any such customers.	https://www.nmag.gov/uploads/PressRelease/48737699ae174b30ae51a7eb286e661f/Attorney_General_Balderas_Reaches_%2432.5_Million_Settlement_with_Financial_Institutions.pdf

Citi Supplemental Data

The following table sets forth Citigroup's risk-based capital and leverage ratios at year-end for each of the past ten years, as reported in Citigroup's FR Y-9C:

	December 31, 2012	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017	December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021
Common Equity Tier 1 Capital ratio(1)(2)(3)(4)	N/A	N/A	13.07%	14.60%	14.35%	12.99%	11.86%	11.79%	11.51%	12.25%
Tier 1 Capital ratio(2)(3)(4)(5)	14.04%	13.65%	13.07%	14.81%	15.29%	14.48%	13.43%	13.33%	13.06%	13.91%
Total Capital ratio(2)(3)(4)(5)	17.25%	16.63%	14.51%	16.69%	17.33%	16.77%	16.14%	15.87%	15.33%	16.04%
Tier 1 Leverage ratio(3)(4)	7.48%	8.19%	9.01%	10.18%	10.09%	8.82%	8.32%	7.96%	7.37%	7.21%
Supplementary Leverage ratio(3)(4)(6)(7)	N/A	N/A	N/A	N/A	7.58%	6.77%	6.40%	6.20%	6.99%	5.73%

(1) For periods presented prior to December 31, 2014, Citigroup's Common Equity Tier 1 Capital ratio was not reported in the FR Y-9C.

(2) Commencing in 2014, Citigroup's Common Equity Tier 1 Capital, Tier 1 Capital, and Total Capital ratios reflect application of the U.S. Basel III rules, including the "capital floor provision" of the so-called "Collins Amendment" of the Dodd-Frank Wall Street Reform and Consumer Protection Act, which requires Advanced Approaches banking organizations, including Citi, to calculate each of the three risk-based capital ratios under both the Standardized Approach and the Advanced Approaches, and to comply with the lower of each of the resulting risk-based capital ratios.

(3) Commencing January 1, 2014, the U.S. Basel III rules contain several differing, multi-year transition provisions, with various "phase-ins" and "phase-outs." With the exception of non-grandfathered trust preferred securities, which do not fully phase out of Tier 2 Capital until January 1, 2022, all other transition provisions have occurred and were entirely reflected in Citigroup's regulatory capital ratios beginning January 1, 2018.

(4) Commencing January 1, 2020, Citi's risk-based capital and leverage ratios reflect certain deferrals based on the modified regulatory capital transition provision related to the Current Expected Credit Losses (CECL) standard. For additional information, please refer to the "Capital Resources" section of Citigroup's 2020 Form 10-K.

(5) Citigroup's Tier 1 Capital and Total Capital ratios as of December 31, 2011 and December 31, 2012 reflected the application of Basel I credit risk and market risk capital rules. Citigroup's Tier 1 Capital and Total Capital ratios as of December 31, 2013 reflected the application of Basel I credit risk capital rules and Basel II.5 market risk capital rules.

(6) For periods presented prior to December 31, 2016, Citigroup's Supplementary Leverage ratio was not reported in the FR Y-9C.

(7) As of December 31, 2020, Citigroup's Total Leverage Exposure (the denominator of the Supplementary Leverage ratio) temporarily excluded U.S. Treasuries and deposits at Federal Reserve Banks. This temporary Supplementary Leverage ratio relief expired as scheduled on March 31, 2021. During the fourth quarter of 2020, as a result of the temporary relief, Citigroup's Supplementary Leverage ratio benefited 109 basis points. For additional information, please refer to the "Capital Resources" section of Citigroup's 2020 Form 10-K.

Citi Supplemental Data

The following table presents the annual amount of share buybacks, dividend payments, and certain other capital distributions during each of the past ten years:

In millions of dollar, except per share amounts	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Common Share Dividends (per share amounts)	$ 0.04	$ 0.04	$ 0.04	$ 0.16	$ 0.42	$ 0.96	$ 1.54	$ 1.92	$ 2.04	$ 2.04
Common Share Dividends (total dollar amounts)	120	120	122	484	1,214	2,595	3,865	4,403	4,299	4,196
Common Share Repurchases	5	837	1,232	5,452	9,451	14,538	14,545	17,875	2,925	7,600
Preferred Stock Dividends	26	194	511	769	1,077	1,213	1,174	1,109	1,095	1,040
Preferred Stock Repurchases(1)	-	94	-	-	-	-	793	1,980	1,500	3,785
Subordinated Debt Coupons(2)	669	686	828	945	1,071	1,196	1,213	1,176	1,172	1,153
Subordinated Debt Repurchases(1)(2)	234	952	1,494	3,242	1,651	1,087	1,847	-	-	-
Trust Preferred Securities Coupons	1,147	625	254	201	181	189	207	220	189	165
Trust Preferred Securities Repurchases(1)	5,216	7,348	2,170	-	-	-	-	-	-	-

(1) Represents all repurchases and redemptions prior to maturity, regardless of whether the capital instrument was fully replaced during the same quarter in which the repurchase or redemption was announced.

(2) Subordinated debt coupons and repurchases for the years ended December 31, 2011 and 2012 include amounts related to subordinated amortizing notes issued by Citigroup in connection with Tangible Dividend Enhanced Common Stock (T-DECS) units in 2009. Each T-DECS unit was comprised of a prepaid stock purchase contract and a subordinated amortizing note due December 15, 2012.

Citi Supplemental Data

Rev. June 2022

citibank®

FACTS — WHAT DOES CITIBANK DO WITH YOUR PERSONAL INFORMATION?

Why?	Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.
What?	The types of personal information we collect and share depend on the product or service you have with us. This information can include: • Social Security number and income • account balances and employment information • credit history and transaction history
How?	All financial companies need to share customer's personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons Citibank chooses to share; and whether you can limit this sharing.

Reasons we can share your personal information	Does Citibank share?	Can you limit this sharing?
For our everyday business purposes– such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus	Yes	No
For our marketing purposes– to offer our products and services to you	Yes	No
For joint marketing with other financial companies	Yes	No
For our affiliates' everyday business purposes– information about your transactions and experiences	Yes	No
For our affiliates' everyday business purposes– information about your creditworthiness	Yes	Yes
For our affiliates to market to you	Yes	Yes
For nonaffiliates to market to you	Yes	Yes

To limit our sharing	Call 1-888-214-0017 – our menu will prompt you through your choices. For TTY: we accept 711 or other Relay Service. Please note: If you are a *new* customer, we can begin sharing your information 30 days from the date we sent this notice. When you are no longer our customer, we continue to share your information as described in this notice. However, you can contact us at any time to limit our sharing.
Questions?	Call 1-888-214-0017. For TTY: we accept 711 or other Relay Service.

CON-001

Citi Supplemental Data

Who we are	
Who is providing this notice?	This notice is provided by Citibank, N.A. for its individual clients of its retail banking business in the United States.

What we do	
How does Citibank protect my personal information?	To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings.
How does Citibank collect my personal information?	We collect your personal information, for example, when you • provide account information or give us your contact information • provide employment information or apply for a loan • make deposits or withdrawals from your account We also collect your personal information from others, such as credit bureaus, affiliates, or other companies.
Why can't I limit all sharing?	Federal law gives you the right to limit only • sharing for affiliates' everyday business purposes–information about your creditworthiness • affiliates from using your information to market to you • sharing for nonaffiliates to market to you State laws and individual companies may give you additional rights to limit sharing. See below for more on your rights under state law.
What happens when I limit sharing for an account I hold jointly with someone else?	Your choices will apply to everyone on your account–unless you tell us otherwise.

Definitions	
Affiliates	Companies related by common ownership or control. They can be financial and nonfinancial companies. • *Our affiliates include companies with a Citi name; financial companies such as Citigroup Global Markets Inc.*
Nonaffiliates	Companies not related by common ownership or control. They can be financial and nonfinancial companies. • *Nonaffiliates we share with can include companies engaged in direct marketing and the selling of consumer products and services.*
Joint marketing	A formal agreement between nonaffiliated financial companies that together market financial products or services to you. • *Our joint marketing partners include insurance companies and other financial companies.*

Other Important Information
For Vermont Residents: We will not disclose information about your creditworthiness to our affiliates and will not disclose your personal information, financial information, credit report, or health information to nonaffiliated third parties to market to you, other than as permitted by Vermont law, unless you authorize us to make those disclosures. For additional information concerning our privacy policies call 1-888-214-0017. For TTY: we accept 711 or other Relay Service. **For California Residents:** We will not share information we collect about you with nonaffiliated third parties, except as permitted by California law, such as to process your transactions or to maintain your account.

Citi acquires and uses services provided by third parties that collect and analyze customer data. This information may be used to service your accounts and for marketing purposes. For additional information about our privacy practices please go to **www.citi.com/privacy.**

WRITTEN STATEMENT
OF
BRIAN MOYNIHAN
CHAIRMAN AND CEO
BANK OF AMERICA

BEFORE
THE
COMMITTEE ON FINANCIAL SERVICES
U.S. HOUSE OF REPRESENTATIVES

SEPTEMBER 21, 2022

Chairwoman Waters, Ranking Member McHenry, and members of the Committee, I appreciate the opportunity to testify before you today.

At Bank of America, we have a common purpose: to make financial lives better. We do that through a common focus on Responsible Growth that is shared by all of our teammates across all of our lines of business. By driving Responsible Growth, we deliver for our clients, teammates, communities—and our shareholders.

We deliver for our clients, by serving their individual needs as we deploy our capabilities, expertise and balance sheet to help each client achieve their financial goals. This includes helping business clients prepare for and transition toward a low-carbon future.

We deliver for our teammates around the globe, as part of our commitment to being a great place to work. We invest to expand benefits and resources to promote health, wellness and safety for our teammates and their families.

We deliver for our communities to help them thrive. This includes promoting greater racial equality and economic opportunity wherever we operate, and tripling our affordable homeownership commitment to help more low- to moderate-income clients build generational wealth through the purchase of a home.

We deliver for our shareholders through all of this—and so much more—including returning capital while remaining well-capitalized so that we are well-positioned to deliver for our clients in any economic environment. At the end of 2021, our 3-, 5- and 10-year stock price improvement all out-performed the broader bank index, and our 10-year performance was over 700%. *Page 13 in the Appendix provides additional detail re: shareholder return.*

In this statement, we will share more about how we run our company and how Responsible Growth has helped us serve consumers and support the businesses that employed these consumers through the pandemic. We did this while addressing major environmental and social issues affecting our country and planet.

Responsible Growth

Our decade-plus focus on Responsible Growth prepared us well for the health crisis. It positioned us to continue serving our clients through the worst economic shock in recent history, while at the same time increasing investments to support the needs of our teammates and our communities. Today, as the world recovers, Responsible Growth helps to ensure we remain in a strong position to assist these clients, teammates, and communities, as well as our shareholders into the years, and through future challenges, ahead.

Responsible Growth has four straightforward tenets:

- We must grow and win in the market.
- We must grow with a customer focus.
- We must grow within our risk framework.
- We must grow in a sustainable manner.

Grow and win in the market

Bank of America serves three groups of customers—people, companies of all sizes and institutional investors—through eight lines of business:

- Retail Banking
- Preferred Banking and Small Business
- Merrill Wealth Management
- The Private Bank
- Global Commercial Banking
- Business Banking
- Global Corporate & Investment Banking
- Global Markets

All of our lines of business operate within the United States and its territories. Outside the United States, we serve companies and institutional investors in approximately 35 countries. At the end of the second quarter, we had $3.1 trillion in assets and a headcount of approximately 210,000 employees.

When the worldwide health crisis hit in 2020, we deployed our resources and capabilities to meet the rapidly-evolving financial needs of our clients, in addition to providing support for our teammates and communities. *Page 15 in the Appendix provides additional detail on our client support programs.*

Serving clients across eight lines of business
Over the past decade we have simplified and streamlined our company to focus on eight lines of business, supported by a highly diverse network of suppliers and vendors.

For retail clients, we serve mass-market U.S. consumers with a full range of financial products and services through award-winning digital banking capabilities and our retail banking network.

We provide a nationwide network of financial centers. This includes financial centers in low- and moderate-income (LMI) communities and our designated community financial centers—as well as our digital capabilities, to support financial needs within underserved communities. To complement these channels and to ensure these communities have access to capital, we continue to invest heavily in alternative channels of funding, including community development financial institutions (CDFIs). *Page 18 in the Appendix provides additional detail on minority depository institutions (MDIs) and CDFIs.*

We also serve small businesses as one of the top small business lenders in the U.S., ending 2021 with $22 billion in total outstanding loans. Small Business clients benefitted from our award-winning digital tools and the advice of Business Advantage specialists in 2,400 financial centers.

And Preferred Banking provides advice and solutions to meet the banking, lending and investing needs of U.S. consumers with up to $250,000 in investable assets, and provides cash management, lending and investment solutions for entrepreneurs and small businesses with revenues of up to $5 million.

In our wealth management businesses, Merrill serves high net worth and ultra-high net worth clients. Our personal advisor relationships help to ensure that we're assisting each individual investor to plan for and achieve their unique financial goals. The Private Bank provides comprehensive investment, wealth management and philanthropic solutions to ultra-high net worth clients with investable assets of more than $3 million.

For commercial and corporate clients, Business Banking client relationship teams deliver integrated financial advice and solutions—including credit, treasury, trade, foreign exchange, equipment finance and merchant services—to small and mid-sized U.S. companies with annual revenues of $5 million to $50 million. For larger clients, Global Commercial Banking offers treasury, lending, leasing, advisory, and debt and equity underwriting services to middle market companies with revenues of $50 million to $2 billion across all major industries. It brings clients the full capabilities of the company paired with local service. Our largest corporate clients are served by Global Corporate & Investment Banking, which provides clients around the world and across all major industries with solutions for treasury services, lending, leasing, advisory, and debt and equity underwriting. This business serves corporate clients with more than $2 billion in revenues, financial institutions and government agencies.

And finally, our Global Markets business provides services across the world's debt, equity, commodity and foreign exchange markets. This includes liquidity, hedging strategies, industry-leading insights, analytics and competitive pricing to clients consisting of hedge funds, asset managers, pensions and other financial institutions.

Grow with a customer focus

The second tenet of Responsible Growth is to grow with a customer focus.

Our growth comes from focusing upon and fulfilling client needs. We focus on what they need and the service and relationship quality we must bring to them to meet their needs.

We continue to strengthen our leadership positions in both our high-tech and high-touch channels. We see record client engagement across our high-tech digital platforms.

High-tech digital leadership

Innovation remains a top priority for our company. In 2022, we plan to invest $3.5 billion in initiatives to enhance our platform, fund next-gen projects, and extend our digital leadership into the future.

Our award-winning digital platform is the most visible element of our continued investment for clients and we continue to see increased access in adoption and engagement by clients. In our most recent quarter we experienced 2.8 billion logins by more than 54 million verified digital users. And, in July we saw more than 1 billion user log-ins, our largest single month in history.

Artificial Intelligence

We also see more and more clients turning to Erica®, our artificial intelligence (AI)-based virtual financial assistant, for help keeping up with managing their finances. In 2021, total Erica interactions from our clients increased threefold to 427 million. We continued to expand Erica's capabilities to make it easier for clients to manage their financial lives. Erica has proven to be a critical channel in helping us deliver important information to clients and addressing their questions and concerns in real-time.

So what is Erica? It is natural language processing, AI, data aggregation and analysis sitting on a sophisticated infrastructure to deliver in real-time the "answer" to client questions. But it is useful beyond clients as it can help our teammates work better. Erica is also a part of our operational platform, delivering efficiencies to help our client-facing teammates. For example, our Erica-driven BankerAssist internal platform is saving our Global Banking teams 40,000 hours of work each year, and reducing their client response times by two-thirds.

Zelle

The power of our digital tools is also changing the way clients send and receive money. During 2021, the number of clients who are active Zelle® users—both consumers and small businesses—increased 23% to 15.8 million. These users sent and received $231 billion in payments over the course of the year, a 64% increase over 2020.

Zelle is a service offered by Early Warning Services, LLC (EWS) that enables customers of U.S. financial institutions to make payments directly to friends, family, and others they know and trust at no cost. Zelle is a digital platform for money movement that represents a unique financial innovation through which customers can send funds simply and easily using the recipient's email address or mobile phone number as a token. EWS maintains a centralized directory of such tokens and passes messages between participating banks to facilitate Zelle transfers, which typically settle within minutes so that consumers have immediate access to payments made to them.

Bank of America has implemented a comprehensive suite of security measures for consumers using Zelle, including:

- Clear customer communication and safe use messages
- Layered fraud and scam detection and prevention strategies, and
- Prompt corrective action where required.

Page 19 in the Appendix provides additional detail on Zelle, as well as other components of our digital leadership.

A "high-touch" physical presence to match our "high-tech" digital solutions

While digital customer behavior increased, we continue to focus on delivering expert support and guidance across our high-touch network, which includes our financial centers and phone-based teams. And, in 2021, we served our clients well through our nationwide network of 4,200 financial centers across 38 states and the District of Columbia and 16,000 ATMs as well as on the phone, in our offices and through our chat capabilities.

Since 2010, we have opened approximately 600 financial centers to help provide local access to more clients and communities. During this period, we expanded our physical footprint into five new states (Colorado, Minnesota, Ohio, Utah and Kentucky) and renovated our existing sites; for example, we have completed more than 2,500 renovations in the past six years alone. We have continued to invest in our employees, technology and client tools; all together, providing improved convenience, security, financial education and guidance to clients.

We continuously monitor client behavior, including digital engagement, and traffic patterns and make adjustments to our financial center footprint to most effectively serve them. This includes selectively consolidating financial centers, primarily in areas in which we have overlapping coverage and low client usage. This also included divesting approximately 350 branches to nearly 30 financial service institutions, allowing them to strengthen their local networks and preserve consumer access to those branches.

Our teammates working in financial centers have continued to serve our clients' everyday financial needs and, in so doing, support the economic wellness of our communities every day throughout the pandemic.

Fair and affordable products

Another way we grow with a client focus is by delivering an award-winning suite of products and services tailored to our clients' unique financial needs. And, over the past year, we have done exactly that—continuing to enhance our product portfolio to support our retail clients.

Overdraft services and solutions

We have made significant changes over the past decade to our overdraft services and solutions, reducing clients' reliance on overdraft and providing resources to help clients manage their deposit accounts and finances responsibly.

We first eliminated overdraft fees for clients when using debit cards at the point of sale, and then created additional ways to help clients avoid fees – including additional alerts, "no overdraft fee" accounts, and eliminating charges for extended overdrawn balances.

This year we eliminated fees for non-sufficient funds on our consumer deposit accounts, reduced overdraft fees from $35 to $10, and removed the ability for clients to overdraft at the ATM.

June and July of this year were the first two months after these sweeping changes were implemented, and we saw fees related to overdraft services for our more than 35 million consumer checking accounts decline 90% compared to the same period in the prior year.

By next year, new solutions and enhanced programs introduced over the last decade will reduce consumer overdraft fees by 97% from 2009 levels.

In addition to the changes to overdraft related fees, Bank of America's suite of Essential Solutions offers a powerful combination of transparent, low and no cost, easy-to-use offerings that help clients budget, save, spend and borrow carefully and confidently. The full array of solutions utilized by our clients includes:

- **SafeBalance®** – With SafeBalance, there are no overdraft fees, and the monthly maintenance fee is waived for eligible students under the age of 25 as well as for clients enrolled in our Preferred Rewards program with qualifying balances.
- **Balance Assist** – Balance Assist is an alternative to payday lending that provides an affordable way for clients to manage their short-term liquidity needs, borrowing only the amount they need, up to $500 (in increments of $100) for a $5 flat fee regardless of the amount borrowed. Repayments are made in three equal monthly installments over a 90-day period. Borrowers must have been a Bank of America checking account client for at least one year. More than 400,000 Balance Assist loans have been completed since the start of the program.
- **Balance Connect** – Balance Connect provides our clients overdraft protection through the ability to link up to five eligible backup accounts to their checking, while increasing simplicity and accessibility through digital sign-up and management.
- **Secured Credit Cards** – The Customized Cash Rewards, Unlimited Cash Rewards and BankAmericard® Secured Cards can help clients establish, strengthen or rebuild credit, and they can apply for an account with a security deposit starting as low as $200. With responsible credit behavior, over time, this could help clients improve their credit score.
- **Affordable Home Loans** – In early 2019, Bank of America launched its now expanded $15 billion Community Homeownership Commitment, which has already helped 36,000 low- and moderate-income homebuyers achieve homeownership through low down payment loans and down payment and closing cost grants. By 2025, Bank of America anticipates helping more than 60,000 individuals and families to purchase homes through the program.

- **Keep the Change®** – This tool helps clients build savings by automatically depositing spare change from rounded up debit card transactions into a savings account. Over the last 15 years, this program has helped clients direct more than $15 billion in excess change to client savings.
- **Better Money Habits®** – A free financial education platform that provides a simple, accessible way to connect people to the tools, resources and education they need to take control of their finances.

Page 21 in the Appendix provides additional detail on changes to our overdraft services and solutions, as well as mortgage originations and servicing.

National Community Advisory Council
To help guide our efforts to meet our consumer clients' and communities' needs, we founded our National Community Advisory Council (NCAC) 16 years ago. The NCAC is comprised of senior leaders from social justice, consumer advocacy, community development, environmental and research organizations who offer critical feedback, engage with us in healthy debate and deliver well-informed advice on our business practices and products, community investments, diversity and inclusion efforts and more. We are committed to ensuring everyone has access to the products and services they need to achieve their financial goals, regardless of where they live and what they earn.

Grow within our risk framework

A decade-plus of managing risk through a well-understood framework positioned us to be a source of strength for our clients, teammates and communities when the health crisis hit in 2020. Against the backdrop of an unprecedented economic decline during the pandemic, we built up significant reserves for potential credit losses. In 2021, as the economy recovered, we released much of those pandemic reserves as our credit losses hit historic lows. The credit risk in our company continues to be managed extremely well.

Effective risk management means we take the right risk, through the right processes and controls, to grow our business while also protecting our balance sheet. It is key to positioning ourselves for long-term success and delivering strong results in the markets. In 2021, our Global Markets teams navigated volatile markets to deliver strong sales and trading results, with only nine days of trading losses throughout the entire year. And we supported the needs of our institutional clients through dynamic market environments.

Recognizing and managing risk is integral to how my teammates drive Responsible Growth every day. That applies to the 8,000-plus teammates in our Risk, Compliance and Audit functions as well as all of my teammates worldwide. It is core to who we are.

We continue to promote a culture of risk management at every level of the company, and mitigate operational risk through our focus on operational excellence. *Page 22 in the Appendix provides additional detail on public enforcement actions taken by a federal or state government agency since 2020.*

Grow in a sustainable manner

To drive Responsible Growth, our growth must be sustainable. That means three things.

First, we drive operational excellence so the savings produced by it can be reinvested in our capabilities, our teammates and our communities.

Second, we do all we can to be a great place to work for our teammates so we can attract and retain the best talent to serve our clients.

Third, we share our success so we can support the communities in which we work and live.

Driving operational excellence

Operational excellence is how we create the means to reduce costs by striving to eliminate inefficiencies in our processes across our platform and reinvest savings into the things that are important to us: our team, our capabilities, our client experience, our communities and our shareholders.

By pursuing operational excellence, we drive continuous improvement, reduce risk, and identify faster, simpler and more efficient ways of working and serving our clients.

Making our company a great place to work

Attracting, developing and retaining talent is a critical part of how we deliver for our clients and our communities. That is particularly true in the current tight labor market. In 2021, we continued to invest to make our company a great place to work for all teammates.

Pandemic support
Amid the ongoing pandemic, these investments included expanded benefits and resources to support the health and safety of our teammates and their families. We offered free coronavirus testing, paid time-off for teammates to receive vaccinations and boosters, vaccination clinics in our offices around the world, no-cost virtual medical consultations, confidential counseling sessions and childcare benefits, just to name a few.

To continue to support the health of our teammates and raise awareness about the importance of flu vaccination and COVID-19 boosters, this fall we are conducting our second employee campaign where we will provide a donation to a local hunger relief organization for employees who receive a flu vaccine and employees who receive a coronavirus vaccine booster. We ran a similar campaign earlier this year that resulted in a donation of $10.6 million to food banks and hunger organizations across the country – one of the largest donations to this sector in our company's history.

Diversity and inclusion

Another way we make our company a great place to work is by fostering a diverse and inclusive workplace. We want our workforce to reflect the clients and communities we serve.

We understand the role we play in influencing and driving progress and our commitment starts at the top. Our Board of Directors, its committees and I play a key role in the oversight of our culture, expecting management to be accountable for ethical and professional conduct and our commitment to being a great place to work. Management Team members sit on the Global Diversity and Inclusion Council chaired by me and we collectively set the diversity and inclusion goals of the company. Each management team member has action-oriented diversity goals, which are subject to our quarterly business review process, talent planning and aspirational scorecards reviewed by the Board.

We also continue to drive industry benchmarks for our diverse workforce and inclusive culture. Our management team is 55% diverse, including 32% women. And, our Board is 53% diverse, including 33% women, and our Lead Independent Director Lionel Nowell, who is Black, was named "Independent Director of the Year" by Corporate Board Member magazine.

Our workforce is 50% women and 49% people of color, reflecting the clients and communities we serve. We have also worked to narrow the gaps at our leadership levels across the company. We hold ourselves accountable by disclosing our employment metrics, measuring progress across top management levels, helping ensure managers are responsible for driving advancement on their teams, and building a robust pipeline of emerging talent through recruitment and external partnerships across the world. We are also investing in an engaged workforce, where all teammates feel included through inclusion learning, courageous conversations, Employee Networks, development programs and Diversity Leadership Councils.

We also recognize the value to our business—and to society—of diversity in our supply chain. We expect all our vendors to promote and report on diversity in their own workplaces. We also require U.S. vendors to provide a minimum hourly salary of $15 per hour to employees supporting our company. And we actively seek to do business with certified diverse businesses through our Supplier Diversity Program. In 2021, approximately $2 billion of our nearly $20 billion in annual spend was with diverse suppliers.

Competitive wages and benefits
Recognizing and rewarding performance is another priority for us. We want teammates who are invested in our company and our clients, and we dedicate our time and resources to help them build long careers with us. That begins with providing a competitive starting wage and benefits. In June, we raised our U.S. minimum hourly wage to $22, on the path to our commitment of $25 by 2025. This means that any employee who starts work for our company makes at least ~$46,000 per year as well as some of the most comprehensive benefits available.

In June, we also increased annual salaries for all U.S. employees who currently receive annual total compensation below $100,000, and have been employed with the company since 2021 or earlier. The percentage increase for eligible employees ranged from 3% to 7%, increasing with years of service.

We also delivered special compensation awards, over and above all other forms of compensation, to teammates for our performance in 2021, the fifth year we have done so. For 2021, we increased the value of the award to $1 billion, totaling nearly $3.3 billion in special compensation awards since 2017. Roughly 97% of our teammates received an award this year (all but the top 3% earners), with the vast majority receiving it in the form of Bank of America stock to help them share in our long-term success.

Compensation policies
We also continue to invest in our teammates through a progressive compensation model. Each year, teammates with lower salaries, on average, receive higher compensation increases as a percentage of salary when compared to employees with higher salaries.

We continue to provide higher company subsidies for medical premiums for teammates with lower salaries. In 2022, for the tenth consecutive year, there was no increase in medical premiums for teammates earning less than $50,000 per year. For all other teammates, the average increase in medical premiums has been less than trend growth in medical cost in the marketplace.

For additional information on these topics, including detailed metrics on workforce diversity, please see our 2021 Human Capital Management Update provided in our 2021 Annual Report to shareholders.

Sharing our success

For Responsible Growth to be sustainable, we must also share our success with our communities.

Our support for our communities begins with our annual corporate philanthropy, which totaled $370 million in 2021. Beyond corporate philanthropy, we align all of our activities to drive progress for our communities and for society. That means we bring our $3.2 trillion balance sheet, our $60 billion in annual spending and the trillions of dollars in capital we raise each year for our clients to the task.

And these tasks are myriad, including pandemic health and safety, helping to lead the transition to a low-carbon future, our major commitment to foster racial equality and economic opportunity across the country and supporting strong and sustainable communities.

Another way we share our success with our communities is through the individual giving and volunteering of teammates. In 2021, charitable giving by our teammates, combined with matching gifts from Bank of America, amounted to more than $72 million. At the same time, our teammates reported 1.6 million volunteer hours during the year, a reflection of their extraordinary engagement and impact within their communities.

Pandemic health and safety
Throughout the health crisis, we supported the communities where we live and work by engaging at the local level to help areas most heavily affected by the coronavirus:

- We committed $100 million to support and address pressing needs related to the coronavirus, including healthcare, food, education and needs in vulnerable communities.

- To help ensure continued learning amid widespread school closures, we supported the Khan Academy's crisis response efforts to provide free, interactive materials and tools for students, teachers and parents.
- We provided more than $250 million in capital to CDFIs and MDIs and also provided up to $10 million in philanthropic grants to help fund the operations of CDFIs and MDIs.
- We issued a $1 billion corporate social bond to support the fight against the coronavirus. The bond was the first of its kind by a U.S. commercial bank and benefitted not-for-profit hospitals, skilled nursing facilities, and manufacturers of healthcare equipment and supplies.
- In February 2022, as noted earlier, we announced a donation of $10.6 million—one of the largest donations in our company's history—to food banks and hunger organizations across the country. This gift was part of a broader internal company campaign to promote health and safety for our teammates and raise awareness about the importance of COVID-19 boosters. For every teammate who told us they received a booster by January 31, we donated at least $100 to a local hunger relief organization with the majority of the organizations receiving at least $25,000.

Helping to lead the transition to a low-carbon future
We have been working to reduce the impact of our own business and operations for more than a decade. As a result, we are carbon neutral today and have committed to achieve net zero in our financing activities, operations and supply chain before 2050.

As a global bank, a key role we play is to finance and support the transition to net zero, which is why we set a goal to mobilize and deploy $1.5 trillion by 2030 to advance the UN's Sustainable Development Goals, with $1 trillion of that focused on helping our clients transition to a low-carbon future. In 2021 alone, we mobilized and deployed $250 billion in sustainable finance, with more than $150 billion of that focused on climate and environmental action. This includes loans and other support to clients to help them drive innovation in energy, financing to help small businesses adopt more sustainable business practices, and financing to help major corporations in all industries transform and decarbonize their business models.

Green bonds
Bank of America is one of the largest underwriters of green bonds, and has helped more than 225 clients support their sustainable business needs by raising in excess of $300 billion through more than 400 bond offerings. We were the first U.S. bank to issue a corporate social bond aligned to the U.N. Sustainable Development Goals, a corporate social bond to support the fight against the pandemic, and a corporate equality progress sustainability bond designed to advance racial equality, economic opportunity and environmental sustainability.

Racial equality and economic opportunity
One of the key ways we help drive progress within our local communities is through our 90-plus market presidents, who serve as chief executives for Bank of America in that market.

Market presidents across our more than 90 U.S. communities have helped us identify more than 100 high-impact minority-focused funds across the U.S., which provide capital to Black, Hispanic-Latino, Asian, Native American, other under-represented minority and women entrepreneurs. With their guidance, we have committed more than $350 million in equity to these funds to date.

Currently, we provide more than $2 billion to finance affordable housing, community facilities and small businesses through more than 250 CDFIs in the U.S., including the District of Columbia. More than $440 million of that total has been focused on small businesses.

Other examples of our commitment to advance racial equality and economic opportunity include:

- $25 million to 21 Historically Black Colleges and Universities, Hispanic-serving institutions and community colleges
- $25 million for our signature health initiative, a collaboration with the American Heart Association, the American Diabetes Association, the American Cancer Society and the University of Michigan School of Public Health, to advance health outcomes for underserved communities
- Tripling our original Bank of America Community Homeownership Commitment® to $15B through 2025 with a goal of helping 60,000 LMI individuals and families to purchase a home
- Committing $60 million to increase access to capital and career opportunities for Black, Indigenous, and People of Color affordable housing developers

Supporting strong and sustainable communities

We also use our lending and investing activities to help build strong, sustainable communities across the country. In 2021, we provided $6.6 billion in loans, tax credit equity investments, and other real estate development solutions, and deployed $4.1 billion in debt commitments and $2.5 billion in investments. Since 2005, we have financed more than 263,000 housing units, of which 86% are affordable housing.

As a financial institution, our success has always been—and will always be—dependent on the success of our clients, the strength of our communities, and the wellbeing of our employees. By focusing on Responsible Growth, we delivered for those stakeholders AND drove record profits for our shareholders in 2021. We also continue to invest to position ourselves to do powerful things in 2022 and beyond.

That's the 'genius of the AND.' We must continue to deliver great returns for our shareholders AND deliver for society, i.e., the communities in which we operate.

APPENDIX

Shareholder return

Over the past 12 years, we have earned $177 billion of net income, paid out $53 billion in common and preferred dividends, and had net buybacks of $86 billion, for a total return of capital of $139 billion. In 2021, we increased our quarterly stock dividend by 17%. Including share repurchases, we returned nearly $32 billion in capital back to shareholders last year.

End-of-Year (2021) Capital and Leverage Ratios
Common equity tier 1 capital: 10.6%
Tier 1 capital: 12.1%
Total capital: 14.1%
Tier 1 leverage: 6.4%
Supplementary leverage ratio: 5.5%
Total ending equity to total ending assets: 8.5%
Common equity: 7.7%
Tangible equity: 6.4%[1]
Tangible common equity: 5.7%[1]

Annual amount of share buybacks, dividend payments, for the past 10 years[2]
YTD (6/30/22)
- Dividends: $3.4 billion
- Repurchases: $3.6 billion
- Gross Capital Returns: $7.0 billion

2021
- Dividends: $6.6 billion
- Repurchases: $25.1 billion
- Gross Capital Returns: $31.7 billion

2020
- Dividends: $6.3 billion
- Repurchases: $7.0 billion
- Gross Capital Returns: $13.3 billion

2019
- Dividends: $6.1 billion
- Repurchases: $28.1 billion
- Gross Capital Returns: $34.3 billion

2018
- Dividends: $5.4 billion
- Repurchases: $20.1 billion
- Gross Capital Returns: $25.5 billion

2017

- Dividends: $4 billion
- Repurchases: $12.8 billion
- Gross Capital Returns: $16.8 billion

2016

- Dividends: $2.6 billion
- Repurchases: $5.1 billion
- Gross Capital Returns: $7.7 billion

2015

- Dividends: $2.1 billion
- Repurchases: $2.4 billion
- Gross Capital Returns: $4.5 billion

2014

- Dividends: $1.3 billion
- Repurchases: $1.7 billion
- Gross Capital Returns: $2.9 billion

2013

- Dividends: $.4 billion
- Repurchases: $3.2 billion
- Gross Capital Returns: $3.6 billion

2012

- Dividends: $.4 billion
- Repurchases: --
- Gross Capital Returns: $.4 billion

[1] For information about non-GAAP financial measures and reconciliations to GAAP, please see our earnings materials on our Investor Relations website: https://investor.bankofamerica.com.
[2] Repurchases include repurchases to offset shares awarded under equity-based compensation plans.

Helping clients during the pandemic

Our support for clients included far-ranging measures to assist those impacted by the recent health and ensuing economic crises, through our own relief programs and through government relief programs.

Client Assistance Program
Through our Client Assistance Program, we helped nearly 2 million consumers and small businesses defer payments on credit cards, vehicle loans and home loans as they managed their finances through the pandemic. Even with a deferral, the vast majority of those clients remained current on their payments. A small percentage have needed extended assistance, and we continue to work with them individually to help them get back on track. For example, for clients with mortgages originated by us, we are adding deferred payments to the end of the loan term so they aren't making a lump-sum payment up front.

At peak, we deferred roughly $55 billion in client loans through our Client Assistance Program. Today, due in part to government stimulus efforts, we believe clients are better positioned to manage through the pandemic and consumer real estate deferrals are less than $700 million, as of July 2022.

Paycheck Protection Program
Beginning in late March 2020, thousands of Bank of America teammates worked to design, develop and deliver a digital platform to support clients through the Paycheck Protection Program (PPP). We began accepting PPP applications the day after the program details were announced in early April—the first major bank to do so. We dedicated more than 3,000 employees by the first week of the program to assist small business customers with PPP applications. And in 2020, we provided PPP loans to more small businesses than any other financial institution.

Throughout all phases of the program, we provided PPP loans to nearly 500,000 small businesses—reflecting more than $35 billion in funding. Of all PPP loans provided to Bank of America clients, 83% were made to businesses with 10 or fewer employees; nearly 40% went to businesses in majority-minority communities; and 24% have gone to low- to moderate-income (LMI) communities. We sent millions of emails to help clients understand the program, and encourage them to apply if eligible, including targeted outreach to drive awareness in LMI and majority-minority communities.

We also took immediate measures to implement SBA guidance related to some of the smallest businesses—sole proprietors, independent contractors and single-member LLCs—allowing them to use gross income, instead of net profit, in the PPP application process and potentially benefit from a higher loan amount. We have provided PPP loans to more than 10,000 of these small businesses, with an average loan amount of under $20,000.

Bank of America's process for the PPP allowed any business client with an existing credit relationship, or a business client that had no credit relationship with Bank of America or another bank, to apply online for a PPP loan, because we could provide financial assistance more quickly to those with whom we already had a relationship. To assist businesses in under-served communities that weren't Bank of America clients, we partnered with dozens of community development financial institutions (CDFIs) to assist them in providing PPP loans to more than 10,000 small businesses in the communities they serve.

In August 2020, we launched our digital portal to help clients apply for forgiveness on their PPP loan. We have since updated our portal to support the SBA's simplified application processes. To date we have helped nearly 464,000 clients receive loan forgiveness and we continue to work closely with clients to help them in the PPP forgiveness process.

Stimulus Payments
Since the start of the pandemic, we have supported clients and non-clients through three federal stimulus and the child tax credit programs. Through these efforts, we have processed over 69 million stimulus transactions totaling $87 billion. We also supported six state COVID relief programs implemented in three states (Maryland, California (4) and Oregon), as well as one local program in San Francisco.

We took steps to help ensure all clients were able to access their funds immediately. Additionally, we provided overdraft credits to help those with a negative balance on their account access the full payment amount. If a client had a negative balance on their account when they received a stimulus payment, we provided a temporary credit to their account—for at least 30 days—equal to the amount of the negative balance. Through this expanded support, we have helped more than 1 million clients access the full amount of their stimulus payment.

To help non-clients access the full amount of their payment, we waived non-client check cashing fees for stimulus checks.

We continue to process stimulus payments pursuant to all applicable federal and state regulations on garnishments, including executive orders on garnishments issued in several states during the pandemic.

Unemployment Insurance
Bank of America contracted with unemployment programs in 12 states to administer unemployment payments. Throughout the pandemic, Bank of America's support to the states enabled the governments to more efficiently issue more than $250 billion in pandemic unemployment benefits to more than 14 million people and overall distributed more pandemic relief to Americans than any other bank.

Bank of America's role was to issue payments after the states completed a review and approval of applications and directing us to issue payments. As has been well-documented in the media, many of these unemployment programs experienced a high degree of fraud. We partnered with our state clients to identify and fight fraud throughout the pandemic and we know those efforts helped to identify hundreds of thousands of suspicious transactions and assisted the states in protecting billions of dollars.

Nevertheless, some legitimate benefit recipients experienced delays or other obstacles as we worked through the challenging fraud-related issues with our state agency clients.

On July 14, the Office of the Comptroller of the Currency (OCC) and Consumer Financial Protection Bureau (CFPB) announced that Bank of America reached agreements to address concerns related to the bank's servicing of unemployment benefits prepaid cards in 2020-2021. Under the agreements, which included consent orders, the bank will improve its processes, review accounts and compensate cardholders when and where appropriate, and pay fines to the government.

These orders follow the company's multi-pronged, billion-dollar efforts through the last two years to help support the State of California and 11 other states both deliver unemployment benefits to eligible recipients through the pandemic, and address widespread fraud and criminal activity that occurred in their state-based programs. The action arose despite the government's own acknowledgement that the unemployment program expansion during the pandemic exhibited unprecedented criminal activity where illegal applicants were able to get states to approve tens of billions of dollars in payments.

While the agreements cover a large number of state benefit cardholders, 98% of the total cardholders who received state unemployment benefits through a prepaid card issued by Bank of America between March 1, 2020 and January 8, 2022 were not affected by the activities referenced in the consent orders.

Minority depository institutions (MDIs) and community development financial institutions (CDFIs)

Bank of America remains the nation's largest private investor in CDFIs, which provide affordable, responsible lending and support to low-income and other disadvantaged clients and communities. By funding CDFIs, we help make it possible for credit to flow to needs we might otherwise be unable to serve through direct lending.

Our current portfolio of loans, deposits and investments to CDFIs exceeds $2 billion, helping to finance affordable housing, community facilities and small businesses through more than 250 CDFIs in the U.S., including the District of Columbia. More than $440 million of that total has been focused on small businesses. We have also committed $40 million in loans to CDFI partners that will be used to finance primary health care centers in regions that lack medical resources.

We have made equity investments in 14 MDIs that are CDFIs. As part of these equity investments, the bank will acquire up to 4.9% of common equity in MDIs that are CDFI banks. This equity funding will be used for lending, housing developments, neighborhood revitalization, and other banking services.

As a founding member of the Economic Opportunity Coalition (EOC), we are committed to finding innovative ways of bringing our technical and thought leadership to assist our partners and the entire CDFI/MDI industry. Areas of focus will entail connecting CDFIs with other sources of flexible capital, as well as expanding access to resources—such as economic research, educational and development programs and materials—that facilitate the financial health of their clients.

Digital leadership

Zelle

Unlike other payment methods, such as credit cards, Zelle is provided free of charge, meaning no fees are charged to consumers to use the service. In the approximately five years since Zelle was introduced, consumers have recognized Zelle's convenience, utility, and value by adopting it in large numbers. In the first half of 2022, the number of Bank of America customers who were active Zelle users rose to over 17 million and, in the third quarter of 2021, the number of Zelle transfers sent by Bank of America customers surpassed the comparable figure for each of checks written and cash withdrawals by Bank of America customers.

Contrary to recent public reports, the Zelle product is not uniquely or even disproportionately susceptible to fraud or scams. Bank of America has implemented a comprehensive suite of security measures for Zelle, including:

- Clear customer communication and safe use messages
- Layered fraud and scam detection and prevention strategies, and
- Prompt corrective action where required.

Those measures have been very effective. In 2021, for example, 99.8% of the over 500 million Zelle transactions initiated by Bank of America customers were completed as requested and without incident. Conversely, fewer than 3 in 10,000 Zelle transfers that year resulted in Bank of America customers making fraud and scam claims. When users do submit claims, the bank investigates thoroughly and provides appropriate customer compensation consistent with its regulatory obligations, and in some cases beyond those obligations consistent with bank policy.

Distributed Ledger Technology and blockchain
We continue to evaluate applications of new technologies that have the potential to deliver value to our customer and clients, including distributed ledger technology (DLT) and blockchain. While Bank of America holds more than 60 blockchain patents and has used DLT within existing products, we still have not found a use case at scale.

In 2019, we joined the Marco Polo trade finance network that leverages Corda DLT to provide transformative solutions to global trade participants. Through the network, we hope to offer clients access to innovative risk mitigation solutions such as receivables discounting, payment commitment and payables finance programs, providing them greater transparency and making traditionally paper-based processes more efficient.

Cryptocurrency
We continue to take a very measured approach to cryptocurrencies and related technologies by maintaining a responsible, client-focused approach. As thought leaders in this space, our Research team has sought to educate investors through primers, deep-dive analysis and conferences covering crypto-assets such as stablecoins and non-fungible tokens. Since 2021, we have published over 100 cryptocurrency and digital asset related reports and hosted a variety of digital asset conferences and

investor teach-in sessions, educating institutional investors from firms representing over $10TN in assets. Through careful client selection, we are engaging in dialogues regarding capital raising, M&A, and other banking services with select companies involved in the digital asset ecosystem. For our most sophisticated investors, we are also facilitating access to regulated products in this space, such as CME futures and exchange traded funds. Regarding distributed ledger and blockchain, we are exploring the use of this technology in multiple areas, including, tokenizing internal client documents, Instant Cross Border Payments, bank accounts, and looking at ways to give workers quicker access to their earned funds.

Progress toward reducing overdraft fees

Since 2010, Bank of America has taken many steps to empower its consumer clients to bank with greater confidence and reduce overdraft usage. We are an industry leader in helping clients avoid overdrafts and, in doing so, have significantly reduced the vast majority of fees related to overdraft.

Key milestones along this journey have included:

- 2010 – Eliminated overdraft fees for consumer clients when using debit cards at the point of sale
- 2011 – Introduced courtesy low balance alerts
- 2014 – Launched the SafeBalance "no overdraft fee" account
- 2017 – Eliminated the extended overdrawn balance charge
- 2020 – Created Balance Assist, a low-cost solution to manage short-term liquidity needs
- 2021 – Launched Balance Connect , our enhanced overdraft protection service, which lets clients link to up to five accounts to avoid overdrafts
- Feb 2022 – Eliminated non-sufficient funds fees on consumer deposit accounts
- Feb 2022 – Removed ability for clients to overdraw their accounts at the ATM
- May 2022 – Reduced consumer overdraft fees from $35 to $10
- May 2022 – Eliminated Balance Connect for overdraft protection transfer fee (formerly $12)

Mortgage originations and servicing

Bank of America provides consumer mortgages through our Retail banking channel. As of June 30, 2022, the bank serviced approximately 1.9 million mortgage accounts.

The bank offers 5 mortgage categories:

1. Conforming, which includes the bank's proprietary affordable product line
2. Non-conforming
3. Government loans
4. Neighborhood Assistance Corporation of America (NACA)
5. Home equity lines of credit

We offer several mortgage product offerings geared especially to assist low income and historically marginalized consumers to overcome barriers and achieve homeownership.

We also established a $15 billion Community Homeownership Commitment (CHC) to encourage homeownership. Key features include up to $10,000 in down payment grants, and up to $7,500 in closing costs credits. The program has resulted in more than $300 million in grants, with 87% going to first-time homebuyers, for an average grant amount of $11,055, and a total of $6.8 billion in loans to 27k homebuyers.

We have created and offer other valuable resources to assist mortgage customers including: DownPayment Center; Real Estate Center; First-Time Homebuyer Online Edu-Series; Connect to Own counseling; and Better Money Habits.

Public enforcement actions

Bank of America is steadfastly focused on complying with applicable laws, rules and regulations and is making important progress on concerns raised by our regulators in the recent public enforcement actions below.

Based on readily accessible public information, we entered into three settlements with federal government regulators involving penalties greater than $1 million since the beginning of 2020:

- In May 2022, Bank of America agreed to pay $10 million to the Consumer Financial Protection Bureau (CFPB) and remediate fees of approximately $600,000 to resolve allegations related to the firm's processing garnishment orders received from third party creditors.
- In July 2022, Bank of America agreed to pay $125 million to the OCC and $100 million to the CFPB to resolve allegations related to servicing of prepaid cards issued by state agencies to distribute unemployment benefits.

To the extent a settlement included restitution to investors or consumers, the relevant terms are set forth in the respective settlement agreement.

Data privacy

Bank of America does not sell personally identifiable customer data to third parties, nor do we allow third parties to conduct research for their own purposes using personally identifiable customer data that the bank has collected in the normal course of business. If any of our vendors receive personally identifiable customer data in the course of performing a function for us, Bank of America requires that the vendor meet our privacy and data protection standards and that the data be protected by the bank's strict information security controls. No further use of that data can be made without Bank of America's express approval.

Cybersecurity

As cyber threats increase in scope and sophistication, we are advancing our program and developing new capabilities to better protect our clients and customers, our company and our industry. Our focus and investment over the past decade are exhibited by the almost 3,000 professionals working around the clock and around the globe on our Global Information Security (GIS) team and our continued investment to advance our security and resiliency.

We have developed a cybersecurity program that is focused on preparing for, preventing, detecting, mitigating, responding to and recovering from all manner of cyber threats. Our strategic vision includes a culture of continuous improvement and innovation, which is demonstrated by our patent portfolio of 990 issued and pending patents as of July 2022.

In the financial sector, we have long recognized that we face shared cyber threats and our decades of investment in capabilities to share cyber threat information quickly and effectively with each other has helped make the broader financial system safer. Bank of America is also playing a leading role in deepening and broadening both our private and public sector partnerships through several sector organizations, such as our support of the Analysis and Resilience Center for Systemic Risk (ARC), a cross-sector effort to protect our nation's most critical infrastructure from cyber threats. Our cyber experts hold leadership positions in organizations including the ARC, the Financial Services Information Sharing and Analysis Center (FS-ISAC), the Financial Services Sector Coordinating Council (FSSCC) and Sheltered Harbor.

In addition to our work within our sector and across the private sector, we are striving to meet today's cyber challenges by maintaining our close partnerships with key government entities, including the Department of Treasury, the Department of Homeland Security, White House and law enforcement. We are eager to work with leaders across government to find new ways to protect critical firms and industries from cyber threats by leveraging the resources and capabilities that only our government partners can provide.

A foundational element of our approach to cyber is to manage risk by not only increasing our prevention capabilities but also those for resilience. Bank of America has a robust team dedicated to designing and conducting cyber exercises, and we actively lead and participate in exercises with industry, government and partners alike to refine our collective approaches to limiting the impact of cyber events. We have a particular focus on working with partners in sectors such as the electricity, communications and technology sectors as we augment our ability to continuously serve customers, clients and financial markets.

Mandatory arbitration

Bank of America does not include mandatory arbitration clauses in our offer letters to employees and thus, employees we hire are not required to arbitrate discrimination and harassment claims (though employees registered with FINRA are required to arbitrate non-discrimination employment claims as a result of industry requirements and we have a mutual arbitration clause with a managed service provider for contract employees).

Additionally, Bank of America avoids relying on mandatory arbitration clauses in nearly all cases. Since 2009, Bank of America has not used mandatory arbitration in banking disputes with individual customers regarding consumer credit cards; auto, recreational vehicle and marine loans; and deposit accounts. Bank of America eliminated mandatory arbitration in its mortgage and home equity agreements several years before that, other than in a limited number of jurisdictions, where we have customized loan agreements with high net worth borrowers that contain mandatory arbitration provisions.

Bank of America, along with other securities industry firms, also uses arbitration clauses in our client agreements when establishing a brokerage or investment advisory account relationship. FINRA provides the forum and sets the rules for these arbitrations, subject to oversight and approval of the Securities and Exchange Commission.

TRUIST

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William H. Rogers, Jr.
Chairman and CEO

Via Electronic Mail Transmission

September 19, 2022

Hon. Maxine Waters
Chairwoman, Committee on Financial Services
United States House of Representatives
2129 Rayburn House Office Building
Washington, D.C. 20515

Re: September 21, 2022 House Financial Services Committee (the "Committee") Hearing, "Holding Mega Banks Accountable: Oversight of America's Largest Consumer Facing Banks"

Dear Chairwoman Waters:

I appreciate the invitation to appear before the Committee to talk about Truist, our purpose, the people, businesses, and communities we are privileged to serve, and our teammates.

Please see attached our written statement, including an introduction to Truist and our purpose to inspire and build better lives and communities, as well as specific answers to the questions you requested us to answer.

We respectfully submit these responses. Please do not hesitate to contact me with any questions or concerns you may have.

Sincerely,

William H Rogers Jr

William H. Rogers, Jr.

TRUIST

Written Testimony

William H. Rogers, Jr.

Chairman and Chief Executive Officer

Truist Financial Corporation

United States House of Representatives, Committee on Financial Services

"Holding Mega Banks Accountable: Oversight of America's Largest Consumer Facing Banks"

September 21, 2022

Chairwoman Waters, Ranking Member McHenry, and distinguished members of the Committee, thank you for the invitation to appear at today's hearing. It is my privilege to represent more than 50,000 Truist[1] teammates who every day seek to live our purpose in service of our clients and communities.

Truist Overview

Truist is a purpose-driven financial services company. Truist serves approximately 15 million clients and operates several primarily regional lines of business, including: retail, small business, commercial, and premier banking; treasury solutions; and wealth. Truist also operates various national business lines, including mortgage; national consumer finance, services, and payments; insurance; corporate and investment banking; and commercial real estate. As of June 30, 2022, Truist had total assets of $545 billion.

Headquartered in Charlotte, North Carolina, Truist maintains a strong branch network in the Southeastern and Mid-Atlantic regions of the United States, with over 2,000 bank branches in 17 states and the District of Columbia. Truist ranks among the top 3 banks in 17 of our top 20 metropolitan statistical areas.[2]

Truist Is Purpose-driven

At Truist, we have a clear purpose to inspire and build better lives and communities. Our purpose statement intentionally begins with the words "to inspire." We decided from the beginning, if we wanted to be a leader, we would need to be bold, be first, and be inspirational.

Consistent with our purpose, in 2019, we made a three-year commitment to drive positive change and progress in low- and moderate-income (LMI) and majority-minority communities through our $60 billion Community Benefits Plan, where we are lending and investing to support affordable housing, nonprofits, and small businesses. Developed after eight community listening sessions and with advice and input from a Community Advisory Board that included leaders from nonprofits, Community Development Financial Institutions (CDFIs), and community

[1] Unless otherwise indicated or unless the context requires otherwise, references to "Truist," "we," "us," "our," or similar references mean Truist Financial Corporation and its subsidiaries, including Truist Bank.

[2] S&P Global as of October 28, 2021.

advocates, our Community Benefits Plan is an investment in the social and financial well-being of our local communities.

Truist is pleased to advise the Committee that, through August 2022, we estimate that our combined lending, investing and philanthropic financing activities already exceed $60 billion. Further, based on where we are today, we are confident that Truist will deliver on each and every one of our Community Benefit Plan commitments by the end of 2022. This includes:

- $31 billion for home purchase mortgage loans to LMI borrowers, LMI communities, minority borrowers, and majority-minority geographies.
- $7.8 billion for lending to small businesses and support for businesses with revenues of less than $1 million.
- $17.2 billion in Community Development Lending for affordable housing and small business growth lending to nonprofits that serve LMI communities.
- $3.6 billion in Community Reinvestment Act (CRA) qualified investments and philanthropy, of which $130 million will be designated for CRA-qualified philanthropic giving.
- Truist will open 16 new banking branches in LMI or majority-minority neighborhoods by the end of this year.
- Truist has committed to a 10 percent annual target for diverse supplier spending, which we are already significantly exceeding.

We made this commitment to our communities in 2019 and, despite the headwinds of the pandemic and economic uncertainties, through the persistent dedication of our teammates and great partnerships with community and civic leaders and organizations, we have delivered on that commitment.

More recently, we have fundamentally redesigned our deposit account experience, based on research on our clients' needs, to provide more flexibility, lower costs, and increased financial confidence. We call it "Truist One Banking" — our new, differentiated set of products, which includes two new deposit accounts with no overdraft fees and other features to accelerate our clients' journey toward purposeful growth and financial well-being.

For our teammates, we also recently increased our minimum wage to $22 an hour for eligible teammates. This new wage will positively impact approximately 14,000 Truist teammates, including 81% of whom are in client-facing roles primarily within our retail and small business banking businesses.

Other actions evidencing our purpose in action are described in the responses below.

Commitment to Clients, Communities, and Teammates During the Pandemic

Throughout the COVID-19 pandemic, Truist honored its purpose and engaged in extraordinary efforts to help clients face the issues and hardships caused by the pandemic. Throughout these extraordinary times, Truist served as a source of strength and resilience for our clients and the broader economy.

- Truist was the fourth-largest lender by dollars in the Paycheck Protection Program (PPP), funding approximately $17 billion across nearly 120,000 loans to assist approximately 80,000 small business clients, and supporting over 2 million jobs.

- Our teammates worked tirelessly to get much-needed relief funding into the hands of businesses that were working hard to avoid layoffs and keep operations running.

- In March 2020, Truist launched the Truist Cares initiative, providing more than $50 million in philanthropic support to aid charities meeting basic needs, furnishing medical supplies, and addressing financial hardships across the nation.

- Between March 2020 and December 2021, Truist provided approximately 900,000 COVID-19 related payment relief accommodations to consumers and businesses, impacting approximately $50 billion in loan balances.

Diversity, Equity, and Inclusion

Truist has an unwavering commitment to diversity, equity, and inclusion in its workplace and across the financial system.

For Teammates

We strive to create an inclusive workplace in which every person, voice, and moment matters, and we believe our teammates must authentically reflect our communities. Furthermore, we have enhanced our existing commitments to diversity, equity, and inclusion because we know a more diverse workforce creates a better work environment and better client experiences, and builds better lives and communities.

In addition to the recently announced increase in our minimum wage to $22 an hour for eligible teammates, other indicators on our commitment to and progress on behalf of a diverse and thriving work environment include:

- A diverse board of directors, with 43% of members from underrepresented racial, ethnic, or gender groups.

- Exceeded our goal to increase ethnically diverse representation in senior leadership roles to at least 15% — a year ahead of our original commitment.

- The first pay equity study for the combined Truist organization showed that on average the salary of women teammates is 99% of men, and the salary of racially underrepresented teammates is almost 100% of white teammates.

- Established eight Business Resource Groups, teammate-led groups based on identity, affiliation and allyship, which are active throughout our markets and committed to advancing an inclusive culture and providing teammate programming and community engagement.

- Created the Grow, Recruit, and Accelerate Development (GRAD) program in 2021 to create more pathways for high-performing diverse leaders into senior leadership roles. Participants gain knowledge through collective and individualized experiences as well as leadership training, one-on-one career coaching, and reimbursement for obtaining graduate-level degrees if they have yet to pursue one.

For the Diverse Workforce of Tomorrow

Truist actively hires teammates from different backgrounds, cultures, identities, and experiences for positions ranging from entry-level to senior leadership. We are committed to helping individuals reach their potential in a culture that promotes sharing ideas, respecting one another, and achieving goals together. We believe that embracing our differences advances creativity, increases innovation, fosters collaboration, and makes us a more forward-thinking competitive company.

Through our dedicated recruiting programs for graduates of historically black colleges and universities (HBCUs), Truist has been deliberate in creating opportunities to attract, retain, hire, and place diverse talent in our company and in financial services. We create and participate in career fairs, development workshops, networking events, sponsorships, and ongoing relationships with HBCUs and associated alumni groups. We believe these efforts will open doors and opportunities for diverse talent and strengthen Truist's relationships with other diverse institutions to make us an employer of choice while, at the same time, helping to position financial services as a career destination. Truist has committed to increase hiring from HBCUs to 5% of Truist's total annual hiring by 2023.

Truist is also devoting substantial philanthropic and programmatic resources to support HBCUs and employment opportunities promoting racial equity. We provided more than $20 million to HBCU-related programs from 2020 to 2022.

For the Communities We Serve

Truist has taken broad steps since 2020 to help make our communities and the financial system more inclusive and equitable. Examples of our investments and initiatives in our communities, including our $120 million to strengthen and support small businesses, focusing on Black, Latine and women-owned businesses, are described in further detail in the responses below.

Focused Community Philanthropy

Truist has a range of programs and channels through which we deliver the funds and volunteer hours that maximize the positive impact of our financial and service contributions. These include the Truist Foundation, Truist Charitable Fund, Truist Leadership Institute, our Commercial Community Bank's regional giving programs, CRA, and teammate volunteerism. Through a coordinated strategy, Truist's philanthropic initiatives align with our five strategic pillars for community philanthropy:

- Leadership: We empower community leadership and support high-quality lifelong learning that is affordable and accessible.

- Career pathways: We support scalable programs that build career pathways to economic mobility.
- Small businesses: We help strengthen small businesses and entrepreneurial endeavors across our communities.
- Educational equity: We believe in the development of educational learning platforms aimed at eradicating literacy gaps and conditions of poverty.
- Thriving communities: We support innovative community development efforts that develop and maintain affordable housing, create healthy communities, and stimulate income equity.

Additionally, we provide support for natural disaster relief, family emergencies, and other unexpected events through our One Team Fund and teammate matching gifts. By leveraging our giving mechanisms and coordinating efforts among national partners and regional and local organizations in addition to federal and state programs, Truist maximizes the impact of every dollar with an agile and responsive mindset. Our teammates also contribute their knowledge, technical expertise, capacity-building skills, and in-kind donations.

Cumulatively, Truist and the Truist Foundation gave $116 million in 2021 to support communities. Our giving was often paired with matching funds or leveraged alongside regional, state, and local programs to maximize the impact. We are having a profoundly positive impact on our communities consistent with our purpose to inspire and build better lives and communities.

Promoting Sustainable Solutions for Clients and Communities

We view all the elements of environmental, social and governance (ESG) considerations as opportunities to improve our company and fulfill our purpose, and our progress has been swift and significant. During the past two years, to increase transparency and accountability, we have produced our first two ESG reports and our inaugural Task Force on Climate-related Financial Disclosures report. In those reports, we outlined our commitment to significantly reduce our emissions, while supporting and partnering with our clients in their pursuit of an array of sustainable energy sources.

In support of our purpose, we have deliberately considered sustainability and proactively made decisions to address climate change both near- and long-term. Among other public commitments, we announced a goal to achieve net-zero emissions by 2050. More importantly, our goal is to support our communities, building on our strong legacy of partnering closely with clients to help advance beneficial changes.

Innovation for Clients

As the nation's seventh-largest bank, we are big enough to offer a full range of capabilities, generate meaningful capital — that can be used to drive innovation — and invest in growth. At the same time, Truist is nimble enough to leverage our heritage as a main street community bank, offering the personalized, localized experience and service that comes when decisions are made closer to the client.

United States House of Representatives, Committee on Financial Services
Written Testimony of William H. Rogers, Jr.
Chairman and Chief Executive Officer, Truist Financial Corporation

September 21, 2022

Truist's value proposition — Touch + Technology = Trust, T3, as we call it — aims to seamlessly integrate the industry-leading personal touch that we've long been known for with innovative technology, yielding our most valuable asset: the trust of our clients.

At the end of 2021, we opened our state-of-the-art Innovation & Technology Center in the heart of our Charlotte headquarters. It is a springboard for, and physical manifestation of, innovation across our entire company, one that will help us reimagine client experiences. Teammates from business units throughout Truist will partner directly with clients, innovators, digital product managers, designers, engineers, fintech firms, partner vendors, and many others to develop new ways to empower our clients.

As we look to the future, Truist is well positioned for purposeful growth for all our stakeholders. With our purpose at our core, purposeful growth means capitalizing on our vibrant markets, diverse business mix and capabilities, and outstanding teammates and their advice to produce better results and better lives for our clients.

Detailed responses to each of the topics in the Committee's request for information are provided in the pages that follow.

Responses to the Specific Committee Questions and Information Requests

1. ***Summary of your institution's activities during the pandemic, to include activities from March 2020 through present day, relating to: any government pandemic program that your institution participated in, serviced, benefited from, or monitored, including the Paycheck Protection Program and Economic Injury Disaster Loan, and detail any funds received from such activity.***

Truist has a clear purpose to inspire and build better lives and communities. This includes helping its clients, communities and teammates facing hardship, such as those caused by the COVID-19 pandemic. Throughout the COVID-19 pandemic, Truist honored this commitment through its participation in government pandemic programs in a manner that maximized community support and reflected its purpose, mission, and values.

As the fourth-largest PPP lender by dollar volume, Truist provided approximately $17 billion across nearly 120,000 loans, all while maintaining its commitments to supporting communities where they need it the most. Truist teammates worked tirelessly to get much-needed relief funding into the hands of businesses that were working hard to avoid layoffs and keep operations running. Approximately 75% of Truist's PPP loans were in amounts at or less than $100,000, assisting approximately 80,000 small business clients. Truist supported the smallest of small businesses, with approximately 96% of its PPP loans going to businesses with less than 100 employees. Following Congress' renewal of the PPP program and its direction to lenders to focus on LMI communities and businesses, Truist developed proactive outreach programs and enhanced loan processing protocols for businesses in LMI communities, resulting in 34% of PPP loans in the second round of funding going to small businesses in such communities. In addition, approximately 30% of Truist's PPP loans supported critical businesses and employees vulnerable to the impacts of the pandemic, such as construction, manufacturing, healthcare, and agricultural businesses. Overall, Truist's PPP lending supported over 2 million jobs.

Outside of its PPP lending, Truist continued to meet the needs of its communities during difficult times. During 2021, Truist provided more than $26 billion in commercial loans to small and middle-market businesses. In 2019, shortly before the start of the pandemic, Truist announced a Community Benefits Plan that included a three-year commitment of $7.8 billion for lending to small businesses and to support the growth of businesses with revenues less than $1 million. Truist honored this commitment and, as of May 31, 2022, Truist had delivered $7 billion of that amount.

The Economic Injury Disaster Loan (EIDL) Program was a direct loan program administered by the Small Business Administration (SBA). COVID-19 EIDL loans were originated and serviced directly by SBA. Other than monitoring and reporting to law enforcement on certain deposit activities using COVID-19 EIDL funds, Truist was not involved in the EIDL Program.

Beyond lending activities, Truist acted promptly to demonstrate its purpose in action. To meet the immediate and long-term needs of its communities, Truist launched the Truist Cares initiative in March 2020, providing more than $50 million in philanthropic support to aid charities meeting basic needs, furnishing medical supplies, and addressing financial hardships across the nation. Through Truist Cares, Truist has made more than 250 grants to community partners to support and expand initiatives and programs for youth, seniors, families and small businesses to rebuild, restore, and create thriving communities. Major grants thus far include national and local United Way organizations, the Center for Disease Control Foundation and Johns Hopkins Medicine, the Local Initiatives Support Corporation, and Boys & Girls Clubs of America's COVID-19 Relief Fund to support frontline needs.

2. ***Summary of your institution's activities during the pandemic, to include activities from March 2020 through present day, relating to: mortgage lending, including originations broadly, originations for homes valued at less than $100,000, refinancing, and related denial rates to borrowers of color.***

Truist's housing-related business tangibly demonstrates how it fulfills its purpose. Mortgage and Truist Community Capital are two housing-related business lines critical to how Truist builds better lives and communities.

Mortgage

Truist supports first-time homebuyers, with a focus on underserved LMI and rural areas. Truist raises awareness and penetration of affordable mortgage products and programs, such as mortgage grants and down payment assistance, and has developed partnerships with builders of affordable housing to provide credit to LMI borrowers.

A centerpiece of Truist's mortgage business is the three-year commitment in Truist's Community Benefits Plan to make $31.9 billion in mortgage loans to LMI borrowers, LMI communities, to racially and ethnically diverse borrowers, and in majority-minority geographies. Based on its latest results, Truist has delivered on this commitment, funding $33 billion in home purchase mortgage loans across these client and community categories. In addition, from 2020 through the second quarter of 2022, Truist provided more than $17 million in Truist Mortgage Grant Funds for down payment assistance to over 2,700 LMI clients.

Truist partners with 29 non-profit organizations — such as HomeFree-USA in Maryland and the Urban League of Greater Atlanta — to deliver first time homebuyer education seminars and to educate consumers on financial solutions that assist with closing costs and down payments. These virtual and in-person seminars further educate consumers about mortgage assistance programs and foreclosure avoidance. Truist also partners with five national trade associations and their local chapters, namely, the National Association of Minority Mortgage Bankers of America, National Association of Real Estate Brokers, National Association of Hispanic Real Estate Professionals, Asian Real Estate Association of America and the LGBTQ+ Real Estate Alliance. Through these partnerships, Truist sponsors and participates in financial education and homebuyer education to expand access to credit for low-to-moderate income clients in low-to-moderate income geographies.

Looking ahead, Truist is a signatory to the Mortgage Bankers Association "Home For All Pledge". This pledge reinforces Truist's commitment to create and foster equity and inclusion in housing, including working with established relationships with HomeFree USA and the National Association of Minority Mortgage Bankers to expand opportunities to minorities in the communities Truist serves.

Products

Truist's residential mortgage lending business offers conventional (non-government), U.S. Department of Veterans Affairs (VA), Federal Housing Administration (FHA), and U.S. Department of Agriculture Rural Development (Rural Housing) mortgage products that are sold to or insured with Freddie Mac, Fannie Mae, FHA, VA, Rural Housing and Ginnie Mae, and conventional loans that it holds in its own portfolio. In the two-year period from 2020 to 2021, Truist's mortgage business originated 136,632 residential loans totaling $45.26 billion. Most of those loans were conventional mortgages and 58% were refinances. Truist originated mortgage loans on more than 2,500 homes with values less than $100,000 during this period, reflecting the significant home price appreciation that has occurred in recent years and one of the reasons it focuses so heavily on financing affordable rental housing. In 2020 and 2021, Truist helped 24,233 minority borrowers refinance or purchase a home. For 2021, the most recent full year for which information is available, approximately 60% of mortgage loans were made for the purpose of refinancing, while approximately 39% were for home purchase. With the sharp rise in interest rates in 2022, Truist expects this year's percentages to change materially.

Mortgage Loan Distribution

Truist strives to ensure that its mortgage lending programs are marketed and available to all interested applicants on a fair and equitable basis. As discussed above, Truist offers a comprehensive suite of mortgage products, including products aimed at LMI borrowers featuring down-payment assistance, low down-payment requirements and other qualifying terms designed to promote long-term equity growth for households with a sustainable payment. With respect to approval and denial rates for mortgage loan applicants based upon demographic information obtained on the primary borrower, based on 2021 Home Mortgage Disclosure Act (HMDA) data, Truist originated the following percentages of total loan applications per category: identifying white, 69%; identifying Asian, 67%; identifying black/African American, 57%;

identifying Native American, 58%; and, identifying Hispanic, 57%. Based on the same data, Truist denied the following percentages of total loan applications per category: identifying white, 12%; identifying Asian, 12%; identifying black/African American, 19%; identifying Native American, 17%; and, identifying Hispanic, 19%. Total loan application categories under HMDA also include applications withdrawn by the client and files closed for incompleteness. It should also be noted that approximately 20% of loan applicants declined to provide demographic information.

Home Equity Lending

Truist also offers home equity loans and lines of credit (HELOCS), allowing clients a flexible way to obtain a source of liquidity based on their home equity. In 2020 and 2021, Truist originated a combined total of $10.35 billion in home equity loan volume, providing financing to 86,472 borrowers. In 2020 and 2021, Truist helped 11,673 minority borrowers obtain a HELOC.

Support for Rental Housing and Housing Affordability through Truist Community Capital

Truist is an extraordinary supporter of affordable rental housing in the markets it serves. Truist Community Capital, a division of Truist's commercial real estate business, is a community- and client-focused business that provides investments and loans to urban and rural communities to support affordable housing, job creation, and revitalization. Today, Truist Community Capital has a portfolio of more than $4 billion in equity investments in affordable housing. In 2021 alone, Truist Community Capital invested more than $1 billion in low-income housing tax credits, New Markets Tax Credits (NMTC) and other community development funding that created 3,658 jobs for residents of LMI communities, more than 19,000 affordable housing units and served more than 115,000 LMI community members.

Through Truist Community Capital, Truist has created community development fund loans and investments, committing more than $200 million in financing at below-market rates of return, partnering with more than two dozen flagship CDFIs and community-based funds. Truist's partners in creating and maintaining affordable single-family and multi-family housing include the following CDFIs and government-sponsored funds:

- Durham Affordable Housing Fund
- Nashville Housing Fund
- Charlotte Housing Opportunity Fund
- Florida Minority Community Reinvestment Coalition
- Baltimore Community Loan Fund
- National Community Reinvestment Coalition Housing Rehab Fund
- Mercy Housing, Inc.
- Reinvestment Fund (Pennsylvania)
- Fahe (Rural Appalachia/Kentucky)
- Washington Housing Initiative

- Housing Impact Fund
- Atlanta Affordable Housing Fund
- Center Creek Housing Fund III
- Wake County Affordable Housing Preservation Fund

3. ***Summary of your institution's activities during the pandemic, to include activities from March 2020 through present day, relating to: forbearance and loan modifications offered, provided, or denied to customers experiencing hardship during the pandemic and foreclosures.***

Truist engaged in extraordinary efforts to respond to the issues and hardships caused by the COVID-19 pandemic, including implementing a range of loan accommodations by providing deferral, forbearance, or extension programs on a wide range of consumer and business lending products, including personal loans, mortgages, credit cards, auto loans, and home equity lines of credit.

Beginning early following the onset of the pandemic, Truist focused on client communications and proactive education about assistance programs available to clients facing financial hardship, leveraging frequently asked questions on Truist's websites, email outreach, and a social media campaigns. As the pandemic deepened, Truist developed and deployed technology solutions to help meet its clients' needs, including:

- Implementing digital, or online, intake processes that enabled clients to request relief.
- Introducing a "request call back" feature to respond to spikes in call volumes.
- Implementing interactive voice response and "chat-bot" features to provide informative content to address the most common client questions.
- Continually updating its website to provide updated and relevant information to help answer clients' questions.
- Updating written communications to its Mortgage clients that included information about Housing Assistance Fund programs and other ways to seek relief.

Truist has provided approximately 900,000 COVID-19 related payment relief accommodations to consumers and businesses from March 2020 through December 2021, impacting approximately $50 billion in loan balances. Truist implemented a broad range of loan accommodations across its lending businesses, including the following areas.

Mortgage

- Truist provided up to 12 months of payment relief in the form of forbearance, upon request, to all borrowers who communicated they were impacted by COVID, including those in a non-government backed product.

- Additionally, in certain circumstances, the government-sponsored enterprises (GSE) and government insurers offered an additional 6 months of relief, based on criteria defined in their servicing announcements, which Truist complied in offering as a mortgage servicer.
- Permanent relief accommodations for missed payments were provided in line with COVID programs developed by investors and insurers. These options included deferrals of the accrued payments, streamlined loan modifications to lower payments, and repayment plans.
- Truist offered similar permanent payment relief accommodations for its own mortgage loans that were not covered by the CARES Act.

Consumer Non-Mortgage (including Home Equity Lines of Credit, Auto Loans, Personal Loans, and Credit Cards) and Commercial Loans

- Payment relief accommodations were available upon request across all other types of Truist consumer and commercial loans — Truist did not require any written confirmation that clients were impacted due to COVID-19 (verbal was acceptable).
- Payment relief was generally provided for up to 180 days (in 30- or 90-day increments) for consumer and commercial loans.
- Depending on the line of business or program, these payments would typically be amortized over the remaining life of the loan, through a principal deferral due at maturity of the loan, or by extending payments after the original final maturity date of the loan.

Consistent with the CARES Act, Truist treated clients as "current" for credit bureau reporting purposes when utilizing Truist's COVID payment relief programs.

COVID-related payment relief accommodation programs (i.e., up to 180 days) largely ended at the conclusion of 2021, with the exception of mortgages, for which accommodations are still available per the CARES Act and continue to be available for all types of mortgages (portfolio, GSE, Government). Clients may continue to request and obtain payment relief assistance via Truist's business-as-usual accommodation programs if they face economic hardships.

In addition, Truist suspended foreclosure activities during the COVID-19 pandemic, in compliance with the foreclosure moratorium established in the CARES Act and extended through July 31, 2021. After that date, Truist complied with the safeguards established by the Consumer Financial Protection Bureau (CFPB) through December 31, 2021, with foreclosure activity limited to non-primary residences and confirmed abandoned properties.

Since December 31, 2021, Truist has returned to its standard programs for mortgage foreclosures. This process includes utilizing a myriad of available payment and restructuring options with clients prior to proceeding to foreclosure, with foreclosure and eviction used as a last resort.

4. ***Summary of your institution's activities during the pandemic, to include activities from March 2020 through present day, relating to: your institution's policies and practices with respect to garnishment and offsets of government stimulus deposits.***

Truist instituted several practices during the COVID-19 pandemic related to garnishments and offsets of the stimulus payments that directly benefited consumers and households.

Truist Practices Regarding Offset of Stimulus Payments

In April 2020, the federal government enacted what would be the first of three rounds of Economic Impacts Payments (EIPs) to assist individuals with short-term funding needs during the pandemic. Due to Truist's concerns regarding clients' ability to access stimulus funds, Truist voluntarily implemented a program to provide full benefits to clients, for a 30-day period, whose balance was negative at the time EIP funds were deposited. Initially, this temporary, or provisional, credit applied to ACH deposits and it evolved to encompass deposited checks after the U.S. Department of Treasury published additional information to help identify the checks.

Truist sent clients a letter explaining the temporary credit, which included instructions on how to sign up for online banking and encouraging clients to provide an email address to receive reminder emails. If Truist had email addresses for clients, Truist sent emails with an explanation about the temporary credit. Additionally, Truist sent reminder emails to those clients (i.e., that the temporary credit would expire and be reversed at the end of the 30-day period). When reversals of temporary credits were performed after the expiration of the 30-day period, overdraft fees were suppressed on the reversal.

Further, beginning March 23, 2020, Truist ceased to the right of setoff against any deposit accounts, including specifically when clients may have owed Truist on a loan obligation. This voluntary moratorium on setoff rights remained in place until October 1, 2020. When Congress issued the second and third round of EIPs, Truist did not exercise the right of offset on these payments for delinquent loan obligations if the EIPs were designated as such on deposit, or if not designated as such, clients informed Truist that the funds were EIP. In addition, Truist followed any applicable state-imposed limitations on the right of setoff during the COVID-19 pandemic.

Truist Practices Regarding Garnishment of Stimulus Payments

During the three rounds of EIP stimulus, Congress only exempted the second round of EIP from certain state garnishments. As a result, for these EIP payments, Truist updated its garnishment process to ensure that these funds would not be subject to a state's legal garnishment process pursuant to the provisions enacted by Congress. Apart from this federal protection for the second round of EIP, certain states enacted their own protections to stimulus payments from garnishments related to judgments in their states. Truist tracked the various state requirements and updated processes accordingly to ensure it was handling garnishments consistent with those states' garnishment protections.

5. ***Summary of your institution's activities during the pandemic, to include activities from March 2020 through present day, relating to: the total revenue collected from overdraft and related fees.***

Truist offers personal and commercial deposit products designed to meet client needs and financial resources, and has engaged in efforts to further assist clients. Putting its purpose in action, Truist refunded $90 million in fees to help clients face the issues and hardships caused by the pandemic. Truist also provided refunds for overdraft and related fees, upon request, from March 2020 through December 31, 2020. This included fees beyond returned item and overdraft protection fees.

Truist's Efforts Since May 2021 to Reduce and Eliminate Fees

Since 2021, Truist has introduced new products with no overdraft fees, eliminated key overdraft fees associated with existing products, and implemented transactional enhancements, which further helped clients avoid fees.

Introduction of Truist One Banking Products with no Overdraft Fees

On January 18, 2022, Truist announced Truist One Banking, a new, differentiated set of products to redefine everyday banking and accelerate clients' journey toward purposeful growth and financial well-being — all with no overdraft fees. Truist tapped into design thinking, market research, data on usage patterns, and client feedback to assemble a cross-discipline team charged with redefining what a checking account could and should be to create a better banking experience.

As part of Truist One Banking, on July 18, 2022, Truist introduced two new deposit accounts with no overdraft fees.

The new **Truist One Checking** is Truist's flagship checking offering that eliminates overdraft and overdraft-related fees, such as overdraft protection transfer fees, negative account balance fees, and returned item fees. Truist One also includes an industry-leading $100 negative balance buffer that allows qualifying clients allows to overdraw their account up to $100 at no cost in the event additional funds are needed to approve or pay a transaction presented against insufficient funds. Truist One also includes an easily accessible deposit-based line of credit — up to $750 — that doesn't rely on traditional credit scores to qualify and can be paid back over several months, and will be available to Truist's clients in the coming months. Truist One Checking has a monthly maintenance fee that Truist waives for clients engaging in a minimal level of monthly account activity.

In addition, Truist offers the **Truist Confidence Account**, an alternative account created for clients who want simplicity and control without overdraft fees. This new product will add to Truist's existing "Bank On" certified demand deposit products and will help more clients access mainstream banking, allow them to avoid high fees from check-cashing services and payday lenders, and create a pathway to upgrade to Truist One. The Truist Confidence account also has no overdraft fees. The Truist Confidence Account has a modest monthly maintenance fee that Truist waives for clients engaging in a minimal amount of monthly account activity.

Truist estimates Truist One Banking will result in total client savings of approximately $200 million annually by 2024. Truist currently has no actively-sold personal checking accounts that charge overdraft fees and will move clients into Truist One Checking upon request. Truist is engaging in proactive outreach, sending more than 500,000 pieces of mail to clients who overdraft on a frequent basis, explaining Truist One Checking and inviting them to upgrade their checking accounts at no cost and without changing their checking account number if they find Truist One Checking suitable to their circumstances. Truist is incurring the cost to reach out to these clients so they can better understand how they can avoid overdraft fees. Truist is doing this because it aligns with Truist's purpose and focus on client well-being.

Elimination of Fees on Existing Accounts

In addition to these new Truist One Banking deposit account offerings, Truist took action to benefit its existing deposit account clients. As of April 25, 2022, Truist eliminated several fees on its existing deposit accounts, including:

- Returned item fees.
- Overdraft protection transfer fees.
- Negative account balance fees.

Implementation of Transactional Enhancements to Help Clients Avoid Fees

Truist also reduced the number of potential overdraft fees that can be incurred daily from six to three. These changes saved Truist clients approximately $30 million in the second quarter of 2022 alone and are expected to deliver $100 million in client savings annually by 2024. In October 2021, Truist began waiving overdraft fees for all clients on transactions that are less than $5.00. This change is expected to save clients approximately $15 million annually.

Through these combined efforts, Truist's revenue generated from overdraft and returned item fees declined by approximately 30% from 2019 to 2021.

6. Your bank's current size and lines of business.

Truist is a purpose-driven financial services company committed to inspiring and building better lives and communities. Truist offers a wide range of services including retail, small business, and commercial banking; asset management; capital markets; commercial real estate; corporate and institutional banking; insurance; mortgage; payments; specialized lending; and wealth management. Truist is Headquartered in Charlotte, North Carolina.

Truist Bank, Truist's largest subsidiary, was chartered in 1872 and is the oldest bank headquartered in North Carolina.

More information about Truist can be found in its 2021 Annual Report on Form 10-K.[3]

Truist is a "Category III" banking organization, which generally includes bank holding companies with greater than $250 billion, but less than $700 billion, in total consolidated assets and less than $75 billion in certain risk-related exposures. As of June 30, 2022, Truist had total assets of $545 billion.

[3] Available at: https://www.sec.gov/ix?doc=/Archives/edgar/data/92230/000009223022000008/tfc-20211231.htm#i73eaf44e4d8f423a81f19d3796f0f2d0_529.

As a Category III banking organization, Truist is significantly smaller and less complex than the eight U.S. global systemically important bank holding companies, which operate on a larger scale, with a broader geographic scope and more complex internal operations and business lines.

7. ***Your bank's end of year capital and leverage ratios, as well as the annual amount of share buybacks, dividend payments, and other capital distributions for the past ten years.***

Truist maintains strong capital ratios compared to the regulatory requirements for well capitalized banks. **Table 1** reflects Truist's capital and leverage ratios as of December 31, 2021.

Table 1: Truist Capital and Leverage Ratios (as of 12/31/21)

Capital Ratios	
Risk-Based	
Common Equity Tier 1	9.6%
Tier 1	11.3%
Total	13.2%
Leverage	8.7%
Supplementary Leverage	7.4%

During the second quarter of 2022, Truist declared common dividends of $0.48 per share and repurchased $250 million of common stock. The dividend and total payout ratios for the second quarter of 2022 were 44% and 61%, respectively. Truist increased its quarterly dividend on its common stock by 8% to $0.52 beginning in the third quarter of 2022.

Truist recently completed the 2022 Comprehensive Capital Analysis and Review (CCAR) process and received the preliminary stress capital buffer requirement of 2.5% for the period October 1, 2022 to September 30, 2023, the lowest possible stress buffer, reflecting Truist's prudent risk management and sound financial performance under stressful conditions. According to the Federal Reserve's rigorous "severely adverse" stress test, Truist had the second lowest deterioration under the Federal Reserve's hypothetical scenario for its capital position and loan losses compared to peer banks. Relative to its conservative risk profile, Truist maintains a very strong capital position.

The annual dollar value of Truist's share buybacks, dividend payments, and other capital distributions by the firm for the past ten years is reflected in **Table 2**.[4]

Table 2: Truist Historical Capital Actions, 2012-2021 (in $ millions)

[4] Information from prior to December 6, 2019, the effective date our merger, reflects the combined capital actions of heritage BB&T and SunTrust.

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Dividends	$ 741	$ 989	$ 1,242	$ 1,476	$ 1,656	$ 1,907	$ 2,311	$ 2,229	$ 2,725	$ 2,852
Common Repurchases	-	150	458	679	1,326	2,927	3,115	250	-	1,616
Preferred Repurchases	-	-	-	-	-	-	450	1,725	500	1,415
Total	**$ 741**	**$ 1,139**	**$ 1,700**	**$2,155**	**$ 2,982**	**$ 4,834**	**$ 5,876**	**$ 4,204**	**$ 3,225**	**$ 5,883**

8. The number and general geographic locations of your bank's branches and how that compares to 10 years ago and 20 years ago.

Over the last 10 years, Truist has increased its branch footprint, organically and through mergers and acquisitions. As of June 30, 2022, Truist operates 2,087 full-service branches in 17 states and the District of Columbia, primarily concentrated in the Southeastern and Mid-Atlantic United States. **Table 3** shows Truist's branch footprint by state.

Table 3: Truist Bank Full-Service Branch Count by State (as of 6/30/2022)

State	Branch Count
Alabama	58
Arkansas	1
District of Columbia	24
Florida	458
Georgia	222
Indiana	1
Kentucky	62
Maryland	153
Mississippi	3
North Carolina	292
New Jersey	23
Ohio	2
Pennsylvania	152
South Carolina	98
Tennessee	104
Texas	102
Virginia	286
West Virginia	46
Total	**2,087**[5]

Truist continually reevaluates its branch network to ensure it meets the needs of its clients. Over the past ten years, Truist closed an average of 193 branches annually.[6] Many of these closures occurred following the merger of BB&T and SunTrust, because the two heritage banks,

[5] Excludes 34 limited service facilities.

[6] As of December 31, 2002, Truist had 2,306 branches in 11 states and the District of Columbia. As of December 31, 2012, Truist's branch network comprised of 3,448 branches in 14 states and the District of Columbia.

in many instances, maintained separate branches in the same neighborhoods and even on the same street corners. These closure plans were reviewed as part of the merger approval process and had virtually no long-term impact on branch availability or convenience for clients.

A central component of Truist's $60 billion Community Benefits Plan was a commitment to open at least 15 new branches in LMI and/or majority-minority neighborhoods across Truist's footprint by the end of 2022. Truist is on track to exceed this commitment, opening 16 branches in LMI or majority-minority communities. Since the completion of the merger, Truist has increased the percentage of LMI branches as a share of its overall branch network.

Beyond supporting communities through its extensive branch network, Truist also maintains digital capabilities to meet the rapidly evolving preferences and needs of both its consumer and commercial clients. Digital banking has become a cornerstone of the Truist-client relationship as clients increasingly prefer to conduct commerce digitally. As of the second quarter of 2022, 4.3 million users of the Truist mobile banking application, a 13% increase from 2020, reflecting clients' continued adoption of a mobile-first pattern of engagement. Additionally, the number of Truist deposit and lending accounts and mortgages opened through digital applications surged 39% from the first quarter to the second quarter of 2022. Truist's clients completed a total of 63 million transactions in the second quarter of 2022 alone. For the second consecutive quarter, digital transactions represented 44% of all transactions year-to-date across digital, ATM, branch, and contact center channels.

9. ***Any pending or recent merger or acquisitions involving your bank, including a description of your engagement with affected workers, customers, and communities.***

Since announcing the merger in 2019, Truist teammates worked to bring together Truist's culture, operations, and technology — work that has been especially challenging during the two-plus years of the COVID-19 pandemic. Throughout the integration, the exceptional efforts of Truist teammates have been out in the open and visible to millions of clients and others as Truist launched its new online presence and Truist mobile application, and converted bank branches, products, and services to Truist. With major merger milestones accomplished, Truist is now shifting from an integration mindset to an operating mindset focused on executional excellence and purposeful growth.

Truist does not currently have any pending bank merger applications. During 2021, Truist completed the acquisition of Service Finance, LLC, to expand point-of-sale lending capabilities, allowing clients to obtain financing for home improvement projects without leaving their homes. Truist has also continued to add companies and capabilities to its insurance brokerage business. For example, Truist recently announced the acquisition of BenefitMall to expand its insurance wholesale operation.

10. ***Your bank's approach to offering fair and affordable products and services, including to address continuing disparities in homeownership, small business ownership, and wealth building for people of color, as well as serving people making at or below 80% of the area median income located in a variety of neighborhoods, individuals that do***

not have access to the Internet, and consumers seeking financing to help them access safe abortion care.

Truist has a long history of lending, investing and providing financial services to support growth and value creation for businesses of all sizes and across all industries to support job creation and preservation while also strengthening local economies and communities.

Outlined below are several of the programs, tools, and engagements that Truist is implementing to advance equity, economic empowerment and education within Truist and for the clients and communities it serves.

Purpose and Commitment

One of the central components of Truist's merger plan was a bold commitment to drive positive change and progress in LMI neighborhoods through a Community Benefits Plan that would lend or invest $60 billion through 2022. The Community Benefits Plan was developed after eight community listening sessions and with advice and input from a Community Advisory Board that included leaders from nonprofits, CDFIs, and community advocates.

Truist's Community Benefits Plan commitment includes:

- $31 billion for home purchase mortgage loans to LMI borrowers, LMI communities, minority borrowers, and majority-minority geographies.
- $7.8 billion for lending to small businesses and support for businesses with revenues of less than $1 million.
- $17.2 billion in Community Development Lending for affordable housing and small business growth lending to nonprofits that serve the LMI community.
- $3.6 billion in CRA qualified investments and philanthropy, of which $130 million will be designated for CRA-qualified philanthropic giving.

Truist is pleased to report that, through August 2022, Truist's estimated combined lending, investing and philanthropic financing activities already exceed $60 billion. Further, based on Truist's progress to date, Truist is fully on track to deliver on each and every one of its Community Benefit Plan commitments by year end. This includes opening 16 new banking branches in LMI or majority-minority neighborhoods, publishing a plan for serving rural geographies in Truist's footprint and meeting or exceeding each target for mortgage lending, small business lending, philanthropic giving, qualified investments, and diverse supplier spending. In sum, Truist made a three-year commitment to the community in 2019 and, through the hard work of Truist's teammates and great partnerships with community and civic leaders and organizations, Truist has delivered on that commitment.

Empowering Clients and Building Better Communities

One way Truist puts its purpose into action is through Truist Community Capital, a client-focused business that provides investments and loans to urban and rural communities to support affordable housing, job creation, and revitalization. Today, Truist Community Capital has a portfolio of more than $4 billion in equity investments in affordable housing. In 2021 alone, Truist Community Capital invested more than $1 billion in low-income housing tax credits, NMTCs and other community development funding that created 3,658 jobs for residents of LMI communities, more than 19,000 affordable housing units and served more than 115,000 LMI community members. Through Truist Community Capital, Truist has created community development fund loans and investments, committing more than $200 million, partnering with more than two dozen flagship CDFIs and community-based funds such as the Charlotte Housing Opportunity Fund, the Black Business Investment Fund in Florida, Appalachian Community Capital, the Baltimore Community Loan Fund, the Washington Housing Initiative, the Westside Futures Fund, People Fund of Texas, the Reinvestment Fund (Pennsylvania) and many more.

To help make its communities and the financial system more inclusive and equitable, Truist has taken even broader steps since 2020. The following are some examples:

- In June 2022, Truist committed $120 million to strengthen and support small businesses, focusing on Black, Latine and women-owned businesses. The commitment includes $30 million in philanthropic grants to support nonprofits that assist small businesses and diverse entrepreneurs and $5 million in philanthropic grants, which will support technical assistance, small businesses and volunteerism. In addition, $85 million in investments support debt and equity, partnering with CDFIs.
- In 2021, Truist committed $50 million in investment funding to serve as the anchor investor with Microsoft on the FDIC Mission Driven Institution investment fund, which will assist minority depository institutions (MDIs) in obtaining financial, technical and other support to scale their businesses to serve more lower-income clients and communities.
- Truist's $40 million initial donation in September 2020 helped establish CornerSquare, a new national nonprofit fund that supports selected CDFIs and MDIs by providing capital to racially and ethnically diverse small business owners, women, and individuals in LMI communities, with a focus on African American-owned small businesses.
- The Truist Foundation provided a $10 million grant to Connect Humanity, a nonprofit focused on advancing digital equity among historically marginalized communities. The grant will be used to strengthen Connect Humanity's efforts in providing financing, tools, diversity, equity, and inclusion training, and network expansion to eliminate the digital divide and advance the internet connectivity space. Connect Humanity anticipates the Truist Foundation grant will support approximately 100 communities, improving connectivity for at least 5 million under-connected Americans while creating jobs and driving economic expansion.
- In 2021, Truist committed $8 million to Mayor Vi Lyles' Racial Equity Initiative in Charlotte, North Carolina. The new initiative will address inequities and remove barriers to opportunity through four key workstreams: bridging the digital divide and establishing a Center for Digital Equity; investing in Charlotte's six "Corridors of Opportunity" neighborhoods; transforming Johnson C. Smith University into a top-tier, career-focused HBCU; and ensuring organizations commit to racial equity by advancing more ethnically diverse leaders within their individual corporations.

To expand access to capital for small and minority-owned businesses and create more equality in lending, investment and financial services, Truist:

- Became the first U.S. regional bank to issue a social bond, with a $1.25 billion issuance that had participation from more than 120 investors including ESG-dedicated portfolios and has impacted more than 22,000 affordable housing units. For more information, please see Truist's 2021 Social Bond Impact Report.[7]
- Co-led an investment through Truist Ventures in Zeal Capital Partners, which raised $62.1 million to make 25-30 inclusive investments in early stage technology and financial technology (fintech) companies.
- Made investments in startups and early-stage companies ranging from fintech to artificial intelligence and machine learning and blockchain through Truist Ventures.
- Invested $40 million in Greenwood, a digital banking platform for Black and Latino individuals and business owners.
- Made a commitment of $20 million for Operation HOPE, which is helping launch 1 million Black-owned businesses by 2030, and expanded financial coaching through Operation HOPE at no cost to 680 Truist branches.
- Made a $1.5 million grant in 2021 and another $500,000 in 2022 through Truist Foundation to Grameen America, a nonprofit microfinance organization founded by Nobel Peace Prize recipient Muhammad Yunus, which helps women living in poverty create small businesses to provide for their families. Grameen America has a 10-year plan to provide $1.3 billion in loans, financial training, and asset- and credit-building tools to more than 80,000 Black women entrepreneurs by the end of this decade.
- Published a Child Tax Credit Toolkit in partnership with the Bank Policy Institute to close the gap for millions of eligible children.
- Expanded free access nationwide to the WORD Force early childhood literacy program presented by Truist and EVERFI.
- Piloted a "Start. Save. Win!" program to help clients boost their emergency savings through an Essential Savings account and a chance to win $500 to encourage clients to make saving money a habit.

Cumulatively, Truist and the Truist Foundation gave $116 million in 2021 to support communities. Truist giving was often paired with matching funds or leveraged alongside regional, state, and local programs to maximize the impact. Truist is having a profoundly positive impact on its communities consistent with its purpose to inspire and build better lives and communities.

Responsible and Diverse Sourcing

To create even more opportunities for black-owned businesses to provide goods and services to Truist and to grow in the marketplace, Truist is actively engaged in mentoring small and

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[7] Available at https://filecache.investorroom.com/mr5ir_truist/561/Truist_2021_Social_Bond Report_ADA.pdf.

minority-owned businesses and increasing opportunities for diverse asset managers. As part of its Community Benefits Plan, Truist committed to significantly increase its diverse supplier spend. In 2021, Truist spent 15.9% with diverse suppliers, including 12.9% with minority-owned businesses, and is on track to exceed those numbers in 2022. Truist is a member of the Sustainable Purchasing Leadership Council to find solutions and share best practices to build a sustainable future through the power of procurement; the National Minority Supplier Development Council (NMSDC); and numerous state and local diverse supplier industry trade groups. In 2021, the Truist Foundation furthered the work of NMSDC through a $180,000 grant award.

Truist's Tier2 program further enhances the value that diverse suppliers can bring to its supply chain when direct sourcing with these vendors is not an option. Truist strongly encourages its strategic suppliers to subcontract with qualified certified diverse suppliers in the performance of their primary contractual obligations. Annually, Truist hosts its Tier2 Supplier Diversity Business Summit, where it invites diverse businesses to network with our strategic suppliers for business opportunities.

In December 2021, Truist announced the launch of Sterling Capital Diverse Multi-Manager Active ETF (NYSE: DEIF) and committed $100 million in investment capital to support its launch and increase opportunities for diverse asset managers.

11. ***Your bank's approach to payday loan alternatives such as small-dollar consumer loans, meeting the needs of underserved communities such as through special purpose credit programs, and meeting the needs of unbanked and low-income communities such as through no- or low-fee accounts.***

Inclusion at Truist reaches across the full range of its clients, including individuals who have traditionally been unbanked or underbanked. Truist believes everyone in its community deserves a safe place to save, an easy way to borrow, and low-cost checking and check-cashing services. Truist has introduced new products and expanded existing programs to meet the needs of people who are unbanked, underbanked, and traditionally underserved.

As noted in response to question 8, by the end of 2022, Truist will have opened 16 new LMI and majority-minority branches across its markets, exceeding the commitment in its Community Benefits Plan, and it has increased the percentage of our overall branch network serving LMI census tracts.

Additionally, Truist has created banking products and developed partnerships with universities and corporations tailored to young professionals who are establishing credit for the first time, looking to pay down education loans, and saving toward homeownership.

Truist was the first major bank to join BlackRock's philanthropic Emergency Savings Initiative (ESI). Intended to help unbanked and underbanked clients build emergency savings, this new ESI solution helps financially vulnerable Americans manage unforeseen expenses and avoid financial setbacks.

Another way we're helping clients build emergency savings is through an innovative pilot program with Commonwealth, a national nonprofit focused on building financial security and opportunity for financially vulnerable people. Truist partnered with Commonwealth to deliver the Start. Save. Win! sweepstakes as part of the Emergency Savings Initiative. Clients who opened a new Essential Savings account online between July and September of 2021 were entered into a monthly drawing with one entry per $25 cumulative monthly deposit (up to five entries, or $125). More than half (52%) of targeted participants were new to saving regularly, and over a third (36%) said they started with less than $400 to cover an emergency.

The program had a material impact, and nearly two-thirds of participants (63%) said they were motivated by the sweepstakes to start saving. The outcome:

- 25,000+ households opened accounts with $36.9 million in total savings balances.
- 41% of targeted households maximized their sweepstakes opportunity with over $125.

Truist Confidence Account

As noted in response to question 5, in July 2022, Truist launched the Truist Confidence Account, an alternative account created for consumers who want simplicity and control without overdraft fees. This new product adds to Truist's existing "Bank On" certified demand deposit products and is helping more clients access mainstream banking, allow them to avoid high fees from check-cashing services and payday lenders, and create a pathway to upgrade to Truist One, our flagship no-overdraft deposit offering.

Low-cost Money Account

Truist's BankOn certified prepaid Money Account provides a general purpose reloadable prepaid card that is a low-cost alternative to check cashing. It allows online bill payment to manage expenses and gain more control over financial decisions and priorities.

Cash Reserve

Cash Reserve, a new deposit-based line of credit, will launch in the fourth quarter of 2022, as part of the Truist One Banking suite of products. Cash Reserve will use only deposit-based transaction behavior (i.e., not credit scores) to provide liquidity to Truist personal checking clients. Clients with six months of transaction history can borrow between $50 and $750 at a low interest rate, with a four-month repayment period, and no fees.

12. Public enforcement actions taken by a federal or state government agency since 2020, including any consent orders and settlements against your bank and the number of consumers or investors harmed per order, settlement, and action.

Since 2020, Truist and Truist Bank have not been subject to any public enforcement action, including consent orders and settlements, by its federal or state prudential regulators or the CFPB.

13. Your bank's capital market activities, including with respect to securities and derivatives.

In general, the goals of Truist's capital markets activities executed on its own behalf are: (i) to provide sufficient liquid assets to meet unanticipated deposit and loan fluctuations and overall funds management objectives; (ii) to provide eligible securities to secure public funds, trust deposits and other borrowings; and (iii) to earn an optimal return on funds invested commensurate with meeting the requirements of (i) and (ii) and consistent with Truist's safety and soundness and established risk appetite.

Truist Bank invests in securities allowable under bank regulations. These securities may include obligations of the U.S. Treasury, U.S. government agencies, GSEs (including mortgage-backed securities), bank eligible obligations of any state or political subdivision, non-agency MBS, structured notes, bank eligible corporate obligations (including corporate debentures), commercial paper, negotiable CDs, bankers acceptances, mutual funds, and limited types of equity securities.

Truist enters derivative contracts primarily to manage various financial and safety-and-soundness objectives, including managing interest rate risk related to securities, commercial loans, mortgage servicing rights and mortgage banking operations, long-term debt, and other funding sources. Truist hedges a portion of its securities portfolio to reduce mark-to-market volatility and to increase its overall asset sensitivity position.

As a financial intermediary, Truist provides its clients access to derivatives, foreign exchange and securities markets, which generate market risks. Truist also uses derivatives to facilitate transactions on behalf of its clients and as part of associated hedging activities.

As of December 31, 2021, Truist had derivative financial instruments outstanding with notional amounts totaling $300.6 billion, with an associated net fair value of $1.8 billion.

Truist and certain of its subsidiaries and affiliates, including those that engage in derivatives transactions, securities underwriting, market making, brokerage, investment advisory, and insurance activities, are subject to other federal and state laws and regulations, as well as supervision and examination by other federal and state regulatory agencies and other regulatory authorities, including the Securities and Exchange Commission, Commodity Futures Trading Commission, Financial Industry Regulatory Authority (FINRA), and the New York Stock Exchange (NYSE).

14. The extent your bank utilizes forced arbitration clauses in its contracts with consumers, employees, investors, and contractors.

Consumers

Truist recently began implementing changes to its standard arbitration provisions found in customer agreements to allow consumers who are opening an account to opt out of the applicable arbitration agreement within thirty days. This change to the arbitration agreement, which is designed to provide clients with more control over the arbitration decision, has been implemented for deposit clients and will continue to be incorporated into other consumer agreements throughout 2022.

Currently, arbitration provisions can be found in customer agreements for a number of Truist originated products and services, including deposit accounts, credit cards, and some consumer loans.[8] In accordance with regulatory requirements, such arbitration provisions do not apply to borrowers covered by the Military Lending Act.

Under Truist's standard arbitration agreement, a consumer can still bring his or her claims in a small claims court, which has expedited rules and usually allows a consumer to represent themselves without an attorney. Therefore, if a consumer has a small-value claim and decides they would rather not arbitrate the dispute, they can pursue their case in court.[9]

Brokerage

As to Truist's broker-dealer businesses, FINRA Rule 12200 of the FINRA Code of Arbitration Procedure for Consumer Disputes requires parties to arbitrate a dispute through the FINRA forum, and using the FINRA rules, by written agreement or upon a customer's request. Truist and its subsidiaries abide by these requirements and utilize FINRA's arbitration services for client disputes.

Employees

Truist has limited the use of arbitration agreements in the employment context. For example, Truist uses arbitration clauses in certain separation agreements, such as severance agreements and voluntary separation and retirement program agreements, typically involving more highly compensated teammates. Arbitration clauses may also be included in individual transition (i.e., separation) agreements and settlement agreements.

Additionally, a limited number of business units include arbitration clauses in the Business Incentive Plan (BIP) participation agreements for certain BIP eligible roles, and another line of business uses arbitration clauses with some teammates located in California.

Finally, within the broker-dealer businesses of Truist, FINRA requires that registered/licensed employees arbitrate their claims against Truist through the FINRA forum.

15. ***Your compensation, benefits, and clawback policies, including the minimum wage you pay employees (including contract employees), how compensation policies are designed to promote accountability of company executives, how you ensure equal access to health care, including comprehensive reproductive health care for all employees (including contract employees), whether you are compensating employees seeking abortion care (such as paying for out-of-state travel when***

[8] For example, see https://www.truist.com/content/dam/truist-bank/us/en/documents/disclosures/banking/bank-services-agreement-privacy-notice.pdf.

[9] Agreements for certain products originated by third parties and assigned to Truist may contain arbitration provisions that are different from the standard arbitration provision described above.

needed), and how you will guarantee every employee has equal access to this compensation and confidentiality, and how the compensation of the CEO and other C-suite executives compares to the median compensation of an employee at your bank.

Compensation Philosophy

Truist is committed to creating an inclusive and energizing environment that empowers teammates to learn, grow, and have meaningful careers. Truist strives to competitively compensate teammates for the tremendous work they do for its clients and stakeholders. Truist takes a Total Rewards approach, including offering highly-competitive wages, a robust wellness program, comprehensive benefits, and an industry-leading 401(k) and defined benefit pension plan. The Total Rewards goes beyond compensation and prioritizes wellness to help teammates stay healthy at all stages of their lives and career journeys.

Truist is among a small number of employers that still offer and fund a defined benefit pension plan for eligible teammates. The Truist Financial Corporation Pension Plan rewards teammates for their time with Truist and helps them accumulate income to supplement retirement.

Recently, Truist announced that, effective October 1, 2022, it will raise its minimum U.S. hourly pay rate to $22 for eligible teammates. Previously, Truist's minimum wage ranged from $15-$18 per hour, based on geography. The new wage will positively impact approximately 14,000 Truist teammates, including 81% in client-facing roles primarily within its retail and small business banking businesses. This increase is Truist's latest investment in key talent across the organization and positions Truist among the highest in the industry for minimum wage as part of a comprehensive Total Rewards program for its teammates. Truist has also enhanced teammate benefits related to student loans, healthcare, and vacation carryover.

Truist values the well-being of employees and provides comprehensive health care benefits for medical, dental, vision, reproductive health, mental health, family and medical leave, life insurance, disability insurance and other benefits. For teammates who make less than $50,000 per year, Truist provides subsidies for insurance premiums.

Truist strives to provide equal access to health care, including comprehensive family planning and reproductive coverage for teammates under its health plan. Truist provides certain additional reproductive health benefits to eligible teammates. Coverage under Truist's health plan includes coverage for medical care that is not available within a 100-mile radius of the teammate's location, including organ transplants, cancer care, family planning and reproductive care, mental wellness, and other various services for teammates and their covered dependents.

Please see Benefits.Truist.com and Truist's 2021 ESG and CSR Report for additional information.

Executive Compensation

All compensation for executives at Truist is overseen by a fully independent Compensation and Human Capital Committee of the Board of Directors. Truist's executive compensation program incorporates strong pay and governance practices that reinforce Truist's principles, support sound risk management, and align with the firm's shareholders. Among other things, Truist uses an executive risk scorecard, which the Compensation and Human Capital Committee may use to reduce incentive compensation for negative risk outcomes.

Incentive compensation for Truist's executive leadership is governed by shareholder-approved incentive plans that include clawback provisions designed to discourage imprudent risk-taking.

In accordance with SEC rules, Truist discloses the ratio of the annual total compensation of its CEO to the median teammate's annual total compensation. For 2021, the ratio of the annual total compensation of Truist's CEO (as calculated under applicable SEC rules) for 2021 to the median teammate was 153 to 1. Using a similar method, the ratio of the annual total compensation of Truist's C-Suite executives to the median teammate was 65 to 1 for 2021.

For more information about Truist's executive compensation, please refer to our 2022 Proxy Statement.[10]

16. The diversity of the directors of your board and executives that report to the CEO, the policies and practices implemented at your institution to promote diversity and inclusion among your workforce, and the policies to promote the use of diverse contractors and suppliers, including diverse asset managers, brokers, and underwriters by your institution.

Truist's Commitment to Equity and Inclusion

Truist actively hires teammates from different backgrounds, cultures, identities, and experiences for positions ranging from entry-level to senior leadership. Truist is committed to helping individuals reach their potential in a culture that promotes sharing ideas, respecting one another, and achieving goals together. Truist believes that embracing our differences advances creativity, increases innovation, fosters collaboration, and makes Truist a more forward-thinking competitive company.

Truist has dedicated resources focusing on increasing the representation of diverse teammates in key positions across the organization, and has plans and programs in place to further grow and develop its leadership pipeline for greater representation of gender, ethnic, generational, veteran, and LGBTQ+ diversity.

Truist has established practices to drive equity in its performance ratings and assessments and analyzes multiple factors in talent review data to help ensure equitable outcomes that lead to a fair and inclusive workplace. In 2021, the first annual pay equity review completed by the combined Truist organization showed that on average the salary of women teammates is 99% of men, and the salary of racially underrepresented teammates is almost 100% of white teammates. Truist identified less than 1% of its teammates who were earning less than expected when compared to peers, and adjusted their compensation immediately. Truist will strive to achieve and maintain pay equity.

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[10] Available at: https://filecache.investorroom.com/mr5ir_truist/577/Truist 2022 Annual Meeting Notice and Proxy Statement.pdf.

Truist seeks to create an inclusive and equitable place to work for all employees and contractors, and since 2020 has held itself publicly accountable on hiring, promotion and recruiting by publishing EEO-1 data and setting goals for diverse leadership. Truist is a signatory of the CEO Action for Diversity & Inclusion pledge and the Hispanic Promise, and is a member of the Business Coalition for Equality Act.

Truist strives to maintain a diverse board of directors and senior leadership. Forty-three percent of Truist's board members are from underrepresented racial, ethnic, or gender groups. More specifically, women and African American directors make up approximately 35% and 20%, respectively, of Truist's board of directors, which exceeds the average for companies in the S&P 500. In addition, in 2021, Truist achieved 15.1% ethnically diverse representation in senior leadership roles, exceeding its goal of 15% and reaching this milestone a year ahead of its original commitment. Truist also filled 54% of early career program seats with underrepresented candidates.

To create more pathways for high-performing diverse leaders to transition into senior leadership roles, Truist created the Grow, Recruit, and Accelerate Development (GRAD) program. Participants gain knowledge through collective and individualized experiences as well as leadership training, one-on-one career coaching, and reimbursement for obtaining graduate-level degrees if they have yet to pursue one. More than 80% of selected participants in the GRAD program identify as ethnically or racially diverse and more than 50% identify as female.

Truist provides diversity, equity, and inclusion training for employees that includes Unconscious Bias, Code of Ethics, Preventing Workplace Harassment for Employees, Workplace Violence Prevention for Truist Teammates, and the Americans with Disabilities Act. Beginning in 2021, Truist required Foundations of Diversity, Equity, and Inclusion training for all teammates.

Truist also offers eight Business Resource Groups (BRGs), which are teammate-led groups with executive leaders as sponsors created to drive diverse recruiting; leadership development; community volunteerism; new business and supplier referrals; and physical, financial and mental well-being. Truist leverages the BRGs to help it and its teammates understand the perspectives of their diverse communities and clients. Many activities are sponsored by more than one BRG, gaining the power of intersectionality and amplifying progress — such as women veterans, or LGBTQ+ African American/Black teammates. Truist compensates teammates for time spent participating in company sponsored BRG events and activities during work hours, and managers offer flexibility so teammates can attend.

Focus on HBCUs

HBCUs consistently graduate high-performing students in the fields of business, technology, finance, law, and medicine. Through its dedicated university and HBCU alumni recruiting programs, Truist has created deliberate opportunities to attract, retain, hire, and place the best talent in the firm.

Among other things, Truist has:

- Committed to increase hiring from HBCUs to 5% by 2023.
- Pledged more than $20 million from 2020 through 2022 to programs supporting HBCUs, including:
    - $9.5 million direct to HBCUs, including Morehouse School of Medicine and Meharry Medical College.
    - $3 million to the Congressional Black Caucus Foundation.
    - $2.5 million in HBCU signature events.
    - $2.3 million to fund recruiting students.
    - $1.71 million in supporting sponsorships for HBCU-oriented sporting events.
    - $1 million commitment over 5 years to the Henry Louis Aaron Fund.
- Partnered with 26 HBCUs for the Emerging Leaders certification program.
- Hosted the HBCU Entrepreneurship Conference with Bowie State University and ESPN Events to sponsor the annual Mid-Eastern Athletic Conference/Southwestern Athletic Conference football kickoff.
- Awarded scholarships to 10 deserving HBCU students at the Diversity in Tech summit.

In November 2021, Truist partnered with the Thurgood Marshall College Fund, the largest organization representing the Black college community, on a new scholarship program to meet the needs of students at HBCUs and those from underserved communities. A $3 million grant will establish a Truist scholarship program, providing $1 million a year over the next three years to HBCU students in Truist markets and financial support to complete college.

Supplier Diversity

Truist is committed to diversity, equity, and inclusion for teammates and suppliers.

Truist's supplier diversity program works with qualified and innovative diverse businesses to create value-added supplier partnerships that enhance client experience, strengthen operations, and enrich their communities through economic advancement. Truist's supplier diversity impact is most often seen in the form of strengthening local businesses, job creation, and improving wage security. Truist incorporates standards into its sourcing and procurement practices such as ensuring a diverse slate of suppliers are invited to compete for Truist's goods and services. Truist now achieves more than 17% of its sourceable spend with certified diverse suppliers as of the first half of 2022, which exceeds its 3-year goal. Truist also reached 31.3% "RFx" inclusion in 2021, ahead of its goal of 30% in the second year of Truist's Community Benefits Plan. Refer to Truist's 2021 Annual Report for more information.

Truist's Tier2 program further enhances the value that diverse suppliers can bring to its supply chain when direct sourcing with these vendors is not an option. Truist strongly encourages its strategic suppliers to subcontract with qualified certified diverse suppliers in the performance of their primary contractual obligations. Annually, Truist hosts its Tier2 Supplier Diversity Business

Summit, where it invites diverse businesses to network with its strategic suppliers for business opportunities.

To promote diversity among asset managers, Truist created the Sterling Capital Diverse Multi-Manager Active ETF (NYSE: DEIF) that uses investment strategies developed by majority diverse-owned asset managers and made a $100 million investment in the fund.

17. Recent data related to progress on fulfilling racial equity commitments following the murder of George Floyd, including but not limited to financial investments.

In 2020, Truist convened an informal advisory group of nationally recognized civil rights and community leaders and stakeholders, whose experiences and expertise on matters of racial equity give voice to impacted communities and people. Truist also continues to engage in ongoing dialogue with its Community Advisory Board, which was formed in 2020 as part of its $60 billion Community Benefits Plan commitment. Informed by their views, and Truist's long and deliberate work for equity and to broaden pathways to economic well-being and opportunity, Truist believes the best means of achieving a fully equitable and just America is to every day bring full and purposeful conviction to advance social, economic, and financial equity for all Americans.

Truist's response to question 10 outlines several of the programs, tools and engagements that Truist is implementing to advance equity, economic empowerment and education within its own institution and for the clients and communities it is privileged to serve.

18. Investments, loans, and partnerships with minority depository institutions (MDIs) and community development financial institutions (CDFIs) since 2020.

CDFIs and MDIs play a vital role as service providers for minority populations to help create jobs, grow small businesses, and build wealth. They also support and sustain the creation and preservation of affordable housing, supporting community facilities, and strengthening the social fabric in local communities.

Truist has been a strong supporter with a long history of supporting CDFIs and MDIs to support growth and value creation for businesses of all sizes and across all industries to stimulate job creation and preservation while also strengthening local economies and communities.

Truist Community Capital supports numerous CDFIs, developers, syndicators, community development entities, and others in both urban and rural communities. Truist Community Capital products include debt and equity financing, Low Income Housing Tax Credit and NMTC projects, Small Business Investment Company investments, Federal Home Loan Bank Affordable Housing Program financings, and providing flexible, below market capital through Truist's Community Development Financing initiative.

Truist is proud to support numerous clients and community organizations that are making positive impacts and addressing crucial issues such as affordable housing, homelessness, and housing insecurity; healthcare and mental health services; and access to healthy foods, to name a few. Many clients and partners also support small businesses, women-owned businesses, minority-owned businesses, and other entrepreneurs who face barriers to starting businesses that can create local jobs, build wealth, and strengthen communities.

Below are some specific examples of Truist's work with CDFIs and MDIs:

- In June 2022, Truist committed \$120 million to strengthen and support small businesses, focusing on Black, Latine and women-owned businesses. The commitment includes \$30 million in philanthropic grants to support nonprofits who assist small businesses and diverse entrepreneurs and \$5 million in philanthropic grants, which will support technical assistance, small businesses and volunteerism. In addition, \$85 million in investments support debt and equity, partnering with CDFIs.
- In 2021, Truist committed \$50 million in investment funding to serve as the anchor investor with Microsoft on the FDIC Mission Driven Institution investment fund, which will assist MDIs in obtaining financial, technical, and other support to scale their businesses to serve more lower-income clients and communities.
- In September 2020, Truist's \$40 million donation helped establish CornerSquare, a new national nonprofit fund that supports selected CDFIs and MDIs by providing capital to racially and ethnically diverse small business owners, women, and individuals in LMI communities, with a focus on African American-owned small businesses.
- Truist doubled its commitment from \$25 million to \$50 million for its Truist Cares initiative, a COVID response initiative which provides CDFI support to help meet the immediate and long-term needs of teammates, communities, and clients, including small businesses.
- Truist awarded a \$1 million grant to Appalachian Community Capital for CDFI support for small businesses impacted by COVID related losses.
- Truist funded a \$6.2 million NMTC project with CAHEC Capital, Inc. to support renovations and expanded HIV/AIDS treatment at Grady Health System's Ponce De Leon Center in Atlanta, a facility where 83% of patients served annually are Black or African American.
- Truist provided a \$5 million line of credit to support the Entrepreneur Backed Assets (EBA) Fund, a first-of-its-kind fund that builds capacity for community-based microfinance lending to small businesses owned by people of color or based in low-income communities. Backed by the Aspen Institute, the Microfinance Impact Collaborative, the Annie E. Casey Foundation, and several other public and private sector supporters, the EBA Fund creates a secondary market for loans originated by community-based microlenders. Supporting banks agreed to purchase loans originated by CDFIs, freeing up capacity for new loans to be issued and opening greater access to capital for small business owners.
- Truist awarded a \$375,000 to the Capital Good Fund in Providence, Rhode Island, which offers small loans and personal financial coaching to help people break the cycle of poverty and achieve financial independence. This CDFI, which started as an idea in a social entrepreneurism class at Brown University in 2008, is now one of the fastest-growing microfinance organizations in the United States.

- Truist Charitable Fund made a $1 million grant to Opportunity Finance Network (OFN) in Philadelphia, which is a national association of CDFIs that provide capital, advocacy, and capacity-building to strengthen local neighborhoods. OFN supports more than 300 CDFIs, which in turn provide loans, venture capital, and other forms of financial support that empower entrepreneurs to start small businesses, create local jobs, build wealth, and reach their full potential.

In 2020, Truist received $65 million in NMTC allocation from the U.S. Treasury Department's CDFI Fund to support job growth, education, wellness, and access to capital. Truist and its predecessor banks have received a cumulative allocation of $643 million under the program.

In addition to providing lending, investments, and grants, Truist takes a long-term partnership approach in supporting community organizations so they can build capacity, advance their missions, and help Truist gain a better understanding of the unique needs of local communities.

Truist's Community Advisory Board includes executives from more than a dozen organizations including the Coalition for Nonprofit Housing and Economic Development, Building Alabama Reinvestment, Maryland Consumer Rights Coalition, Ceiba, and Urban League of Hampton Roads and CDFIs including Atlanta Neighborhood Development Partnership, The Housing Fund, and the Federation of Appalachian Housing Enterprises.

Truist's Community Development Enterprises' Advisory Board includes three CDFIs — Self-Help Ventures Fund, The Reinvestment Fund and CAHEC Capital, Inc .— which provide guidance on administration of Truist's NMTC allocation.

Additionally, numerous teammates share their financial knowledge and provide thought leadership by serving on boards and advisory committees of local organizations, participating in working groups, speaking on panels, attending listening sessions, and providing other support to community groups.

19. Your bank's approach to cybersecurity, protecting consumer data, and data privacy.

Truist's focus on cybersecurity and data privacy aligns with the high priority its stakeholders place on this. Caring for its clients and protecting their assets are key priorities for Truist. Truist makes significant investments in technology and expertise, and conducts ongoing training and awareness engagement at every level.

Truist is involved in organizations devoted to information security, privacy, cyber intelligence, financial market stability, fraud, resiliency, data aggregation, secure funds transfer, and cyber investigations. Truist also engages with the American Bankers Association, Bank Policy Institute, Financial Data Exchange, Financial Services – Information Sharing & Analysis Center, Financial Services Sector Coordinating Council, the International Association of Privacy Professionals, and the Future of Privacy Forum to stay abreast of industry changes in data privacy. Many Truist teammates in the cyber and privacy fields hold industry certifications and serve in leadership roles in these organizations.

Various federal and state laws and regulations contain extensive data privacy and cybersecurity provisions, and the regulatory framework for data privacy and cybersecurity is rapidly evolving.

The FRB, FDIC, and other bank regulatory agencies have adopted guidelines for safeguarding confidential, personal customer information. These guidelines require each financial institution, under the supervision and ongoing oversight of its board of directors or an appropriate committee thereof, to create, implement, and maintain a comprehensive written information security program.

Truist's Information Security Program utilizes a comprehensive Information Security Framework of people, processes, and technology to identify, measure, monitor, assess, manage, and report cybersecurity risk across the enterprise. The Information Security Framework aligns with the National Institute of Standards and Technology Cybersecurity Framework, using business drivers to guide cybersecurity activities and considers cybersecurity risk as part of Truist's risk management processes. Truist's approach to cybersecurity includes a Third-Party Risk Management function which identifies, assesses, controls, and reports on technology and cybersecurity risks associated with the use of third parties to deliver products and services to Truist.

Truist has implemented multiple layers of controls, using "defense in depth" to safeguard client accounts. The bank's data protection services provide capabilities to identify, classify, and tag sensitive consumer data for protection against data breach, improper access, usage, and dissemination. These capabilities ensure processes are in place to satisfy applicable legal and regulatory requirements, and to safeguard client data. Truist also monitors its critical systems and data on an ongoing basis, including proactively monitoring cybercriminals and their capabilities.

Truist conducts training and awareness engagement, including a focus on new or emerging cybersecurity risks and threats, new or updated policies and standards, and security protection actions that teammates are expected to undertake. To help keep client accounts safe and secure, Truist provides clients with security awareness and information through its websites and other communication channels. Topics include mobile security, phishing, online security best practices, identity theft, and fraud protection.

Truist has also taken certain measures to further protect the data privacy of its clients, including:

- Extending the rights available to clients in California under the California Consumer Privacy Act to all consumers, such that all consumers may submit a data access request to Truist regardless of where they live.
- Providing ongoing credit monitoring and identity theft protection services to all Truist clients free of charge via Experian CreditCenter. This service includes identity restoration, lost wallet services, and child monitoring.

Information on Truist's privacy practices (including the types of information Truist collects, for what purposes it is used, how it is shared and/or retained, and a description of privacy rights available to all consumers and how such rights may be exercised) is available at truist.com/privacy.

20. Your bank's approach to and utilization of emerging fintech technologies, products and services, including mobile wallets, "Buy Now Pay Later" financing, earned wage

access, artificial intelligence (including machine learning), distributed ledger and blockchain technology, and digital assets (including cryptocurrencies such as stablecoins).

Truist's approach to emerging financial technologies, products, and services is consistent with its purpose-driven culture and how it approaches other initiatives — with a prudent focus on how it can best serve its clients and communities, while maintaining a safe and sound banking environment. Truist recognizes that new technologies (including the use of artificial intelligence and machine learning) can be beneficial when they create new avenues to provide responsible banking products, such as credit and financing, in ways that are more convenient and accessible to a broad range of customers. Truist is continuing to modernize its banking and financial products through APIs, open banking, digital banking platforms and mobile applications, all with a focus on enhancing its clients' experiences. Truist is also committed to promoting the responsible use of artificial intelligence.

Truist strives to provide relevant products and solutions that are responsive to clients' evolving expectations and demands, relevant in an evolving competitive environment, and aligned with its purpose of inspiring and building better lives and communities. For example, Truist offers a variety of innovative payment solutions, including point-of-sale financing and online consumer lending, aimed at providing distinctive, secure and successful client experiences. Truist does not currently offer a "Buy-Now-Pay-Later" product.

In addition to delivering a broad array of responsible financial services that address client needs, Truist continually evaluates emerging technologies and capabilities to identify new and innovative solutions. Truist invests in, and/or partners with, financial technology firms and related funds based on a multi-faceted strategy. Truist invests to commercialize innovative and responsible solutions for its clients to learn and to drive social change — supporting investments in racially and ethnically diverse and woman-led companies that are focused on outreach to, and inclusion of, underserved communities through financial technology.

New and novel technologies, such as distributed ledger, blockchain technologies, and digital assets (including cryptocurrencies and stablecoins), are untested in large complex ecosystems and within regulated organizations. As such, they require additional caution and study. Given that the legal framework and customer outcomes for many of these technologies are uncertain, Truist is taking a thoughtful, risk-based approach to studying their uses to determine whether they align with its purpose, mission, and values and the financial needs of its customers.

All new products and services are evaluated through Truist's rigorous business and risk management processes to ensure they are consistent with the company's purpose and risk appetite and compliant with all relevant regulatory requirements. Emerging and untested technologies, such as various digital assets and cryptocurrencies, may be subjected to incremental management scrutiny inclusive of board oversight.

21. Your bank's approach to mitigating various risks, including climate risk and reputational risk to the bank, with respect to any products, services, or investments your bank provides to jurisdictions prohibiting safe abortion care, gun manufacturers, private prisons, and the fossil fuel industry, as well as individuals and

groups that support any form of human trafficking, terrorism, and the attempted insurrection on January 6, 2021.

Truist's purpose, mission, and values are the foundation for its enterprise risk management framework and serve as the basis on which Truist's risk appetite and risk strategy are built. Led by Truist's Chief Risk Officer (CRO), the Truist Risk Management Organization (RMO) supports effective risk management (ERM) oversight, measurement, monitoring, and reporting. The CRO has direct access to Truist's board of directors and executive leadership to communicate any risk issues — current or emerging — and the performance of risk management activities throughout the enterprise. The CRO also chairs the Enterprise Risk Committee, which provides a fully integrated view of risks across Truist, including strategic, compliance, credit, liquidity, market, operational, technology, and reputation risks.

In keeping with the belief that consistent values drive long-term behaviors, the RMO has established the following risk values which guide teammates' day-to-day activities:

- Managing risk is the responsibility of every teammate.
- Proactively identifying risk and managing the inherent risks of their business is the responsibility of Truist's business units.
- Managing risk with a balanced approach considering quality, profitability, and growth.
- Measuring what is managed and managing what is measured.
- Aligning risk management practices with defined risk programs and driving consistent execution.
- Thoroughly analyzing risk quantitatively and qualitatively.

Truist's culture and commitment to prudent risk management define its business practices, including lines of defense against potential issues. These range from strategic and operational risk to market, credit, and liquidity risk and other factors discussed below.

Environmental and Social Risk Framework

As an example of how Truist applies its ERM strategy to various complex risks, as climate risk becomes a more elevated area of focus with regulatory agencies, investors, and other stakeholders, Truist incorporated Climate Risk and an Environmental and Social Risk Framework into its Enterprise Risk Framework. Truist's Environmental and Social Risk Framework provides additional emphasis, context, and transparency on its approach to environmental and social risk which broadly impact its business. Truist is also building new capabilities to fully assess the bank's exposure to climate-related risks as it works to integrate climate risk into all risk management functions. Truist will continue to improve its data quality, data comprehensiveness, and analytical methods to refine this analysis as well as the risk to its commercial clients in the future.

Reputational Risk

Reputational risk has long been an essential component of Truist's holistic view of enterprise risk. During 2021, Truist's Ethics Office worked with Truist business units to establish channels to escalate for further vetting those client opportunities, relationships, and transactions that had elements suggesting possible heightened reputational risk. Truist's banking and insurance business units have standing working groups to consistently review individual situations for reputational risk.

Responsible Business

Truist's purpose-driven culture aims to optimize long-term value for all stakeholders through safe, sound, and ethical practices. Truist prides itself on disciplined risk and financial management, with a focus on diversity across its businesses and people. Truist's governance practices respond to evolving needs and stakeholder priorities and include an escalation process for review of reputational and ESG risk.

Truist is committed to responsible lending and evaluates current and potential client relationships and lending opportunities on a client-by-client (rather than industrywide) basis. Truist will not engage with individuals or entities that have engaged in illicit activities that are known to Truist and it has established a robust due diligence process to identify bad actors. As a federally regulated banking organization, Truist is committed to complying with all applicable laws and regulations.

Truist's evaluation process looks at several aspects including creditworthiness, operational sustainability, money laundering and related due diligence, and other risk factors. Truist has not announced any blanket, industry-wide lending prohibitions, other than prohibitions mandated by applicable laws, such as those issued by the Office of Foreign Assets Control. [11]

As to human trafficking, Truist works with several NGOs to provide bank accounts for human trafficking survivors and help them begin to establish credit.

[11] Since 2019, Truist has not provided financing to companies that manage private prisons and immigration holding facilities.

HEARING BEFORE THE UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON FINANCIAL SERVICES

Testimony of Charles W. Scharf
Chief Executive Officer and President, Wells Fargo and Company

September 21, 2022

Chairwoman Waters, Ranking Member McHenry, and Members of the Committee: Good morning. I am Charlie Scharf, and since October 2019, I have had the privilege of serving as the Chief Executive Officer and President of Wells Fargo and Company. I appreciate the opportunity to be here today and look forward to sharing with you the many ways in which we are working to transform our institution while supporting our customers, employees, and the communities we serve.

Wells Fargo is a different company today than when I arrived. During my tenure, we have driven a tremendous amount of change and progress and established a much stronger risk management and operational foundation. We have changed our leadership, changed our operating practices, and simplified our business. We have continued to build our risk and control infrastructure, continued to execute against our regulatory objectives and facilitated cultural change throughout our organization. And we have done all of this against the backdrop of the COVID-19 pandemic. Though we have much more to do, we have accomplished a great deal in a very challenging operating environment.

I am also proud of how we have used our strength during the pandemic to serve our customers, employees, and communities. We provided billions of dollars in Paycheck Protection Program ("PPP") lending to America's small businesses without fee compensation in 2020. Instead, we donated the approximately $420 million in fees we would have earned from processing PPP loans to a fund we created called Open for Business. We partner with Community Development Financial Institutions ("CDFIs") and non-profits across the country to distribute grants that help small business owners who struggled during the pandemic, with a focus on diverse-owned businesses. Additionally, last year alone, we helped more than half a million homeowners with new low-rate loans to either purchase a home or refinance an existing mortgage and closed billions of dollars in new commitments for affordable housing. We also increased average wages for U.S. hourly employees by nearly 25 percent over a five-year time period and, over the same time period, increased our investment in U.S. employee benefits by more than 20 percent.

Looking forward, Wells Fargo will continue to be a constructive partner in forging an inclusive recovery from the pandemic while focusing on our broad book of risk, control, and regulatory work. As I have said before, our communities benefit from a strong Wells Fargo, and we will continue to move forward with a goal to rebuild our bank to be among the best and most respected financial institutions in the country.

I. Our Company and Our Transformation

Our Company. Wells Fargo is a leading U.S. financial services company that proudly serves consumers, small businesses, middle-market companies, and large corporations. We partner with our customers to help them achieve their financial goals and with our communities to make a positive impact. We have approximately 64 million consumer banking and lending customers—representing approximately one in three U.S. households—and approximately 240,000 employees.

We are a trusted advisor and provide core banking services including deposits, capital (private and public access to debt and equity), payments, and investments through our four reportable operating segments: Consumer Banking and Lending; Commercial Banking; Corporate and Investment Banking;[1] and Wealth and Investment Management. We completed a strategic review of our businesses in 2020 that resulted in the sale or reduction of several of our businesses, so that we are properly focused on our core customers.[2]

We have bank branches in 25 of the largest 30 markets in the U.S. We also cover more rural markets than many other large banks. A Wells Fargo branch or ATM is within two miles of over half of the U.S. census households and small businesses in our footprint. We currently have about 4,600 branches,[3] with nearly 30 percent of them located in low- or moderate-income ("LMI") census tracts. Our retail branch presence in rural and micro markets is more than 2.5 times that of our top two large bank competitors combined.[4] In parallel, as consumers increasingly shift their banking transactions to digital channels, at the end of 2021, we had 33 million digital active customers, up three percent from 2020, and we had 27.3 million mobile active users, up five percent from 2020.[5]

We currently have approximately $1.9 trillion in assets, and we remain in a strong capital position, as confirmed by recent stress tests conducted by the Federal Reserve.[6] We are well-positioned to meet the needs of our business, customers, and communities by investing our

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1 Corporate and Investment Banking delivers a comprehensive suite of advisory, capital markets, banking, and financial products and services to corporate, institutional, and government clients around the globe. The division includes a commercial real estate finance and capital markets platform, as well as investment banking, leveraged finance, mergers and acquisitions, equity and fixed income sales, trading, and research solutions for large and middle market companies.

2 Wells Fargo has not recently engaged in any business merger and acquisition ("M&A") activity and has no such M&A transactions pending.

3 At year-end 2011, Wells Fargo had approximately 6,239 branches. At year-end 2001, Wells Fargo had approximately 3,021 branches. Please note, however, that the year-end 2001 number is a rough estimate, as the timeframe predates Wells Fargo's merger with Wachovia. Wells Fargo closed 53 branches in 2012; 42 in 2013; 34 in 2014; 67 in 2015; 84 in 2016; 214 in 2017; 300 in 2018; 174 in 2019; 329 in 2020; and 268 in 2021. A map of Wells Fargo's branches at year-end 2021 is included as Appendix B. Wells Fargo branch and ATM locations can also be found on our website at https://www.wellsfargo.com/locator/.

4 Source: SNL Data (Dec. 31, 2021); Wells Fargo Branch Count (Dec. 31, 2021).

5 Our physical presence will continue to be an important asset, but digital capabilities will become an ever more important complement in our business model, and our scale gives us an efficient platform to spend what is necessary, attract the necessary talent, and partner with third parties.

6 *See* Wells Fargo & Company Annual Company-Run Dodd-Frank Act Stress Test Results Supervisory Severely Adverse Scenario, Wells Fargo (June 27, 2022), https://www08.wellsfargomedia.com/assets/pdf/about/investor-relations/stress-test-results/2022-annual-stress-test.pdf.

excess capital back into our franchise, while also continuing to return excess capital to shareholders through dividends and share repurchases.[7] We recognize that this strength is bolstered by our national banking system and the benefits that our institution derives from federal programs, facilities, tax provisions, and public financial infrastructure, and we understand just how important these factors are as we move forward.

Our Transformation. We began a process nearly three years ago to change our company's culture and priorities, and we have taken strong steps in that direction.

We have a new management team and new board members who are transforming the company, including addressing historical issues. I believe they have the full set of capabilities necessary to do so. Seventy-seven percent of our Board members are new to the board since 2019,[8] and 11 of 16 Operating Committee members are new since I joined the company in October 2019. Additionally, over 50 percent of the senior-most people at our company, meaning those who are one level below the Operating Committee, are new to their roles, and a significant proportion of them were hired from outside the company.

The most significant part of our transformation is the enhancement and implementation of an appropriate risk and control framework across the company. It is our company's number-one priority, and we are moving forward to fulfill our obligations.

We are laser-focused on meeting our own expectations and those of our regulators. We work to have clear plans in place and clear owners for each of our regulatory deliverables. Our Operating Committee receives and regularly reviews detailed reporting on how we are progressing on those plans, and our executives are expected to be actively engaged in the details and accountable for getting the work done properly and timely.

Our ability to identify risk and control issues has also improved, and we have reached regulatory milestones. These include:

- The January 2021 termination of a 2015 consent order by the Office of the Comptroller of the Currency ("OCC") related to the bank's Bank Secrecy Act/Anti-Money Laundering compliance program;

- The September 2021 expiration of a Consumer Financial Protection Bureau ("CFPB") consent order issued in 2016 regarding the bank's retail sales practices;

- The OCC's December 2021 termination of a consent order issued in June 2015 regarding add-on products that the bank sold to retail banking customers before 2015; and

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7 Information regarding Wells Fargo's capital and leverage ratios as well as the annual amount of share buybacks and dividend payments for the past ten years can be found in Appendix A and in our annual reports. (*See, e.g.*, Wells Fargo 2021 Annual Report (Mar. 1, 2022), https://www08.wellsfargomedia.com/assets/pdf/about/investor-relations/annual-reports/2021-annual-report.pdf).

8 Excluding the Wells Fargo CEO, a non-independent director.

- The January 2020 expiration of a CFPB consent order issued in January 2015 regarding claims that the bank violated the Real Estate Settlement Procedures Act.

Despite achieving these and other milestones, we know we still have much more work to do. We need to fully implement the many plans we have developed, many of which require several years of work, and also demonstrate their sustainability. We have multiple checkpoints along the way before we turn the completed work over to our regulators for their review. All of this takes time.

An additional complexity is the number of issues and consent orders we are working through simultaneously, which translates into both a high volume of work and a significant number of interdependencies across multiple workstreams. We strive to complete the work accurately and timely, and while we continue to improve our execution, we realize that we remain at risk for setbacks before completion.

The reality is that, while I feel good about our progress since I joined the company, many of the consent orders that remain open have been outstanding for too long. The company has been too slow in building and implementing appropriate risk and control frameworks and in addressing legacy issues. As a result, in September 2021, the OCC assessed a fine and imposed a new consent order related to loss mitigation activities in our Home Lending business and insufficient progress in addressing requirements under a consent order the agency issued to us in 2018.[9] I can assure you that we are working to close our remaining gaps as quickly as possible. We know what work needs to be done, and we are committed to completing it; I believe that the quality of the talent and the processes we now have in place will enable us to ultimately place these issues behind us.

In sum, while we have made progress in strengthening our risk and control infrastructure, we still have several years of work to do to meet our own high expectations for risk management and our regulators'. We have outstanding litigation, regulatory matters, and customer remediations to resolve, and until our broad book of risk, control and regulatory work is complete, we remain at risk for setbacks.

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[9] In addition to this consent order, since 2020, Wells Fargo has:
- Agreed to pay $35 million to settle charges brought by the U.S. Securities and Exchange Commission ("SEC") against Wells Fargo Clearing Services and Wells Fargo Advisors Financial Network in connection with investment recommendation practices;
- Agreed to pay $3 billion to resolve federal investigations by the U.S. Department of Justice ("DOJ") and SEC into sales practices issues;
- Agreed to pay $20 million to settle claims by the Maryland Attorney General regarding residential mortgage-backed securities between 2005 and 2009;
- Agreed to pay $7.8 million to resolve an inquiry by the U.S. Department of Labor ("DOL") into certain hiring practices at particular Wells Fargo locations between 2010 and 2018;
- Agreed to pay $72.6 million to settle claims brought by the DOJ related to historic foreign exchange pricing practices;
- Agreed to pay $7 million to settle charges brought by the SEC against Wells Fargo Advisors related to the filing of suspicious activity reports;
- Agreed to pay $145 million to resolve claims by the DOL related to Wells Fargo's handling of certain 401(k) transactions.

II. Serving Our Customers

We must be customer-centric in how we approach our products and services. Our Office of Consumer Practices, an internal, consumer-focused advisory group that we launched in January 2021, is actively involved in this work and plays an important role in helping ensure our products, services, and business practices are fair and transparent.

Fees. With respect to fees, we have worked to embed the customer perspective more directly into our decision-making.[10] Most recently, in January, we announced new efforts to limit overdraft-related fees and give customers more options to achieve their financial goals. Our recent changes include:

- *Eliminated non-sufficient funds ("NSF") fees*: Customers no longer pay a returned item fee to Wells Fargo if we return a check or electronic transaction unpaid because the customer does not have enough available funds in their deposit account to cover the payment.

- *Extra Day Grace Period*: With Extra Day Grace Period, customers have an extra business day to make deposits and avoid overdraft fees. If their available balance covers the prior business day's overdraft items as of midnight Eastern Time, we waive the associated overdraft fees.

- *Early Pay Day*: We have begun introducing to consumer customers who receive eligible direct deposits the ability to access funds up to two days earlier than scheduled, minimizing the potential to incur overdrafts.

- *Eliminated transfer fees for customers enrolled in Overdraft Protection*: Customers enrolled in Wells Fargo's Overdraft Protection service no longer pay a fee when funds from a linked account are used to cover transactions on the customer's checking account.

- *New easy-access, short-term credit product*: To give consumers another option to meet personal financial needs, such as paying a bill or making a small purchase, Wells Fargo will offer qualifying customers a new, short-term loan of up to $500. The loan and an upfront flat fee will be repaid through monthly installments. This new product is expected to be offered by the end of 2022.

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[10] A list of common services customers may use along with associated fees can be found on our website. *See* Consumer and Business Account Fees, Wells Fargo (June 2022), https://www.wellsfargo.com/online-banking/service-fees/. For a complete list of services, fees, fee waivers, and reimbursements that are available with their account, customers can consult the applicable Consumer Account Fee and Information Schedule and corresponding Addenda or the Business Account Fee and Information Schedule and corresponding Addenda. *See* Consumer Account Disclosures, Wells Fargo, https://www.wellsfargo.com/online-banking/consumer-account-fees/; Business Account Disclosures, Wells Fargo, https://www.wellsfargo.com/biz/fee-information/. According to public call reports from the Federal Financial Institutions Examination Council, in 2020 Wells Fargo collected $1.281 billion in consumer overdraft-related service charges levied on those transaction account and non-transaction savings account deposit products intended primarily for individuals for personal, household, or family use, compared to $1.414 billion in 2021 and $715 million through June 2022.

These offerings build on other fee-related actions the company has taken over the past several years. For example, Clear Access Banking, which we introduced in September 2020, is a Bank On-certified consumer bank account that charges no overdraft fees. More than 1.5 million customers now have this type of account, as of the second quarter of 2022. We also do not assess overdraft fees in any of our accounts on transactions of $5 or less, and we send more than 1.3 million balance alerts every day to help customers avoid overdrafts.

Housing. We know that housing affordability continues to be one of the top needs in our country. As a company, we use our resources to support affordable, multifamily housing in the U.S., in addition to acting as an active lender for affordable rental housing developments. We remain committed to supporting our customers and helping them achieve their homeownership goals. We are also focused on creating a path to stability and financial success for individuals and families, which is critical for making homes more attainable. That is why we committed $1 billion in housing affordability philanthropy to increase housing supply and support housing options for renters and homeowners.

In 2021, we helped over 585,000 homeowners with new low-rate loans to either purchase a home or refinance an existing mortgage.[11] We also closed $2.2 billion in new commitments for affordable housing under government-sponsored enterprise ("GSE") and Federal Housing Administration ("FHA") programs. As part of our NeighborhoodLIFT program, we donated $5 million to help more than 300 LMI residents in Houston with home down payment assistance.

Additional information regarding our housing business, including details on our residential mortgage loan portfolio, can be found in our annual reports.[12]

Small Business Lending. We serve more than 10 percent of small businesses in the U.S. and provide easy-to-use products, tools, and resources for small business owners to help simplify their financial life. We provide personalized options by working with small business owners to develop a deep, long-term understanding of their business.

Our small business portfolio is comprised of numerous offerings, including checking, savings, credit card, line of credit, merchant services, treasury management, and commercial real estate financing solutions. We also lend to small businesses through the U.S. Small Business Administration 7(a) and 504 lending programs. Additionally, as detailed below, we provided

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11 In 2020 and 2021 combined, Wells Fargo extended approximately 14,217 loans (including purchases and refinances) for properties with a value of less than $100,000, inclusive of loans we originated and those we purchased through correspondent relationships.

12 *See*, *e.g.*, 2021 Annual Report, Wells Fargo (Mar. 1, 2022), https://www08.wellsfargomedia.com/assets/pdf/about/investor-relations/annual-reports/2021-annual-report.pdf. Wells Fargo services mortgages and home equity loans on its balance sheet; we also service mortgage loans on behalf of GSEs (i.e., Fannie Mae and Freddie Mac), the FHA, the United States Departments of Veterans Affairs and Agriculture, and private investors. Our correspondent lending channel sources and purchases standard Fannie Mae and Freddie Mac agency products, standard FHA and United States Department of Veterans Affairs products, and a jumbo product based on Wells Fargo's credit standards from 700 financial institutions and independent mortgage bankers nationwide that provide home financing to consumers. The correspondent channel is strictly a business-to-business model and has no direct interaction with consumers.

billions of dollars in emergency lending to small businesses as they faced the challenges posed by the COVID-19 pandemic.

These products are used by approximately 3.4 million small business customers, who vary in terms of size, geography, and economic diversity. Our small business customers are located across the country, in all 50 states, the District of Columbia, and Puerto Rico. Over 88 percent have annual sales of less than $500,000, with more than 60 percent having annual sales of less than $100,000. Nearly 33 percent are located in majority minority census tracts and approximately 23 percent are located in LMI census tracts.

Wells Fargo collaborated with Community Reinvestment Fund USA and, in January 2022, launched the *Small Business Resource Navigator*, an online portal helping connect small business owners to potential financing options and technical assistance through CDFIs across the country. Since its launch, the *Small Business Resource Navigator* has connected small business owners, many from underrepresented communities, to nearly $50 million in credit opportunities from CDFIs.

Arbitration. Last year, we removed confidentiality restrictions in Wells Fargo customer arbitration agreements that have them, thereby increasing the transparency of the arbitration process. Moreover, we updated all consumer arbitration agreements to provide for reimbursement of filing fees up to $700 where the customer prevails. These changes follow our decision in 2020 to end the use of mandatory arbitration for employee claims of sexual harassment. We are committed to maintaining a thoughtful approach to resolving disputes fairly and efficiently.[13]

Cybersecurity, Privacy, and Responsible Technology. The financial industry and third-party service providers continue to be targets of various evolving and adaptive cyberattacks in an effort to disrupt operations, test cybersecurity capabilities, commit fraud, or obtain confidential, proprietary, or other sensitive customer information. Cyberattacks have also focused on targeting online applications and services, such as online banking. Wells Fargo continues to prioritize information security and the continued development and enhancement of our controls, processes and systems designed to protect our networks, computers, software and data from attack, damage, or unauthorized access. We are proactively involved in industry cybersecurity efforts and works with other parties, including our third-party service providers and government agencies, to continue to enhance defenses and improve resiliency to cybersecurity and other information security threats.

Likewise, we prioritize personal data privacy and support transparency in our information collection and use practices. We have strong safeguards in place to protect the information customers share with us.[14]

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[13] Wells Fargo uses arbitration agreements in its contracts with Wells Fargo Advisors clients. Additionally, our supply chain management teams include arbitration clauses in master agreement templates for the company's third-party vendors.

[14] Additional information on our use of consumer data can be found in our U.S. Consumer Privacy Notice. *See* U.S. Consumer Privacy Notice, Wells Fargo (Dec. 28, 2021), https://www.wellsfargo.com/privacy-security/individuals/.

Wells Fargo's Information and Cyber Security organization aims to protect Wells Fargo systems, networks, and customer data through the design, execution, and oversight of our Information Security Program ("ISP"). Wells Fargo and vendors, nonemployees, and third parties with access to our systems or sensitive information must adhere to the ISP's policies, procedures, and requirements. ISP requirements comply with applicable laws and regulations and are informed by industry standards, including the National Institute of Standards and Technology Cybersecurity Framework and the International Organization for Standardization.

Employees with access to Wells Fargo's systems or customer information are required to complete annual training on customer information protection and Gramm-Leach-Bliley Act 501(b) compliance. They are also required to abide by the Wells Fargo Code of Ethics and Business Conduct, including its provisions related to the treatment of confidential information. Additionally, we perform employee background checks, which we also require for nonemployees and third-party service providers who handle Wells Fargo's customer information.

We also encourage customers to protect their accounts and customer information by offering security options like two-factor authentication and biometrics. We provide educational materials that encourage customers to create strong passwords, avoid suspicious links, keep their software updated, limit the personal information they share online, and use a screen lock on mobile devices. Our Wells Fargo online security center provides customers with resources to explore security options, spot scams, report fraud, and more to help keep their accounts and information secure.

Regarding emerging technologies, we continue to believe that their safe and responsible use has great promise for our industry. We believe, for example, that distributed ledger technology ("DLT") could allow banks to offer greater efficiencies for our customers, and we are involved in related research and development to facilitate next-generation settlement services in a variety of areas. We recently began a pilot settlement service that will run on our internal DLT platform and allow us to complete internal book transfers of cross-border payments within our global branch network.

Relatedly, we continue to closely and actively follow developments around cryptocurrencies, and we are moving thoughtfully. We do not currently offer customers the ability to buy, sell, or hold cryptocurrencies directly, and we look forward to being a constructive partner with policymakers as you seek to set the rules of the road for these new products and technologies.

III. Supporting Our Employees and Increasing Diversity, Equity, and Inclusion at Wells Fargo

Our employees are our most valuable resource, and we know that the progress we are making and the goals we achieve are thanks to their hard work and dedication. We continue to focus on making Wells Fargo an attractive place to work. We are also committed to creating a culture with broad representation of who we are, how we think, and how we make decisions; diversity, equity, and inclusion is a long-term commitment for our company.

We invest in our employees and their development through ongoing training, education, and coaching, and we seek to promote accountability for delivering one's best work while leveraging the distinct talents and experiences of our teams. We maintain a workplace where employees have access to multiple channels for sharing feedback and raising concerns openly, and where those concerns are addressed appropriately.

Compensation and Benefits. We are committed to providing pay that attracts, motivates, and retains talent. In 2020, we raised our minimum hourly pay to $15–20 based on employee location, and in January 2022, we again raised our minimum hourly pay to $18–22 depending on role, location, and market condition.[15] In 2021, the median employee at Wells Fargo earned $73,578, a nearly 12 percent increase since 2020.[16] We regularly examine our approach to compensation and recognize the impact inflation has on our employees.[17]

Increases to minimum wage and transparent compensation principles are in addition to other investments Wells Fargo has made to enrich compensation programs and enhance benefits offerings for employees. For instance, we offer a broad range of health plans to our employees to meet their varying needs. In 2022, we paid on average 85 percent of total annual healthcare premiums for our U.S.-based employees who earn less than $45,000 annually.

As part of our ongoing commitment to our employees' health and well-being, we hired the company's first chief health officer. In this newly created role, our chief health officer will focus on how we can improve health and well-being for our employees, families, and communities we serve. Acknowledging the emotional and mental health challenges that were heightened during the pandemic, we launched "Let's Talk About It," a campaign to help maintain and support employee mental health with ongoing activities and resources working in tandem with our internal Employee Assistance Consulting team. Our well-being programs continue to encourage active participation in health by our employees to promote prevention and chronic disease management. In addition to the programs that we continue to offer to support our employees, starting in 2020, Wells Fargo has contributed up to $1,000 per year to a health savings account for each eligible employee enrolled in a qualifying plan and earning less than $100,000 annually. Also, employees enrolled in a qualifying Wells Fargo health plan can earn up to $800 in health and wellness dollars deposited in their medical accounts by completing certain activities to improve their overall health and well-being.

In addition to these benefits, Wells Fargo makes an automatic 401(k) plan contribution of one percent of pay for those earning less than $75,000 per year, in addition to matching employee contributions for up to six percent of annual pay. We further offer up to $5,000 annually in tuition reimbursement for those employees looking to further their educational goals. We provide up to 16 weeks of paid parental leave as well as critical caregiving leave and financial assistance to support employees who need to find affordable backup care for their children or other loved

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15 Minimum hourly pay for contract workers is currently $15.

16 This resulted in a ratio of CEO annualized total compensation to median employee estimated annual total compensation of 290 to 1.

17 Our leaders are also held accountable by the company's compensation policies. Our most recent compensation policies are discussed in detail in our 2022 proxy statement. Notice of Annual Meeting and Proxy Statement, Wells Fargo (Mar. 14, 2022), https://www08.wellsfargomedia.com/assets/pdf/about/investor-relations/annual-reports/2022-proxy-statement.pdf.

ones. In addition, we expanded the coverage of our travel benefit to include reimbursement of transportation and lodging costs for abortion-related services in accordance with applicable law. We also offer benefits related to adoption.

Diversity, Equity, and Inclusion ("DE&I") at Wells Fargo. Having an inclusive environment in which differences and perspectives are respected and valued is both a business imperative and the right thing to do.

In November 2020, we created a new function at Wells Fargo – Diverse Segments, Representation, and Inclusion – whose leader reports directly to the CEO. The DSRI function is responsible for driving DE&I efforts for our employees and our communities, as well as leading initiatives to better serve customers from underserved communities.

Driving such efforts is a long-term commitment for us. It's not a project. That means we have to monitor data on our progress on DE&I; do it in a detailed and continuous way; understand where there's more work to do; and act on it.

It also means that we have to communicate our progress transparently. To that end, in June of this year, we published our inaugural DE&I Report, which details our results on our internal and external DE&I efforts.[18]

Additionally, last week we announced that we will commission an external, third-party racial equity audit. The assessment will include input from both internal and external stakeholders and focus on elements of Wells Fargo's efforts to serve diverse communities and promote a diverse workforce. Commissioning this work is a critical next step in reinforcing our commitment to racial equity and closing the wealth gap in this country. DE&I is an imperative at Wells Fargo, and we consistently strive to measure our progress and hold ourselves accountable. This important work will build on our efforts to lead in all aspects of DE&I in our company and in the communities we serve.

Overall, our global workforce is approximately 53 percent female and 47 percent male. In the United States, approximately 55 percent of our employees are white and 45 percent are racially or ethnically diverse. Our Board of Directors is 36 percent female and 29 percent racially or ethnically diverse. Our Operating Committee is approximately 19 percent female and 25 percent racially or ethnically diverse.

Of the approximately 140 executives that report directly to a member of the Operating Committee, 50 percent are female, and 30 percent are racially or ethnically diverse. Moreover, we have executives who are racially or ethnically diverse leading many of the largest businesses and functions within Wells Fargo, including Home Lending, Operations, Branch Banking, Small Business, Strategy, Digital & Innovation, Auto Finance, Human Resources, and Consumer Lending/Diverse Segments, Representation & Inclusion. Among these diverse leaders, Black

[18] Diversity, Equity, and Inclusion at Wells Fargo – Colleagues, Customers, and Communities, Wells Fargo (Revised July 2022), https://www08.wellsfargomedia.com/assets/pdf/about/corporate/diversity-equity-inclusion-report.pdf.

executives lead all but Human Resources and Consumer Lending/Diverse Segments, Representation & Inclusion.

Building an organization where employees can grow their career is a key strategy for Wells Fargo. This starts with our robust summer internship programs across the company where we welcome close to 2000 summer interns and full-time analysts annually who come from high school, college, and graduate school with the goal of converting student interns into full-time hires upon their graduation. The programs focus on attracting and converting to full-time hires a highly diverse talent pool; 84 percent of the full-time offers were to diverse candidates (61 percent ethnically diverse and 44 percent female).

Looking more broadly at our hiring, in 2021, overall U.S. external hiring volume went up by 17 percent compared to 2020. Over the same time period, external hiring of individuals from racially or ethnically diverse populations increased by 27 percent, and female external hiring increased 23 percent. Additionally in 2021, with respect to hiring for executive positions,[19] approximately 38 percent of external executive hires were racially or ethnically diverse, compared to 25 percent in 2020; approximately 15 percent of all external executive hires were Black/African American, which is more than triple the number from 2020; and approximately one-third of all internally promoted executives were racially or ethnically diverse. Further, approximately 53 percent of all internally promoted executives were women. Also in 2021, for hiring for positions with annual compensation of $100,000 or above, more than 42 percent of hires were racially or ethnically diverse, a five-percentage-point increase over 2019 when I arrived at the company, and more than 47 percent of hires were women.

We have in place numerous programs focused on diverse talent development. For example:

- The Building Organizational Leadership Diversity ("BOLD") program is designed to provide mentorship and sponsorship to employees primarily four and five levels below the CEO. In addition, the BOLD program helps develop and increase visibility and mobility of high-potential talent within Wells Fargo.

- Wells Fargo created its Glide–Relaunch program specifically to connect with individuals seeking a return to work after a prolonged period of time. It recognizes that a variety of life events—such as the birth of a new baby, medical treatment and recovery, or taking care of an ailing family member—may lead a person to step away from the workforce. In some cases, people find it difficult to re-enter the workforce because of the gap on their resume. Purposefully designed for professionals with at least seven years of experience, its eight-week "returnship" allows Glide–Relaunch participants to step into their roles with the support necessary to make a smooth transition back into employment. Since the program's inception in 2020, the company has supported 115 individuals through the program, 94 percent of whom are from historically underrepresented groups, and has an 88 percent conversion rate from the program to full-time employment with Wells Fargo.

[19] Executive positions are defined here as managers one to three levels down from the CEO, who are not in administrative roles, and where the midpoint of the pay range is greater than or equal to $100,000 per year.

- Our companywide Operating Committee Diversity Sponsorship program currently serves 42 participants, all of whom are diverse along racial, ethnic, or gender lines and each spends time monthly with their respective Operating Committee member sponsors. Participants have varying degrees of leadership responsibility. These sponsors get to know the program participants, understand their professional aspirations, and provide personalized support to accelerate readiness for expanded roles and opportunities.

- Open to all employees, Wells Fargo's 10 Employee Resource Networks ("ERNs") are organized by individuals connected by a shared background, experience, or other affinity. ERNs were formed to elevate and increase visibility of historically underrepresented groups. With the support Wells Fargo provides its over 64,700 ERN members participating in one or more groups, and the programming they create, ERNs also play a key role in recruiting and retaining talent. ERNs are also dedicated to helping employees with professional growth and education, community outreach, business development, and customer insight.

- We invest in a variety of development programs to support employees in professional skills development, as they onboard to their role, develop in their role, and as as they build skills and capabilities for their future roles. Employees are able to access learning and development resources across our Develop You platform, and these are in-person training and virtual classroom opportunities as well as self-paced online learning. We had 5,400 participants in our facilitated professional development courses this year. 560,000 enrolled and participated in self-paced professional development training in the last year. Our learning and development topics range from on-boarding, credit skills, product knowledge, and software development to coding, digital fluency, diversity and inclusion, manager effectiveness, compliance and risk training, and many more.

Beyond our own workforce, we also strive to support and increase use of diverse suppliers. Our annual spend with diverse suppliers in 2021 was over $1.3 billion, representing 13 percent of total procurement spend and marking Wells Fargo's eighth consecutive year of spending more than $1 billion with certified diverse suppliers.

We also launched our Diverse Asset Managers Initiative, a multi-year plan to invest internal assets with asset managers who are from diverse backgrounds, including minority populations and women, while increasing visibility and building capacity in diverse-owned asset management firms. The company launched the initiative in 2021 with $300 million and intends to expand it to $1 billion in 2022. Wells Fargo is also engaging with a network of nonprofit organizations, such as the National Association of Securities Professionals, the National Association of Investment Companies, and the Association of Asian American Investment Managers to address systemic and structural issues that operate as barriers to diverse asset manager inclusion.

Building capacity and expertise with high-potential diverse suppliers is another way the company deepens its vendor relationships. Wells Fargo's capacity-building programs give its suppliers access to a broad range of tools and resources. Through specialized workshops and seminars, it works with them on enhancing their business plans, increasing their ability to define and communicate their strategic direction, retooling their competitive position, and strengthening the effectiveness of their communications strategies. One of Wells Fargo's most successful capacity-building programs is the Bunker Labs Breaking Barriers Workshop Series, created to facilitate business growth and support within Asian, Asian American, Black, African American, Hispanic, Latino, and women veteran and military spouse communities. In just eight weeks, these entrepreneurs get the business tools, resources, capital opportunities, and mentorship needed to help expand their businesses. The Bunker Labs Breaking Barriers Workshop Series demonstrates how investing in diverse suppliers with significant funds and meaningful programming can facilitate both business growth and social change.

IV. Our Approach to Managing Risk and Environmental and Social Impact

Risk. Our top priority is to strengthen our company by building an appropriate risk and control infrastructure. Wells Fargo manages a variety of risks that can significantly affect our financial performance and our ability to meet the expectations of our customers, shareholders, regulators, and other stakeholders. Our risk management framework sets forth the company's core principles for managing and governing its risk. It is approved by the Board's Risk Committee and reviewed and updated annually.

Senior management sets the tone at the top by supporting a strong culture that guides how employees conduct themselves and make decisions. The Board holds senior management accountable for establishing and maintaining this culture and for effectively managing risk. Senior management expects employees to speak up when they see something that could cause harm to the company's customers, communities, employees, shareholders, or reputation. Our performance management and incentive compensation programs are designed to establish a balanced framework for risk and reward under core principles that employees are expected to know and practice. The Board, through its Human Resources Committee, plays an important role in overseeing the company's performance management and incentive compensation programs. Effective risk management is a central component of employee performance evaluations.

A detailed discussion of our approach to managing various types of risk can be found in our annual report.[20]

Environmental and Social Impact. As a large financial institution serving commercial clients in many sectors, including some that may be associated with elevated environmental and/or social impacts, we recognize the importance of understanding the environmental and social implications of our business decisions. Our Environmental and Social Impact Management ("ESIM") Framework[21] is designed to provide clarity and transparency to our stakeholders about how we approach the environmental and social impacts associated with certain financial relationships. It is intended to reflect key objectives from our Environmental and Social Impact Management Policy, which establishes expectations and requirements for identifying, assessing,

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[20] *See* 2021 Annual Report, Wells Fargo (Mar. 1, 2022), https://www08.wellsfargomedia.com/assets/pdf/about/investor-relations/annual-reports/2021-annual-report.pdf.

[21] Environmental and Social Impact Management Framework. Wells Fargo (August 2022), https://www08.wellsfargomedia.com/assets/pdf/about/corporate-responsibility/environmental-social-impact-management.pdf.

and managing actual and potential environmental and social adverse impacts associated with our commercial clients and financings.

Our ESIM Policy is aligned with the company's Risk Management Framework, which sets forth Wells Fargo's core principles for managing and governing risk. Our approach recognizes that environmental and social issues have the potential to impact various risk types covered by our Risk Management Framework, including reputation risk, credit risk, and strategic risk. Accordingly, we are working to integrate climate into our Risk Management Framework, including risk identification, risk appetite and measurement, risk reporting, scenario analysis, and risk policies and governance.

In addition, we understand that climate change is one of the most urgent environmental and social issues of our time. Wells Fargo is committed to aligning our activities to support the goals of the Paris Agreement and helping transition to a net-zero carbon economy. Our goal is to achieve net-zero greenhouse gas emissions by 2050, including our Scope 1, Scope 2, and Scope 3 financed emissions. To meet this goal, we are taking a comprehensive view of how to address climate change, looking across our business and financial portfolios, reducing the impact of our operations, and driving resiliency in our communities.

We have also committed to deploy $500 billion in sustainable finance between 2021 and 2030. Additionally, in 2021, we launched the Institute for Sustainable Finance to support clients and communities in the transition to an equitable, low-carbon economy. The Institute intends to advance science- and market-based research, help drive innovation in clean-tech and financial solutions, and work to improve community resiliency.

We issued our first sustainability bond in 2021, named the Inclusive Communities and Climate Bond, which raised $1 billion in capital aimed toward projects that support housing affordability, socioeconomic advancement and empowerment, and renewable energy. In August, we announced our second of these bonds in the amount of $2 billion that will finance projects and programs supporting housing affordability, economic opportunity, renewable energy, and clean transportation. Five broker-dealers whose owners include people of color, women, and service-disabled veterans joined Wells Fargo Securities, LLC to serve as bookrunners for the issuance. They, along with 19 additional broker-dealers whose owners are also from underrepresented groups, will receive 75 percent of the underwriting fees from the transaction.

In the fourth quarter of 2021, we joined the Net-Zero Banking Alliance ("NZBA"), an industry-led leadership group designed to foster collaboration and support banks in aligning their financing with the goal of achieving net-zero greenhouse gas emissions. And, earlier this year, we announced our interim targets for reducing greenhouse gas emissions attributable to our financing activities in the Oil & Gas and Power sectors, in accordance with NZBA guidelines.[22] We expect to publicly report on progress made against these targets, and to set additional targets for other key emitting sectors.

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[22] *See* Wells Fargo Announces Interim Greenhouse Gas Reduction Targets for Oil & Gas and Power Sectors (May 4, 2022), https://newsroom.wf.com/English/news-releases/news-release-details/2022/Wells-Fargo-Announces-Interim-Greenhouse-Gas-Reduction-Targets-for-Oil--Gas-and-Power-Sectors/default.aspx.

V. Investing in Our Communities, Promoting Financial Inclusion, and Serving as a Source of Strength Through COVID-19

We are committed to supporting the communities and populations we serve.

Promoting Financial Inclusion and Addressing Racial and Economic Equality. Wells Fargo offers and continues to develop products and services to advance inclusion in the financial system. Today, a disproportionate number of America's seven million unbanked households are Black, Hispanic, and Native American community members. We recognize this and are working with national and community partners to help unbanked households gain access to affordable banking services, which is a crucial step toward achieving financial stability and prosperity.

We are a longtime leader in the housing finance industry. Between 2017 and 2021, Wells Fargo helped more than 425,000 Black and Hispanic families achieve their homeownership goals with $110 billion in financing. Since 2019, Wells Fargo has donated more than $390 million to help address the housing affordability crisis in the country including supporting available and affordable rentals, homeownership and housing stability. Further, over the most recent decade (2011–2020), Wells Fargo helped as many Black families purchase homes as the next three largest bank lenders combined, and in 2020, when including loans originated and loans purchased from correspondent sellers, Wells Fargo funded twice as many loans overall to Black customers as the next largest bank funder.

We have also undertaken a number of other significant efforts since 2020 to boost homeownership in minority and LMI communities:

- We offer our Dream.Plan.Home. low-down-payment mortgage and closing cost assistance program for LMI borrowers with affirmative outreach to LMI communities and communities of color.

- We provide significant grants in connection with the NeighborWorks LMI down payment assistance program, NeighborhoodLIFT. Since 2012, Wells Fargo has invested $548 million in NeighborhoodLIFT and other LIFT programs to help more than 25,800 individuals and families buy homes through 82 program launches by providing homebuyer education and down payment assistance. These efforts collectively seek to close the homeownership gap in key markets.

- In June, we announced our Growing Diverse Housing Developers program, a $40 million grant initiative focused on expanding the growth and success of real estate developers of color, including Black- and Latino-owned firms. Launched in collaboration with Capital Impact Partners, Low Income Investment Fund, Raza Development Fund, and Reinvestment Fund, Growing Diverse Housing Developers aims to increase the supply of homes that are affordable across the country. Working together, these four CDFIs have selected 39 developers of color to take part in the four-year program. Participants will have access to lower-cost, flexible capital, as well as the training, mentors, and resources needed to accelerate the production of multifamily and mixed-use housing development projects.

- In April, we announced a new initiative to help advance racial equity in homeownership across the country, including the development of a unique refinance mortgage Special Purpose Credit Program ("SPCP") to help eligible minority homeowners whose mortgages are serviced by Wells Fargo (starting with Black homeowners) lower their interest rates and subsidize closing costs. This program, which is designed to improve racial economic equity gaps for minority homeowners, goes beyond the usual lending programs and puts Wells Fargo's own money to work refinancing minority families' homes.

- We are also expanding our partnerships with the National Urban League and UnidosUS to broaden community outreach efforts for this and other programs, provide homebuying readiness and counseling, and work to eliminate systemic obstacles that prevent many Black and Hispanic customers from achieving their homeownership goals.

- We committed $60 million through the Wells Fargo Foundation to Wealth Opportunities Restored through Homeownership ("WORTH") grants projected to support 40,000 homeowners of color in eight markets that have significant homeownership gaps between white and minority families. WORTH grants will run through 2025 and will fund public-private partnerships that develop and implement plans to address the root causes of those homeownership gaps.

In addition to this work, last year we launched our Banking Inclusion Initiative, a 10-year program to help unbanked individuals gain access to affordable, mainstream, digitally enabled transactional accounts, which are a meaningful entry point to fully participating in the economy and achieving financial stability. The initiative is focused on reaching unbanked communities and, in particular, helping remove barriers to financial inclusion. It also will assist those who are underbanked or underserved such as individuals who may have a bank account yet continue to use high cost, non-bank services.

The initiative is centered on three areas:

1. **Increasing Access to Affordable Products and Digital Solutions**

    - Wells Fargo is increasing awareness and outreach about its low-cost, no overdraft fee accounts, which are noted above.

    - Wells Fargo continues to deepen its existing relationships with Black-owned minority depository institutions ("MDIs") to support their work in the communities they serve, including outreach efforts and providing the option for their customers to withdraw cash from Wells Fargo's ATMs and incur no Wells Fargo fees.

    - Wells Fargo is broadening its collaboration with Cities for Financial Empowerment Fund and local Bank On coalitions to pilot new strategies and approaches that help overcome barriers to banking access in several markets with high concentrations of unbanked households.

2. Making Financial Education and Advice Accessible

- Teaming with Operation HOPE, Wells Fargo has begun launching HOPE Inside centers within diverse and LMI neighborhoods across the U.S., starting with Greater Atlanta, Houston, Los Angeles, Oakland, and Phoenix. These centers are designed to foster inclusion through financial education workshops and free one-on-one coaching to help community members take control of their finances and build their credit scores.

- Wells Fargo is working with the Historically Black Colleges and Universities ("HBCUs") Community Development Action Coalition to provide 16 HBCUs and Minority Serving Institutions access to Our Money Matters, a comprehensive financial wellness initiative for college students of color, who disproportionally face greater financial challenges and college debt.

- Wells Fargo is working with the National Bankers Community Alliance to make Our Money Matters available to the customers of 15 MDIs that are members of the National Bankers Association.

- With nearly 30 percent of its branches in LMI community census tracts, Wells Fargo will introduce a new program within LMI neighborhood branches that will be designed around the needs of the diverse communities it serves. The branches will feature redesigned spaces created to deliver one-on-one consultations, improve digital access and offer financial health seminars, and through these efforts, will help build trust. Employees in these branches reflect the diversity and cultures of the communities and offer in-language service.

3. Convening a National Unbanked Task Force

- Recognizing the difficulty of addressing the unbanked issue in the U.S., Wells Fargo formed a National Unbanked Advisory Task Force that works with us in developing solutions to bring more people into the banking system from underserved communities, while also providing feedback on the initiatives implemented to date and helping determine the best ways to measure success. The task force includes leaders from Hope Enterprise Corporation, League of United Latin American Citizens, Native American Finance Officers Association, National Association for the Advancement of Colored People, National Bankers Association, National Community Reinvestment Coalition, National Congress of American Indians, National Urban League, and UnidosUS.

Wells Fargo also actively participates in the OCC's Roundtable for Economic Access and Change ("Project REACh"), which focuses on removing barriers to financial inclusion and providing greater access to credit and capital. We chair the REACh Homeownership Working Group.

This work is further bolstered by the multiple choices we offer customers, including those who are not digitally connected, to conveniently access financial services and advice. We have an extensive ATM network and offer no-fee access for customers at approximately 12,000 ATMs for various banking services, including withdrawing cash, transferring funds, checking account balances, and making deposits. Wells Fargo ATMs offer banking in English, Spanish, Chinese, Hmong, French, Korean, Russian, or Vietnamese and meet the requirements of the Americans with Disabilities Act.

We provide 24/7, multi-lingual customer service over the telephone through our automated system as well as through our customer service representatives. This allows customers to get assistance with common needs, including asking questions about account balances and transaction history or initiating transactions like account transfers or stop payments.

Our Response to the COVID-19 Pandemic. We undertook significant efforts to support consumers and small businesses during the COVID-19 pandemic. We supported the PPP by funding roughly 280,000 loans totaling approximately $14 billion, working with clients of all sizes to provide flexibility and assistance where needed; in particular, we were an industry leader in working with smaller businesses to get them the support they required. In addition, we extended forbearance options for over 1 million mortgage customers since the start of the COVID-19 pandemic. We also deferred payments and waived fees for more than 3.7 million consumer and small business accounts to help people during these challenging times and processed approximately $90 billion in federal stimulus payments. Further, from May 2020 through 2021, we paused for at least 60 days the collection of negative balances existing at the time federal stimulus payments were deposited to consumers' accounts.[23] Additionally, we cashed federal stimulus payment checks for non-customers in our branches—with no fees charged.

After the CARES Act was signed into law, the government paid fees to those who administered PPP loans. As noted, Wells Fargo felt strongly that these funds were best used to help small businesses stay open and support employment during the pandemic—not to generate income for our bank. We were pleased to be able to use our resources to support PPP without fee compensation in 2020. In July 2020, we announced our Open for Business fund, a roughly $420 million initiative we created with the gross processing fees we would have earned from processing PPP loans we funded in 2020.

We created this fund to give back to communities, particularly small businesses, with a focus on those in underserved areas. The COVID-19 pandemic has made it difficult for entrepreneurs to keep their doors open, retain employees, and rebuild. Through our Open for Business Fund, we have provided capital, technical support, and long-term resiliency programs to nonprofits that serve small businesses. We did so in partnership with CDFIs and local nonprofits across the nation, allowing for the funding to occur at a highly local level.

We fulfilled our Open for Business commitment in 2021. Our total philanthropic giving in 2021, including Open for Business dollars and Wells Fargo Foundation giving, was $615 million.

[23] Where Wells Fargo acted as garnishee and received third-party garnishment orders with respect to stimulus payments, our practice was to follow federal and state guidance.

Investments in MDIs and CDFIs. Wells Fargo has provided $2.6 billion in funding to support CDFIs between 2011 and 2021, including our work through the Open for Business Fund. Wells Fargo invested in CDFIs and MDIs in multiple ways, including the Wells Fargo Diverse Community Capital (DCC) program. This is a multi-year $175 million program to empower diverse small business owners with access to capital and technical assistance by teaming up with CDFIs to support borrowers in all 50 states; the District of Columbia; and Puerto Rico. The Diverse Community Capital program awardees provided $2.9 billion in financing and 2.6 million hours of technical assistance, enabling entrepreneurs to sustain more than 369,000 jobs. In 2021, Wells Fargo reached full funding of the $175 million program commitment.

In May 2021, we fulfilled our March 2020 commitment to invest $50 million in 13 African American MDIs. With these investments, Wells Fargo aims to provide more than capital, but also forge long-term partnerships with MDIs by offering access to a dedicated relationship team that works with each MDI on financial, technological and product development strategies to help each institution strengthen and grow. In addition, Wells Fargo is making its ATM network available to customers of these 13 MDIs to provide the option to withdraw cash from our ATMs and incur no Wells Fargo fees.

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In conclusion, I want to express my sincere gratitude to everyone at Wells Fargo who has continued to serve our customers, each other, and our communities through these challenging times. I appreciate their dedication and resiliency as we have worked to make Wells Fargo better. While we still have much more to do, our foundation is stronger, our business is more focused, we are driving cultural change, and the talent and management process changes we have made are making a positive impact. I remain incredibly optimistic about our future.

Thank you, and I welcome your questions.

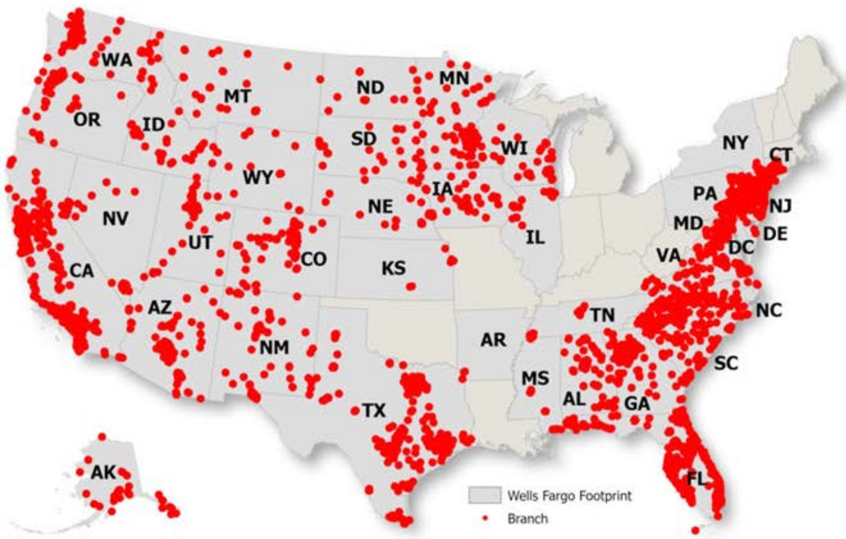
Appendix A
Wells Fargo Capital & Leverage Ratio, Dividend, and Stock Repurchase Data 2011 – 2021[24]

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Common Equity Tier 1 Capital Ratio	11.35%	11.59%	11.14%	11.74%	12.28%	11.13%	11.07%	11.04%	10.82%	10.12%	9.46%
Tier 1 Capital Ratio	12.89%	13.25%	12.76%	13.46%	14.14%	12.82%	12.63%	12.45%	12.33%	11.75%	11.33%
Total Capital Ratio	15.84%	16.14%	15.75%	16.60%	17.46%	16.04%	15.45%	15.53%	15.43%	14.63%	14.76%
Tier 1 Leverage Ratio	8.34%	8.32%	8.31%	9.07%	9.35%	8.95%	9.37%	9.45%	9.6%	9.47%	9.03%
Supplemental Leverage Ratio[25]	6.89%	8.05%	7.07%	7.7%	8.0%	7.5%	7.7%	–	–	–	–
Common Stock Dividends	$2.4 b	$5.0 b	$8.4 b	$7.9 b	$7.7 b	$7.7 b	$7.6 b	$7.1 b	$6.1 b	$4.7 b	$2.5 b
Common Stock Repurchased	$14.5 b	$3.4 b	$24.5 b	$20.6 b	$10.7 b	$7.9 b	$8.9 b	$9.2 b	$5.1 b	$3.9 b	$2.4 b

[24] All data reflected here appears in Wells Fargo's public annual reports.

[25] In April 2014, federal banking regulators finalized a rule that enhances the supplemental leverage ratio requirements for bank holding companies, like Wells Fargo, and their insured depository institutions. Wells Fargo began reporting its SLR calculations in its 2015 annual report.

Appendix B: Branch Map



FORCED ARBITRATION AND BIG BANKS: WHEN CONSUMERS PAY TO BE RIPPED OFF

September 2022

AMERICAN ASSOCIATION FOR JUSTICE®
The Association for Trial Lawyers

FORCED ARBITRATION AND BIG BANKS: WHEN CONUMERS PAY TO BE RIPPED OFF

Highlights

- Just 237 Americans out of 13,179 won monetary awards against banks and other financial services companies in forced arbitration at the American Arbitration Association (AAA)—the largest arbitration provider in the country—during the five years from 2017 to 2021, making for a win rate of just 1.8%. That makes the likelihood of winning a forced arbitration case against a bank nearly half the overall win rate against all corporations, which was already a pitiful 4.8%.
- In more than 100 cases, Americans brought a forced arbitration case against a bank, only to be ordered to pay the bank. Those Americans ended up paying an average of approximately $24,000 each to the banks they had filed cases against.
- Americans bringing claims against Discover were the most likely to end up paying the bank. One in five Americans who brought cases against Discover ended up being ordered to pay the bank. In fact, an American bringing a case against Discover was 28 times more likely to end up paying the bank than receiving any money themselves.
- Americans brought $2.8 billion worth of claims against banks and financial services corporations but won only 0.5% of that (approximately $13 million) during the five years from 2017 to 2021.

When Seeking Justice Against a Bank is Worse than Gambling

Making a claim against a bank in forced arbitration presents a very special risk—having to pay the bank money for bringing the case—according to a new analysis of data taken from the country's largest forced arbitration provider, the American Arbitration Association (AAA).[1]

Over the last five years (2017-2021), 104 Americans attempting to bring forced arbitration cases against banks found themselves having to pay money to the bank, despite the fact they, the consumer, initiated the case. Those 104 Americans ended up paying an average of approximately $24,000 each.

In two cases, consumers brought cases against a corporation, one against student loan corporation Navient and one against Zion Bank, only to be ordered to pay the corporation nearly $500,000.

One bank, in particular, benefited from consumer-initiated cases—Discover. One in five consumers who brought cases against Discover ended up paying the bank. In fact, a consumer bringing a case against Discover was 28 times more likely to end up paying the bank than receiving any money themselves.

Discover was not the first bank to profit so well from forced arbitration. Between 2009 and 2016, Wells Fargo opened 3.5 million bogus bank and credit card accounts in its customers' names. Many of these customers found themselves incurring fees on accounts they never knew they had, saw checks bounce and overdraft fees pile up, and had their credit scores tailspin. When the bank's scam was discovered, those customers found themselves unable to take the corporation to court because of forced arbitration agreements in their original, legitimate accounts.[2]

According to an analysis by the Economic Policy Institute, only 250 customers pursued forced arbitration against Wells Fargo in the wake of the scandal. Shockingly, those Wells Fargo customers were ordered to pay the bank nearly $11,000 in compensation.[3]

	Top 10 Corporate Defendants (Financial Services)	Cases
1	Intuit	1,575
2	American Express	1,126
3	H&R Block	1,061
4	Santander	882
5	PayPal	744
6	Citibank	712
7	Credit One	561
8	Wells Fargo	432
9	Chime	337
10	Navient	323

AAA—Financial Services Companies Using Forced Arbitration, 2017-2021

Forced Arbitration Claims Against Banks Feature Some of Forced Arbitration's Lowest Win Rates

Putting aside the risk of having to pay the bank money, Americans were exceptionally unlikely to win their cases. Just 237 consumers and employees won monetary awards in forced arbitration against banks and other financial institutions at AAA during the five years from 2017 to 2021, making for a win rate of just 1.8%. That makes the likelihood of winning a forced arbitration claim against a bank less than half the win rate against corporations from all sectors, which was already a pitiful 4.8%.

Rank	Sector	Consumer Win Rate
1	Retail	0.6%
2	Transport	0.7%
3	Healthcare	1.4%
4	Restaurants	1.7%
5	**Financial Services**	**1.8%**
6	Cable	2.1%
7	Other	2.8%
8	Car Sales/Lease	7.6%
9	Home Construction/Renovation	16.4%
10	Tech	16.5%

AAA—Financial Services Companies Win Rate in Forced Arbitration, 2017-2021

The 1.8% win rate against financial services corporations is one of the worst in forced arbitration. Of the top sectors, only retail, restaurant, healthcare, and transport—categories that are dominated by employee claims—had worse win rates. In sectors made up of predominantly consumer claims, no win rate was worse than financial services, not even complaints against cable companies.[4]

In the employee space, just three corporations—Citibank, Corelogic, and JPMorgan Chase—accounted for 38% of all employee forced arbitrations over the five-year period. Only two employees from any of the three corporations won compensation in their claim, making for a 0.5% win rate.

Consumers brought $2.8 billion worth of claims against banks and financial services corporations over the last five years but were awarded only 0.5% of that (approximately $14 million). By comparison, the 10 banks and financial firms using forced arbitration most frequently took in $1.7 trillion in revenues over the same five years.

Meanwhile, AAA itself reaped over $13 million in fees for bank-related cases over the five years.

Banks and the "Repeat Player" Phenomenon

Individuals' win rates dropped even further when they faced corporations that were "repeat players." Repeat players is a term describing corporations that frequently utilize forced arbitration. Forced arbitration's repeat player problem renders it inherently unfair. Corporate repeat players become highly adept at navigating forced arbitration proceedings and can potentially select arbitrators with favorable track records. Most corporate forced arbitration clauses even commit to paying the associated fees because forced arbitration is such a good deal for them.

The repeat player effect certainly has an impact in the financial sector. The consumer/employee win rate against financial services corporations with 10 or more prior forced arbitrations was just 1.1%—less than half the overall 2.8% win rate.

Again, Discover led many of its fellow banks. AAA's records show that Discover appeared before AAA arbitrators at least 757 times, though the true number is most certainly higher due to variations in Discover's title in the AAA database. Not only was Discover a repeat player, but the bank managed to get claims in front of repeat arbitrators—arbitrators Discover had used at least once before—in 38% of the claims against it.

Even Discover did not claim the title of #1 repeat player. AAA data shows Intuit—maker of TurboTax—had historically appeared before AAA arbitrators a whopping 39,000 times, nearly twice the number of any other corporation (second was Amazon, with 24,000 prior arbitrations).

Conclusion

Banks and financial services companies have long used forced arbitration to escape accountability, particularly because forced arbitration allows them to eliminate group actions in which thousands or millions of Americans have been abused in the same way—such as class actions. Today, approximately 20% of all forced arbitration claims are against banks, credit card companies, or other financial services corporations.

Unfortunately, banks and financial services companies have gone beyond using forced arbitration as a Get-Out-of-Jail-Free card.

ENDNOTES

1 The country's second-largest forced arbitration provider, JAMS, does not list banks or financial services as a category and does not differentiate which parties won an award, making their self-reported data unusable in this context.

2 *Wells Fargo Must Pay $185 Million After Opening Customer Accounts Without Asking. That's Not Enough*, Slate, September 8, 2016, https://slate.com/business/2016/09/wells-fargo-to-pay-185-million-for-account-opening-scandal-that-s-not-enough.html.

3 *The average consumer in arbitration with Wells Fargo is ordered to pay the bank nearly $11,000*, Economic Policy Institute (EPI), October 3, 2017, https://www.epi.org/press/the-average-consumer-in-arbitration-with-wells-fargo-is-ordered-to-pay-the-bank-nearly-11000/.

4 AAA also lists data on the prevailing parties. Despite initiating just a fraction of the number of claims that consumers did, corporations were listed as prevailing in 360 cases, more than twice the number of prevailing consumers (160). However, as previous research has demonstrated [see, for instance, *The Truth About Forced Arbitration*, American Association for Justice, September 2019, https://www.justice.org/resources/research/the-truth-about-forced-arbitration] this prevailing category appears highly unreliable—for instance, consumers listed as prevailing frequently were ordered to pay corporations. To be conservative, we chose to define wins as cases in which consumer received monetary awards.

About the American Association for Justice (AAJ)

The American Association for Justice works to preserve the constitutional right to trial by jury and to make sure people have a fair chance to receive justice through the legal system when they are injured by the negligence or misconduct of others—even when it means taking on the most powerful corporations.

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NIAC
National Iranian American Council

September 21, 2022

The Honorable Maxine Waters
Chairwoman
House Committee on Financial Services
2221 Rayburn House Office Building
Washington, DC 20515

The Honorable Patrick McHenry
Ranking Member
House Committee on Financial Services
2004 Rayburn HOB
Washington, DC 20515

Re: Holding Megabanks Accountable: Oversight of America's Largest Consumer Facing Banks

Dear Chairwoman Waters and Ranking Member McHenry:

On behalf of the National Iranian American Council (NIAC), a nonpartisan, nonprofit organization founded to give voice to the Iranian-American community, we submit this statement for the record on today's hearing. NIAC is pleased that the House Financial Services Committee is dedicating significant time and attention to the harmful impacts of de-risking and is examining how to hold megabanks accountable via its hearings this month.

For years, Iranian Americans, Iranian nationals, and the greater Middle Eastern and North African (MENA) American communities have been subjected to discriminatory disruptions of their bank accounts, oftentimes without notice or proper explanation, from America's megabanks. Due to broad-based sanctions on Iran, U.S. financial institutions are prohibited from servicing individuals "ordinarily resident" in Iran, or anyone currently present in Iran. However, what constitutes "ordinarily resident" is never properly defined by the U.S. government, leaving it up to the discretion of financial institutions to determine and enforce the restrictions. Given the looming threat of large fines for potential violations, along with indications that a bank's compliance protocols will determine the severity of any enforcement action, megabanks and

NIAC
National Iranian American Council

small banks alike are primed by existing regulations to engage in significant de-risking where there is even a hint of sanctions exposure.

Given the vagueness of U.S. regulations and restrictions on banking inside of Iran, many Iranian Americans and Iranian nationals alike are pressed repeatedly to verify their residency status. Oftentimes, this is accompanied by account freezes and account closures, sometimes regardless of whether an individual satisfies the bank's repeated inquiries. After years of tracking these account restrictions and closures, it is clear that many have nothing to do with where an individual is banking from. If you have an Iranian, Arab, or Muslim-sounding name, try to sell "Persian dolls" on Etsy, or have "Iran" in your business name, you can be made a target. These enforcement actions - in the name of sanctions compliance - signal discriminatory intent and can have extensive disruptions to individuals' daily lives. We have been contacted by individuals who had expensive healthcare or home purchases disrupted by de-risking. Victims of these account closures are met with no way to pay their housing expenses, credit card or student loan payments, or basic day-to-day necessities. An account closure is devastating to Iranian small business owners, who without access to their accounts, are unable to effectively run their business – constituting major revenue loss.[1]

While some banks have been willing to engage with NIAC's concerns and better tailor their compliance protocols to limit de-risking, some megabanks - like Bank of America and Citigroup - have repeatedly failed to engage with our community and appear to be content with shrugging off reputational harm caused by discriminating against our community.[2] In the case of Bank of America, a class action is moving forward targeting their harmful closure of accounts held by individuals of Iranian descent.[3] However, the Executive Branch and Congress must work as well to halt the discriminatory harms inflicted by megabanks on minority communities as part of an effort to comply with far-reaching federal regulations.

The federal government must take action to ensure that financial institutions can effectively comply with U.S sanctions and anti-money laundering policies, while simultaneously protecting individuals from heightened scrutiny for no reason other than their heritage. We hope this

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[1] For more on the impact of megabank de-risking on the Iranian-American community, please read our July 2022 memo, "Ending Discriminatory Bank Account Closures:" https://www.niacouncil.org/news_publications/memo-ending-discriminatory-bank-account-closures/

[2] "NIAC Calls for Bank of America to Stop Closures of Iranian American Bank Accounts," July 19, 2019: https://www.niacouncil.org/press_room/niac-letter-bank-america-discriminatory-account-closures/?locale=en

[3] "Bank of America Faces Groundbreaking Class Action After Years of Discriminatory Pratices," June 9, 2022, https://www.niacouncil.org/civil-rights/bank-of-america-faces-groundbreaking-class-action-after-years-of-discriminatory-pratices/?locale=en

hearing provides additional insight on the causes and impacts of de-risking by megabanks, and spurs momentum for targeted action to protect the Iranian-American community and all communities impacted by such harmful policies.

Sincerely,

Jamal Addi

President, National Iranian American Council

Board of Governors of the Federal Reserve System
Federal Deposit Insurance Corporation
Financial Crimes Enforcement Network
National Credit Union Administration
Office of the Comptroller of the Currency

Joint Statement on the Risk-Based Approach to Assessing Customer Relationships and Conducting Customer Due Diligence

July 6, 2022

The Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Financial Crimes Enforcement Network, the National Credit Union Administration, and the Office of the Comptroller of the Currency (collectively, the Agencies), are issuing this joint statement to remind banks[1] of the risk-based approach to assessing customer relationships and conducting customer due diligence (CDD). This statement does not alter existing Bank Secrecy Act/Anti-Money Laundering (BSA/AML) legal or regulatory requirements, nor does it establish new supervisory expectations.

The Agencies recognize that it is important for customers engaged in lawful activities to have access to financial services. Therefore, the Agencies are reinforcing a longstanding position that no customer type presents a single level of uniform risk or a particular risk profile related to money laundering, terrorist financing, or other illicit financial activity.

Banks must apply a risk-based approach to CDD, including when developing the risk profiles of their customers.[2] More specifically, banks must adopt appropriate risk-based procedures for conducting ongoing CDD that, among other things, enable banks to: (i) understand the nature and purpose of customer relationships for the purpose of developing a customer risk profile, and (ii) conduct ongoing monitoring to identify and report suspicious transactions and, on a risk basis, to maintain and update customer information.[3]

Customer relationships present varying levels of money laundering, terrorist financing, and other illicit financial activity risks. The potential risk to a bank depends on the presence or absence of numerous factors, including facts and circumstances specific to the customer relationship. Not all customers of a particular type automatically represent a uniformly higher risk of money laundering, terrorist financing, or other illicit financial activity.

[1] Under the Bank Secrecy Act, the term "bank" is defined in 31 CFR 1010.100(d) and includes each agent, agency, branch, or office within the United States of banks, savings associations, credit unions, and foreign banks.
[2] 31 CFR 1020.210(a)(2)(v).
[3] Ibid.

Banks that operate in compliance with applicable BSA/AML legal and regulatory requirements, and effectively manage and mitigate risks related to the unique characteristics of customer relationships, are neither prohibited nor discouraged from providing banking services to customers of any specific class or type. As a general matter, the Agencies do not direct banks to open, close, or maintain specific accounts. The Agencies continue to encourage banks to manage customer relationships and mitigate risks based on customer relationships, rather than decline to provide banking services to entire categories of customers.[4]

In addition, the Agencies recognize that banks choose whether to enter into or maintain business relationships based on their business objectives and other relevant factors, such as the products and services sought by the customer, the geographic locations where the customer will conduct or transact business, and banks' ability to manage risks effectively.[5]

This statement addresses the Agencies' perspective on assessing customer relationships as well as CDD requirements. It applies to all customer types referenced in the *Federal Financial Institutions Examination Council (FFIEC) Bank Secrecy Act/Anti-Money Laundering Examination Manual*,[6] including, for example, independent automated teller machine owners or operators,[7] nonresident aliens and foreign individuals, charities and nonprofit organizations, professional service providers, cash intensive businesses, nonbank financial institutions, and customers the bank considers politically exposed persons. This statement also applies to any customer type not specifically addressed in the *FFIEC BSA/AML Examination Manual*.

The *FFIEC BSA/AML Examination Manual*, including sections on certain customer types, provides guidance to examiners for carrying out BSA/AML examinations and assessing a bank's compliance with the BSA; it does not establish requirements for banks. Further, the inclusion of sections on specific customer types provides background information and procedures for examiners related to risks associated with money laundering and terrorist financing; inclusion of these sections is not intended to signal that certain customer types should be considered uniformly higher risk.

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[4] *Joint Statement on the Risk-Focused Approach to BSA/AML Supervision*, issued by the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Financial Crimes Enforcement Network, the National Credit Union Administration, and the Office of the Comptroller of the Currency, July 22, 2019.
[5] This statement does not require banks to cease or modify existing risk management practices if the bank considers them necessary to effectively manage risk.
[6] https://bsaaml.ffiec.gov/manual.
[7] *See* FinCEN's Statement on Bank Secrecy Act Due Diligence for Independent ATM Owners or Operators (June 22, 2022).

https://www.wsj.com/articles/gas-station-atms-are-a-banking-battleground-11645266781

FINANCE

Gas-Station ATMs Are a Banking Battleground

Banks worried about risk are turning away the owners of independent ATMs, a lifeline to the underbanked

By AnnaMaria Andriotis | Photographs by Cassidy Araiza for The Wall Street Journal
Feb. 19, 2022 5:33 am ET

Dozens of banks had rejected Ann Marie and Dan Ellis when they opened Bank of America Corp. BAC **-0.24%** ▼ checking accounts last February to fund their southern Arizona network of automated teller machines.

In April, the bank closed the accounts. Their money—used to fund around $450,000 in weekly customer withdrawals—was frozen. Branch managers told them to call the bank's risk and fraud department.

Banks are cutting off small-business owners who run the independent ATMs found in America's gas stations, bars and bodegas. ATM operators say it is getting harder to find a bank willing to hold the funds needed to keep their machines stocked with cash. The banks that will work with them, ATM operators say, are jacking up their fees.

For banks, it is a simple matter of risk. The sole product of ATMs is cash, which can make them a convenient way for criminals to launder the proceeds of their illegal activities. A bank that does business with unscrupulous ATM owners could face the wrath of regulators for violating anti-money-laundering rules.

Legitimate businesses—and their customers—get caught in the middle. Independent ATMs serve as a lifeline to people in areas where traditional banks have retrenched. An estimated $90 billion was withdrawn from the roughly 225,000 nonbank ATMs in the U.S. in 2020, according to the latest data from research and consulting firm RBR.

SHARE YOUR THOUGHTS

How often do you use independent ATMs? Join the conversation below.

"Basically, our ATM is their bank," said Ms. Ellis, who, with her husband, built a network of around 100 ATMs during their 21 years in the business. The couple relied on loans from friends and family while they waited for Bank of America to release their money.

Bank of America declined to comment.

ATM owners typically need at least two bank accounts to run their business. One account holds the cash that they use to stock the ATMs and receives deposits from the user's bank when a withdrawal is made. The other account collects the fee an ATM user pays for the convenience of withdrawing cash from the machine.

The funds flowing out of an ATM owner's bank account into a cash machine should roughly match the deposits coming in. If the inflows are greater than the outflows, that could indicate that the owner is stocking the machine with additional cash—perhaps the proceeds of criminal behavior.

ATM operators were among the businesses that got caught up in the Justice Department's Operation Choke Point, an investigation launched in 2013 into banks' dealings with companies seen as more likely to be involved in illegal activity. Rather than go after the companies individually, prosecutors targeted the financial infrastructure keeping them in business, "choking them off from the very air they need to survive," a department official told The Wall Street Journal at the time.

One of the Ellis ATMs at a liquor and smoke shop in Tucson, Ariz. Such ATMs are often used by people in places where there are few bank branches.

The initiative ended in 2017, but the account shutdowns didn't. Banks continued to rely on regulatory guidance that warned independent ATM operators were a higher fraud and money-laundering risk.

Late last year, following a yearslong lobbying push by ATM owners that earned the backing of lawmakers from both parties, regulators softened the guidance. Language discouraging banks from working with ATM owners was replaced with an acknowledgment of their role in bringing financial services to underserved areas.

But ATM owners say the new guidance has done little to make their lives easier. Bank OZK recently shut down deposit accounts of several board members of the National ATM Council Inc., the industry's trade group, citing risk. Bank OZK declined to comment.

Curt Selman's account was among them, and it wasn't the first time. JPMorgan Chase & Co., Regions Financial Corp. and a local community bank had previously cut him off.

"The window is getting smaller, and I just wonder when the music stops who'll be there," said Mr. Selman, who now has accounts with Simmons Bank and Veritex Community Bank.

JPMorgan and Regions declined to comment.

ATM owners say they tend to place their machines in areas where there are fewer bank branches, and many customers rely on them to access their paychecks and government benefits.

Rev. Nathan Jordan put an ATM in his grocery store in Hattiesburg, Miss., about nine months ago after fielding requests from customers. The nearest bank is about 4 miles away, he said, and many people in the area don't drive.

"It's very hard for people to get access to loans and financial services," he said. "The community I live in, the people have been denied access for so long."

Katiki Hinton has an account at a credit union that is about 15 miles away from her home. The 47-year-old caregiver relies on the ATM at Rev. Jordan's store to get cash to pay her light and water bills and to go grocery shopping.

"I'd rather pay the ATM fee than pay $20 in gas," she said. "It makes a big difference."

The relationship between ATM owners and banks is complex because the two are also competitors. When people use their debit cards at independent ATMs, the bank that issued the card pays a fee to the ATM's owner. That interchange fee is set by card networks. ATM owners say their cut of the fee has fallen.

Dan Ellis working on an ATM at his home in Tucson, Ariz.

In some cases, banks have put pressure on the merchants that provide space to ATM operators.

Jay Osman, who runs a string of ATMs in Mississippi, said he had to remove a few machines after a local bank told its customers that it would charge them $200 a month for having an ATM in their store.

In a December 2020 letter reviewed by the Journal, The Citizens Bank of Philadelphia, Miss., cited "state and federal regulations" that view privately owned ATMs as high-risk and requiring enhanced due diligence by banks as the reason for the charge.

Mr. Osman said he repeatedly told bank employees that the merchants aren't handling the cash in his ATMs. He said the bank declined to change its policy. It didn't respond to requests for comment.

After Bank of America shut down their accounts, the Ellises began relying more on another bank they worked with—BMO Harris. The bank told the Ellises they had to hire armored trucks to transport the cash, and it later increased their fees and limited the amount of money they could withdraw. To make up the difference, they opened accounts at a Comerica Inc. branch roughly 100 miles away.

Their banking costs have swelled to about $2,000 a month, up from roughly $400. That includes $600 in rent for office space needed to accept deliveries from the armored trucks, which Comerica also required.

BMO Harris, which reversed the fee increase after the Journal contacted the bank, declined to comment. "Personally transporting large sums of cash in and out of the banking center increases the risk to the safety of our customers and colleagues, so we work to ensure the safest possible environment," a Comerica spokeswoman said.

The couple raised fees on some of their ATMs by 50 cents to cover the extra costs. "It was a nightmare," said Mr. Ellis. "It's knocked 10 years off my life."

Write to AnnaMaria Andriotis at annamaria.andriotis@wsj.com

Full Committee Hearing, entitled "Holding Megabanks Accountable: Oversight of America's Largest Consumer Facing Banks"
Wednesday, September 21, 2022 at 10:00 a.m. ET
Responses to Questions for the Record

Questions for the Record from Chairwoman Maxine Waters

Housing, Mortgage Lending, and Servicing

2) **For all witnesses,** research demonstrates that a lack of access to small-dollar mortgage loans is a key barrier to homeownership for many families with low and moderate incomes. According to the Urban Institute,[1] potential buyers of low-cost homes, which require smaller-size mortgage loans, face higher denial rates than buyers who need larger loans, in both the government and conventional channels.

a) What programs or approaches are your banks considering to improve access to small-dollar mortgages for low-income borrowers and other underserved borrowers?
b) Has your bank considered developing a special purpose credit program to ensure that more small-dollar mortgages are available for borrowers that need this financing to buy a low-cost home?
c) One of the proposals noticed at the September 21st hearing would give lenders credit on their CRA exams for originating mortgages under $100,000. Would this be an incentive for your bank to make more loans of that size? What else should Congress consider in order to encourage more lenders to originate small-dollar mortgage loans?
d) What steps can your bank take to, either directly or perhaps in partnership with CDFIs and MDIs, support the origination of small-dollar business loans for Millennials and other young entrepreneurs?

- **We provide a broad range of mortgage products to meet the needs of our communities including FHA loans which we have consistently offered though our Retail, Correspondent and HFA channels. From 2020 to July of 2022, we have funded $19.3B in FHA loans. We are also a leader in providing mortgage services to state and local Housing Finance Authority down payment assistance programs providing funding for $24.5B of loans with down payment assistance from 2020 to July 2022.**

- **We introduced the American Dream Home Loan program in the 1990s to help consumers with limited resources to become homeowners. This program includes a low-down payment, assistance towards the down payment or closing costs, and rehabilitation loan options where applicable.**

    - **From 2009 through 2020, more than 11,500 households used the American Dream Home Loan program to realize their dream of homeownership, resulting in over $1.372 billion in mortgages.**

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[1] Urban Institute, *Making FHA Small-Dollar Mortgages More Accessible Could Make Homeownership More Equitable* (Apr. 22, 2021).

- **In 2021, as part of our Access Commitment to build wealth and redefine how we serve diverse customers, we launched the Access Home program. The U.S. Bank Access Home program is a comprehensive approach to advancing Black homeownership and increasing access to credit and equity for Black individuals and families across the bank's national footprint. The program includes:**
  - **Over $1.5 million in sponsorships**
  - **Enhanced financial education**
  - **Youth outreach and engagement**
  - **Community partnerships**

- **We are an active participant in Project REACh. U.S. Bank has representatives on all 4 Project REACh workstreams and we have a senior leader on the Project REACh National Working Group, representing small business.**

- **As part of our Community Benefit Plan (CBP) we are developing a mortgage special purpose credit program in consultation with our regulators and community groups. The program will commit $100 million in mortgage loans and include down payment assistance for borrowers in this program.**

3) **For all witnesses,** during the pandemic, millions of homeowners have fallen behind on their mortgage payments and other housing costs. This is especially true for Black and Latinx homeowners who have been twice as likely during this time to be behind on their mortgage payments. In order to protect families and prevent a repeat foreclosure crisis, Congress passed a $10 billion Homeowner Assistance Fund (HAF) in the American Rescue Plan Act, which this Committee worked hard to secure. Today, nearly every State and tribal government has received funding from the Treasury and has opened their applications to homeowners.
   a. Please provide how many of your customers have received loss mitigation, listing the number of customers who received each the type of treatment (e.g. forbearance, deferment, modification) your bank provided.
   b. How many customers who received forbearance have remained delinquent once they exited a forbearance period and what is your bank doing to assist them?
   c. Is your bank connecting borrowers with their state administered HAF program before initiating any foreclosure processes? If so, please provide the volume of payments you have received, the number of customers served, and how many of your customers have applied for HAF assistance.
   d. What else is your bank doing to prevent foreclosures and connect borrowers to HAF programs in their state?

- **Before moving to foreclosure, we try to work through a variety of offerings with customers who are experiencing hardship, including forbearance programs, payment plans for those who quality, and waiving of fees.**

- **To help assist customers avoid foreclosure, we deploy a robust customer contact strategy to bring awareness to customers of the assistance programs U.S. Bank offers. The strategy includes phone calls, letters, text messages, e-mails, and extensive digital capabilities, including informational videos to help engage customers and implore them to contact U.S. Bank and help preserve any equity they may have.**

- **Our contact strategy has greatly reduced the number of customers going to foreclosure; specifically, only 2% of the customers who have exited their forbearance remain delinquent and are not actively working with us.**

4) **For all witnesses**, research has shown that banks' CRA lending has contributed to neighborhood gentrification and the displacement of long-time residents, who are often lower income households and people of color, by financing housing for higher income renters and higher income homebuyers moving into gentrifying areas.[2]
   a. Does your bank invest in the development or preservation of affordable housing, and if so, how? Please include what share of households are served by these investments in terms of their level of area median income (AMI).
   b. As a share of your CRA investments, how much does your bank invest each year in affordable housing? Please include what share of households are served by these investments in terms of their AMI level.
   c. What steps does your bank take to ensure that the financing you provide does not lead to the displacement of a community's residents, especially low-income families and people of color?

- **In 2021, we invested more than $989 million in Low Income Housing Tax Credit (LIHTC) equity and provided more than $951 million in affordable housing lending, helping create more than 28,486 affordable housing units across the nation.**

- **We're intentional about this work, investing in projects and providing responsive capital to partners who share this commitment; helping build capacity in organizations that have historically been doing this work; and driving more conversation about racial equity within the community development industry. Underlying all our community development work is a commitment to racial equity. We invest, lend and influence capital in ways that advance economic opportunity for all with a goal to help close the racial wealth gap.**

5) **For all witnesses,** a recent study by Freddie Mac[3] showed that 12.5% and 15.4% of homes appraised in majority-Black and majority-Latinx communities, respectively, are valued below the contract purchase price. Those figures compare to 7.4% of homes in

[2] Washington Post, *A tool meant to help minorities buy homes is instead speeding up gentrification in D.C.* (Aug. 9, 2019).
[3] Freddie Mac, *Racial and Ethnic Valuation Gaps In Home Purchase Appraisals* (Sept. 20, 2021).

majority-White neighborhoods. Disparities in home valuation, including appraisals, contribute to borrowers of color being denied mortgage lending and locks them out of homeownership and wealth-building opportunities.

a. What share of your in-house appraiser panels are made up of appraisers of color and female appraisers?

- **Our national appraiser panel consists of independent fee panel of appraisers and an employed on-staff group of staff appraisers. The independent fee panel is comprised of 37.5% female appraisers and an undetermined percentage of appraisers of color. The on-staff group is comprised of 37% female appraisers and 9% appraisers of color. Further, we have a small number of diverse appraiser trainees mentored by state-approved supervisory appraisers within our staff appraiser organization.**

b. Does your bank contract with any or women-owned Appraisal Management Companies (AMCs) or those owned by people of color? If so, what share of your appraisal business goes to AMCs are owned by women or people of color?

- **We do not rely on AMCs as a primary source for appraisals. Of the few AMCs we have under contract, none are designated as owned by a person(s) of color and/or women.**

c. Your bank is responsible for setting the stage for consumers by establishing appraisal fair lending compliance standards and reconsideration of value policies (ROV) that allow consumers to contest appraisals. What is your current ROV policy and how do you make borrowers aware of this policy? Does your bank track ROV-related data, such as the number of ROV requests that are granted annually, which borrowers are requesting them, how many resulted in corrected home valuations, and what the average appraisal gap is? If so, please share what type of data is collected.

- **U.S. Bank sends every customer a copy of their completed appraisal on their property. Along with that appraisal is a letter that provides direction on what to do if they want to contest the valuation in any way. We track the number of ROVs and resulting outcome – change in value by the appraiser, if any.**

d. What processes do your banks have in place for reporting appraiser malpractice, possible appraisal discrimination, or fair lending compliance issues with AMCs?

- **We have an Appraisal Investigations Team accountable for managing Mandatory Reporting. The process is designed to assure that appraiser compliance concerns are investigated in a consistent and fair manner and appraisers are provided an opportunity to respond to the concerns. When failure to comply is material, meaning it likely had a significant effect on the appraisal results for a consumer's principal dwelling, a complaint is initiated**

with state regulators per mandatory reporting requirements set forth in the Dodd-Frank Wall Street Reform and Protection Act (Dodd-Frank), the 2010 Interagency Appraisal and Evaluation Guidelines (Interagency Guidelines) and Regulation Z.

e. Does your bank currently rely on Automated Valuation Models (AVMs) to conduct home valuations or fair lending compliance, and are you supportive of federal regulations that seek to require affirmative non-discrimination requirements in the development and maintenance of AVMs?

- **Yes, we are supportive.**

Small Business Lending and Support

7) **For all witnesses**, while many banks are migrating many of their banking products and services online, according to research[4] from the National Community Reinvestment Coalition, many small businesses continue to rely on local bank branches for access to a loan. In fact, the research shows that among the most important predictors of the amount of small business lending by large banks in metropolitan areas are the number of branch locations and county level GDP. Please describe how small business owners typically engage with your bank?
   a. Do most of your small business customers engage online or via digital channels, or are they coming into a bank branch to apply for credit and to access other services?

   - **Most small business customers apply for new products and services, specifically loan and deposit accounts, through our branch channel or with one of our Business Bankers. Since 2018 we've worked to make numerous lending products, up to $250,000, available to small businesses through our digital channels, enabling us to meet small business customers beyond the immediate vicinity of our physical branches. However, of the loan products available digitally, in aggregate the digital channel still accounts for a minority of total application and production volume (units and dollars). It is our belief that small business owners are best served through a combination of digital and human interactions to maximize convenience and product availability while providing personalized service when needed or preferred.**

   b. What is your bank doing to ensure that branches are located and accessible in communities where local residents as well as small business owners are seeking credit?

   - **Branches are a critical component of our connections to our customers. By using our branch network in combination with digital tools, we enable our**

[4] NCRC, *Relationships Matter: Small Business and Bank Branch Locations* (Accessed Sep. 15, 2022).

customers to be more connected to their financial future. We are continuously reviewing our branch structure, making changes to improve the customer experience, and working to ensure that the needs of our communities are met. We pride ourselves on a branch network that is able to support both consumer and small business customers in the community. We continually look at our network to ensure that it is meeting the changing behaviors and preferences of customers with consideration of consumer, small business, and community needs while following regulatory and legal rules and considerations.

Small Dollar Loans

9) **To all witnesses**, please list and describe any small-dollar consumer loan you offer, including how many consumers use those products, the current APR on those loans, the eligibility criteria, the general terms and conditions, and the maximum amount that a customer can borrow with these products?

   - **Our Simple Loan product provides easy and fast access to emergency funds. We charge $6 per $100 borrowed. Up to $1000 can be borrowed at a time. Here are the key features of the product:**
     - **Customer must have a checking account opened for six months**
     - **Checking account must have three months of recurring direct deposit**
     - **Customer cannot have a negative checking account balance for seven consecutive days.**
     - **Customer cannot have a checking account that was overdrawn 6+ times in the last 30 days**
     - **No U.S. Bank charged off account or delinquent on a U.S. Bank product >60 days**
     - **Only one Simple Loan outstanding at a time and 30 cooling off period before receiving another loan**
     - **Minimum FICO score to qualify of 550**
     - **Maximum debt to income ratio of 60% and payment to income ratio of 5%**

Banking Deserts

10) **For all witnesses**, throughout the COVID-19 pandemic, there has been a greater shift to online banking. However, for communities living in rural areas, when physical bank branches close permanently, some customers may lack internet access, or the knowledge of how to navigate online banking, and are forced to turn to expensive alternatives like

cash-checking stores or payday lenders.[5] How does your bank interact with clients in rural communities?

a. How do you productively engage with communities that lack reliable broadband internet service?

- **We seek to serve our customers where they are. Approximately 16% of our branches are in communities with 50K people or less.**

Credit Reporting and Underwriting Practices

12) **For all witnesses**, in 2021, Fannie Mae began to incorporate positive rental payment history into its automated underwriting systems, followed by Freddie Mac in 2022. Similarly, according to a recent report from HUD, the Federal Housing Administration (FHA) is working to incorporate positive rental payment history into its automated underwriting policies and processes (AUS). HUD elaborated that doing so could help renters with a strong record of on-time rent payments get credit when seeking to qualify for an FHA-insured mortgage.

a. Does your bank already consider positive rental payment history in the mortgage underwriting process?

- **Yes**

Please provide a list of other forms of alternative data or credit information that are not typically included on a consumer's credit report, that your bank uses to determine a consumer's creditworthiness for the purposes of underwriting a mortgage.

- **The types of credit that can be used to develop nontraditional credit history are those that require the borrower to make periodic payments on a regular basis. Regular intervals that are no longer than three months. The following are common nontraditional credit sources which may be used to develop the nontraditional credit history:**

  a. **Rental housing payments**
  b. **Utilities such as electricity, gas, water, telephone service, television and internet service providers**
  c. **Medical insurance coverage**
  d. **Automobile insurance payments**
  e. **Cell phone payments**
  f. **Life insurance policies**
  g. **Payment for household or renters insurance**
  h. **Payments to local stores such as department stores, appliance stores**
  i. **Rental payments for durable goods such as automobiles**
  j. **Payment on medical bills**
  k. **Payment on school tuition**

[5] NPR, *After The Banks Leave* (Apr. 15, 2021).

- **l. Payment for child care**
- **m. A loan obtained from an individual, provided the repayment terms can be documented in a written agreement.**
- **n. Checking account, savings account, voluntary payment made to a payroll savings plan or contributions to a stock purchase plan provided records reflect an increasing balance as a result of periodic deposits.**
- **o. Write remittance statements demonstrating a consistent amount of funds remitted over the most recent 12 month period.**

a. Does the incorporation of alternative data into federal automated underwriting systems, like that of Fannie Mae and Freddie Mac, or FHA, help facilitate the inclusion of rental payment data in the mortgage underwriting process?

- **Yes**.

b. If you do not currently consider alternative data like positive rental payment history, what are the challenges and barriers to doing so?

- **While we do consider alterative data in certain circumstances, positive rental history and other information not available via credit reports was only used as nontraditional / supplemental credit factor in underwriting and was not included in the AUS systems evaluation, up until recently. The barriers to using alternative data like positive rental payment history had been the third party validation requirements and the AUS systems ability to consume the information.**

<u>Equifax's Inaccurate Credit Scores</u>

13) **Mr. Cecere, Mr. Demchak, Mr. Dimon, Ms. Fraser, Mr. Rogers, Mr. Scharf,** following up to your respective responses to my letter regarding your bank's use of Equifax's inaccurate credit scores, what is the status of your bank's work to identify and remediate all harmed consumers? Specifically:

a. Are you still investigating to identify any harmed consumers? If so, please describe when you expect for your investigation to conclude.

b. How many consumers were wrongfully denied credit based on the use of Equifax's inaccurate credit score?

c. How many consumers were charged more than they should have been based on the use of Equifax's inaccurate credit score?

d. What steps are you taking to remediate harmed consumers, and by when do you estimate that all harmed consumers will be remediated?

- **We have identified where applicants were either declined or approved with a higher interest rate than justified and are taking actions to**

remedy those situations. This includes inviting consumers to re-apply, adjusting credit line assignments or modifying interest rates.

15) **For all witnesses**, what systems does your bank have in place to ensure third-party information you receive, such as the credit scores Equifax provides to your bank, is accurate before you utilize the information?

- **Third party scores, such as FICO are proprietary to FICO and therefore, we do not have ability to independently re-calculate them.**

16) **For all witnesses**, do you have a contractual relationship with Equifax?
  a. What are the terms of your bank's agreement with Equifax?

  - **Business terms (length of service, pricing) vary by specific product, but Equifax is obligated to provide services in a timely manner exercising due care, utilizing a comprehensive data security plan tested by both parties, with services and data handling subject to audit by U.S. Bank; in Equifax's provision of services, Equifax remains liable to third parties for claims arising from Equifax's negligent acts or omissions, and violation of applicable law statute or regulation.**

  b. Does your contract include language around liability for the provision and accuracy of Equifax's scores?

  - **Yes**

  c. What does your contract say about liability when the scores your bank received from Equifax are inaccurate?

  - **In general, Equifax provides services under an explicit disclaimer of liability for the accuracy of completeness of its services.**

19) **All witnesses,** do you hear complaints from small businesses about the swipe fees that they are charged? If so, what should policymakers do to address the concerns of small business owners?

- **Complaints related to all fees represent less than 5% of our YTD complaint volume. Of that percentage, only a small subset could possibly be related to interchange.**

<u>Diversity and Inclusion</u>

20) **Mr. Cecere**, in late 2021, U.S. bank was sued by John Span—a Black employee who worked for two decades as a loan officer and underwriter. In his complaint, he describes being subjected to a toxic and racially hostile work environment as the only Black

underwriter. The complaint states that bank metrics and avoiding Early Payment Defaults encouraged underwriters to racially discriminate to increase their compensation. Has U.S. Bank reviewed the underwriter metrics in response to this lawsuit, and what have you found?

a. What metrics have you established to assess underwriters' performance?
b. How do you ensure underwriters are performing high quality work while not discriminating against entire classes of borrowers?

- **U.S. Bank has controls in place to detect and prevent discriminatory lending practices. There is no evidence that indirect auto loan applicants were denied credit or received less favorable terms based on race, ethnicity, or community demographics as Mr. Span claims.**

- **U.S. Bank's comprehensive fair lending risk management program (which includes indirect auto lending) is subject to continuous and consistent internal and external review.**

21) **Mr. Cecere**, U.S. Bank reached a settlement with Joe Morrow, a Black customer who was accused of having a fraudulent check and placed in handcuffs by police. In your December 10, 2021 letter you indicated that U.S. Bank is "revisiting and expanding…employee training and guidance."[6] What kind of training for conflict resolution and anti-bias does U.S. Bank require for its employees?

a. What changes have you made to employee training since your December letter?
b. What steps is your bank taking to build trust with Black customers and other communities of color?

- **U.S. Bank does not condone discrimination of any kind in the workplace or against customers. We created the Access Advisory Group in our headquarters' market to work with us to co-create solutions to help us better serve the Black community. The advisory group is made up of Black community leaders. In the spirit of continuous improvement, we reviewed branch employee training and practices and made important reforms to ensure our customer contacts always represent our mission and values.**

22) **All witnesses**, the committee has considered various legislative solutions to support greater diversity and inclusion, including mandating the consideration of diverse candidates for all roles or senior roles. Has your bank committed to such a policy?

a. Research indicates that considering diverse candidates alone may not lead to more diverse hires; instead, two or more diverse candidates should be considered, and the interviewing slate should also be composed of diverse staff. Is this an approach your bank has considered and/or deployed? If so, can you share what progress you have witnessed using this approach?

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[6] MSR News Online, *Under fire for profiling Black customer, U.S. Bank issues public apology* (Dec. 10, 2021).

- **Our hiring procedures state that our recruiters are expected to present hiring managers with diverse candidate slates that include at least one woman and/or person of color when hiring for all roles at all levels of the organization. We also strive to have a diverse panel of interviewers at all levels, especially for senior roles in our organization.**

- **Our focus is centered on delivering a diverse candidate slate for consideration to hiring managers – this implies that those presented on a candidate slate have been pre-qualified for the role in question by the recruiter and will be interviewed by the hiring manager. Through our procedures, we ensure that all applicants going through the selection process are qualified candidates, based on their skills and experience.**

24) **Mr. Cecere**, in your submitted testimony, you shared that over 40% of board member identified as diverse. As a share of your overall board membership, please provide the following:
    a. What percentage are people of color only?
    b. What percentage are women only?
    c. How many are both people of color and women?

    - **Our board diversity is strong:**

Board Diversity*	**As of 11/1/22**
Racial	**31% (4 of 13)**
Gender	**46% (6 of 13)**
Overall Diversity (Racial and Gender)	**62% (8 of 13)**

This data is based on diversity information self-identified by each director to U.S. Bancorp.

Commitments to Racial Equity and Support of MDIs and CDFIs

26) **For all witnesses**, do you have a diverse and inclusive community advisory board that you meet with periodically, such as every quarter, to consult with them when your bank makes decisions regarding which communities you might open or close a bank branch, or to guide the bank's efforts to comply with the Community Reinvestment Act? If not, will you consider establishing one?

    - **U.S. Bank has engaged an diverse national Community Advisory Committee (CAC) that has been in place for seven years. The CAC will be instrumental in reviewing and assessing U.S. Bank's progress towards the goals and objectives of our community benefits plan, as well as emerging areas of**

community need during the plan period. Over the past seven years, our CAC has provided significant input and community perspective. Members are an important, regular voice as we consider product and service programs for underserved communities across the country.

27) **For all witnesses**, will you commit to commissioning an independent racial equity audit that covers *all* of your bank's operations -- including employment, contracting, investments, and the financial products and services you provide -- and make those findings public?

- **We recently participated in a Racial Equity Assessment (along with 40 other Minnesota based Fortune 500 companies) done by the Center for Economic Inclusion (a Minneapolis based national research institute).The assessment looked at the racial equity standards of the companies across 7 key areas: Hiring, Culture Retention and Advancement, Procurement, Philanthropy, Leadership, Products and Services, and Public Policy. We scored in the 96% percentile of all companies who took the assessment, and was one of only two companies to score in the highest quartile on 6 of the 7 dimensions. We believe this was an effective way to assess our position amongst peers and other large organizations in our footprint.**

- **In 2021 we launched Access Commitment to help ensure our workforce reflects the communities we serve, support Black-owned businesses through grants and capital and supplier relationships, and support nonprofits and community institutions working toward racial equity. As a follow up to this commitment, we are now partnering with Urban Institute, a leading research organization, to identify key metrics we can use to measure the social impact of these initiatives. This work will help ensure our efforts are addressing key components of racial equality.**

Investigating Discriminatory Practices

31) **For all witnesses,** yes or no, do you believe that racial discrimination occurs in the financial sector?

a) Yes, or no, do you believe that any discrimination that occurs at your bank or any bank is unfair to affected individuals?

- **We do not tolerate discrimination of any kind. When allegations of discrimination occur at our company, we take steps to investigate, work with the customer to understand the situation, and take appropriate disciplinary action with employees.**

32) **For all witnesses,** do you endorse the lawsuit the American Bankers Association and other organizations filed to challenge the Consumer Financial Protection Bureau's efforts to combat unfair discriminatory practices? Why or why not?

- **This lawsuit was filed by several organizations – we do not direct their litigation strategies.**

Pending and Recent Bank Mergers

39) **Mr. Cecere**, in your testimony, you said, "Branches are a critical component of our connections to our customers."[7] However, since 2010, your bank closed more than 800 branches, with 500 branches closed in the past two years alone. U.S. Bank applied to acquire MUFG Union Bank in the fall of 2021. How many of these branches in California and the Los Angeles area do you anticipate will be closed?

- **As part of the application to acquire MUFG Union Bank, we provided information to our regulators around expectations for branch consolidations.**
- **There is a fair amount of branch overlap between existing Union branches and existing U.S. Bank branches in these markets and we will honor our commitments in our community benefits plan around branch consolidations.**

40) **Mr. Cecere** your bank announced a community benefits plan, in which your bank agrees to lend, invest, or donate $100 billion nationally, over a five-year period beginning in 2023.

a. How much of this $100 billion are ***new*** mortgage lending commitments compared to what your bank would have expected to conduct in mortgage lending over the next five years?
b. How will you be measuring progress towards achieving the small business, mortgage and affordable housing development goals set in the plan?
c. According to NCRC,[8] U.S. Bank will partner with new organizations as part of this five-year commitment. How will these new partnerships be chosen?
d. Will you be reporting your progress, as well as a list of the organizations your bank is partnering with, to the public, and to this Committee?
e. Have you formally signed the community benefits plan as a contract with the community groups that you worked with to develop the plan? If yes, will you make that contract public? If not, when will you do so?

- **The details of our Community Benefit Plan can be found here:** **U.S. Bancorp announces $100 billion community benefits plan | Company blog | U.S. Bank (usbank.com)**

- **Our Community Benefit plan represents at least a 20% increase in mortgage lending units nationally and a 30% increase in California over the combined**

[7] Written Testimony of Andy Cecere before the House Financial Services Committee (Sep. 21, 2022).
[8] NCRC, U.S. Bancorp, NCRC, CRC Announce $100 Billion Community Benefits Plan (May 2022).

baseline of U.S. Bank and MUFG Union Bank. We will measure our performance-to-goal via a scorecard that will be reviewed regularly by our senior leadership and Board. We will publicly share annual updates on the progress of this commitment in a format that is mutually agreed upon with NCRC.

- **U.S. Bank's grant program currently seeks opportunities to fund new organizations through a Letter of Interest (LOI) application available year-round on usbank.com/community. For nonprofit organizations new to U.S. Bank Foundation, a LOI may be submitted by nonprofits that adhere to our Community Possible focus areas and grant guidelines. U.S. Bank Community Affairs Managers periodically review submissions to learn about new and innovative programs and organizations in their regions and markets. After reviewing a Letter of Interest, a Community Affairs Manager may reach out with a request for a full application. Our CBP commitment is to continue this practice and provide tracking on the number of new organizations we fund each year.**

- **The commitments we made as part of our CPB are available to the public through our press release, the California Reinvestment Coalition's website (California specific) and the national Reinvestment Coalition's press releases**

Abortion Access

42) For all witnesses, since the Supreme Court's ruling in *Dobbs v. Jackson Women's Health Organization*, several states have made accessing abortion services illegal. Data collected by credit card issuers and banks have the potential to serve as incriminating evidence against those seeking reproductive health care. What steps do you plan to take to protect the privacy of your customers and employees seeking reproductive health care?

a. How will you ensure that employees do not face retaliation or discrimination in the workplace based on their personal healthcare decisions?

- **As a company our priority is the health and well-being of our employees, and we've updated our healthcare benefits to ensure they continue to have access to the healthcare they need, regardless of where they live.**

- **As a regulated financial organization, we will comply with all regulatory requirements and laws that impact our business, employees and customers.**

Digital Assets, including Cryptocurrency

44) For all witnesses, what is your bank's current position on central bank digital currencies (CBDCs), and how might your daily operations be impacted if the Fed started to issue a CBDC?

a. In your view, which technical design choices will ensure that a future CBDCs furthers financial inclusion, and does not hinder it?

b. Which design choices are likely to create challenges to increasing financial inclusion?

- **We recognize that interest in digital assets and cryptocurrency continues to grow, and we continue to evaluate how we can best respond to customer needs within the applicable regulatory frameworks. In order to ensure continued security and a level playing field, we believe that cryptocurrency should be regulated at the federal level, and that coordination between the market and prudential regulators is important as this area continues to evolve. We will continue to evaluate the regulatory and industry landscape and explore other opportunities presented by cryptocurrencies and distributed ledger technologies where risk can be appropriately managed.**

Fintech and AI

46) **For all witnesses**, the Fed has stated that "financial institutions may place a hold on FedNow payments received where there is reasonable cause to believe that a FedNow payment may be related to fraudulent activity."[9] What technical strategies has your bank adopted or are working to adopt in order to ensure protection of consumer information as our payment systems evolve?

- **U.S. Bank's FedNow implementation is in very early stages and only leveraged for incoming government payments. RTP payments sent by U.S. Bank are subject to preventative fraud screening and subject to holds. RTP payments where the sender has Requested Return of Funds due to fraud are also monitored and actioned. Further, received payments are reviewed to inform future fraud prevention strategies and if there is suspected fraud, the account can be manually held and potentially closed. FedNow and RTP payments would be benefited by common rules to drive similar implementation.**

47) **For all witnesses**, emerging artificial intelligence (AI) technologies, including Machine Learning, can potentially offer a broad range of benefits for both financial institutions and regulators. How does your bank utilize regulatory technology in their daily operations?

a. On the other hand, some studies have shown that lending algorithms have unwittingly caused discrimination based on race or even educational attainment. How do you ensure that your bank is not feeding biased data into the algorithms you use, and that AI is not perpetuating discriminatory outcomes for protected classes of borrowers?

- **AI has been found to be a useful tool to improve the consumer experience and create efficiencies. At U.S. Bank we use AI to fight fraud, conduce research and support our customers in a multitude of ways.**

[9] NCLC, *New FedNow Rules Lack Fraud Protection* (May 19, 2022).

48) For all witnesses several non-bank fintech companies offer "earned wage access" products allowing consumers to access wages they have earned but have not yet been paid.[10] Has your bank considered offering "earned wage access" opportunities to its employees or customers?

- **Yes, The U.S. Bank Focus Card in partnership with Proactiv was launched earlier this year. More information can be found here:** https://ir.usbank.com/news-releases/news-release-details/us-bank-payactiv-unveil-new-earned-wage-access-solution

Sanctions

49) For all witnesses, is it correct that following the unprovoked Russian invasion of Ukraine, your firms have ceased some or all of your operations in Russia and Belarus (including subsidiaries and affiliates)? Can you please elaborate?

a. Where you have continued to engage, can you please describe your firm's efforts to avoid the violation of U.S. sanctions related to Russia and Belarus?
b. Can you please describe how your firms manage the Office of Foreign Assets Control (OFAC) 50-percent rule in determining whether a customer is one with which your firm can do business? (For example, does your firm draw a line at 49.9%? Do you do enhanced due diligence for any ownership above 40%? Does your bank apply different standards in different components/services of the business?)
c. Can you please describe the scrutiny that your firm conducts on third parties, such as firms with Chinese or Indian operations, to ensure that your customers are not engaging in sanctions violations with Russian and Belarusian sanctions targets?

- **U.S. Bancorp, including its subsidiaries and affiliates, does not have operations in Russia or Belarus and did not have operations in these jurisdictions prior to the Russian invasion of Ukraine.**

- **U.S. Bank implemented and continues to comply with economic sanctions based on guidance from regulators and other government bodies regarding assets, transactions or accounts related to the Russia/Ukraine conflict. Some high-level examples of steps the Bank has taken in order to comply with economic sanctions regulations are below:**

  • Performed, and continues to perform, daily and periodic sanctions scanning of clients as well as real-time and batch scanning of transactions.
  • Blocked or rejected prohibited transactions pursuant to the applicable regulations, prohibitions and regulatory exemptions.
  • Restricted assets to prevent unauthorized activity.
  • Implemented IP blocking for comprehensively sanctioned jurisdictions.

[10] Forbes, *How Earned Wage Access Can Upend Predatory Lending And Build Employee Financial Wellness* (Feb 5, 2021).

• The Bank placed restrictions on assets with a Russian issuer country and blocked assets issued by entities listed on the OFAC Specially Designated Nationals and Blocked Persons List.

- **In addition to existing transaction monitoring programs, U.S. Bank has conducted exploratory monitoring to identify potential, emerging risks related to the Russian invasion of Ukraine. This includes ongoing tracking/trending of the following activities: wires, ATM, non-customer ATM, crypto exchange activity, and Zelle. An internal task force was established to focus on identification and reporting of potential activity intended to evade sanctions and other regulatory restrictions implemented in connection with the invasion.**

- **U.S. Bank does not actively market its products and services to China or firms based in China. The Company does not maintain branches or operations in China. U.S. Bank has established a risk-based financial crimes compliance program which includes measures to identify and verify customers and beneficial owners, as well as identification of related parties. Customers, beneficial owners and related parties, as well as parties identified in transactions, undergo economic sanctions screening based on lists published such as OFAC, EU and UK. These risk-based measures facilitate the identification of customer risk and the implementation of controls to mitigate risks identified. When suspicious activity involving China and firms based in China is identified, it is reported through SAR filing. Coordination with federal law enforcement, as appropriate, may follow the filing of a suspicious activity report.**

- **All identified beneficial owners, regardless of the ownership level, are screened for sanction concern to cover the risk presented by the OFAC 50% rule. If a sanctioned person was an identified beneficial owner (regardless of percentage ownership) of a U.S. Bank customer, they would be identified through the existing sanctions screening process.**

- **U.S. Bank does not utilize third parties to ensure sanctions compliance. U.S. Bank continues to perform daily and periodic sanctions scanning of clients as well as real-time and batch scanning of transactions. U.S. Bank policy requires all required parties/fields in Electronic payments (wires, international ACH, etc.) to be screened for sanctions concern in real time upon a payment entering or prior to leaving the Company.**

50) To all witnesses, on September 14, 2022, the Honourable Mia Amor Mottley, QC, MP, the Prime Minister of Barbados, testified in front of the House Financial Services Committee. In her testimony, she shared that over the last decade, the nations and territories of the Caribbean region have been experiencing a steady decline of available cross-border financial services, including correspondent banking services. In some cases, banks had withdrawn completely from individual countries and in other cases, the time to open an account or to process a transaction could be months long.

a. Can you please describe the cross-border financial services that you offer in the Caribbean and how those services have changed over the last 10 years? Over the next year, does your institution expect to expand, contract, or continue existing services in the region? What are the reasons for any changes in activity?
b. Where your institution has pulled back on available services, did international lists (such as the European Union's list of non-cooperative jurisdictions for tax purposes or the U.S. State Department's International Narcotics Control and Strategy Report) factor into those decisions?

- **The majority of our banking activity occurs in the United States.**

51) For all witnesses, at the September 14, 2022, hearing entitled, "*When Banks Leave: The Impacts of De-Risking on the Caribbean and Strategies for Ensuring Financial Access*," witnesses discussed the role that volume and profit can play in attracting larger financial institutions to offering cross-border financial services like correspondent banking. Among the proposals made were (a) that the Caribbean region harmonize anti-money laundering law across nations, lowering the cost to correspondent banks wishing to do business in the region, (b) that a "middleman" or "hub" bank be established to merge the volume of transactions from across small nations, perhaps at a government institution like the Eastern Caribbean Central Bank, and (c) that small and medium banks should be encouraged to enter the correspondent banking business.

a. What are your institution's views on the practicality and attractiveness of these concepts in terms of securing or expanding your institution's cross-border financial services offerings in the region?
b. What other proposals might your institution suggest to make the region more attractive to your institution, in terms of offering cross-border financial services to the countries and territories of the Caribbean?

- **The majority of our banking activity occurs in the United States.**

52) For all witnesses, China ranked 21 of 128 on the recently released Basel AML Index. In 2020, the U.S.-China Economic and Security Review Commission issued a report that detailed concerns with financing, shadow banking, and oversight of the Chinese banking industry.[11] Chinese fintech firm Tencent has been identified as highly deficient in its money laundering controls. Additionally, Chinese firms are regularly named as facilitating evasion of sanctions in support of North Korea's increasingly bellicose government. Your banks do business in China and with firms based there, as well as around the globe. How you manage those relationships with an eye towards the inherent risks, including safety and soundness, anti-money laundering, and sanctions risks, especially in an environment where geopolitical issues involving China, like the security of Taiwan and Ukraine, are in the headlines?

a. Please provide examples of how your bank manages those relationships.

[11] USCC, *China's Banking Sector Risks and Implications for the United States* (May 2020).

b. What support from government, industry or conducted collaboratively through public-private partnerships have made a difference or could help with mitigating risk?

- **The majority of our banking activity occurs in the United States.**

Questions for the Record — Rep. Chuy García

Question to all participants:

- Over 7 million people in the U.S. are unbanked. These people are disproportionately Latino, Black, and low-income. Research by the Consumer Financial Protection Bureau (CFPB) found that banks rely heavily on overdraft and non-sufficient funds (NSF) fees for revenue, resulting in large fees for consumers and posing serious risks to them. Given the large unbanked population and the risk bank fees pose to consumers, do you believe the Federal Reserve Board should offer everyone in the U.S. a free bank account that they can use to make normal transactions, free from fees?

  - **We are committed to working toward a financial system that is inclusive to all and implemented changes in 2022 to help consumer customers better manage cash flow and avoid fees.**
    - **In January, we eliminated certain fees for non-sufficient funds.**
    - **In May, the amount an account can be overdrawn prior to fee assessment increased from $5 to $50—this change alone is helping thousands of customers per day avoid overdraft fees.**
    - **Our new U.S. Bank Overdraft Fee Forgiven offering provides account holders a full day to deposit funds to avoid a fee when the negative balance is more than $50.**
    - **Additionally, we reviewed all credit card fees and eliminated or modified a number of them. We continue to charge late fees entirely aligned with the CFPB safe harbor.**
    - **We will also roll out a new balance dashboard and provide smart alerts to warn consumers of a potential negative balance before it occurs. We have also added transaction tools to our mobile app to give customers a more complete picture of their finances.**
    - **We encourage all customers to actively monitor their accounts. But we know the unexpected may happen, so we provide customers with several ways to prevent overdrafts or reduce the impact of an overdraft.**

- In making a commitment to achieve net zero financed emissions by 2050, you're committing to evaluating the carbon footprint of every company you finance. But there's no standardized, mandatory methodology for measuring or reporting emissions, even by public companies. The Securities and Exchange Commission (SEC) is considering an update to its climate disclosure rules, including potentially making such disclosures comparable and mandatory.

- Do you support mandatory disclosure of emissions by public companies?
  - If yes: How would mandatory disclosure make it easier for you to meet your net zero goals? Are you planning to submit information to the SEC to that effect?
  - If not: How can we trust that you will be able to accurately report your level of financed emissions in a way that's comparable across banks? Do you consider this data to be of material value to your investors?

- **We have set a goal to achieve net zero greenhouse gas emissions by 2050, expanding our current focus on our own operations to focusing on all parts of our business. As we look at integrating our net zero strategy across the enterprise we intend to engage and partner with our clients on their transition to a lower carbon economy. We also will leverage the $50B Environmental Finance commitment we made last year to support clients on their transition.**

- **Since 2008 we have disclosed our environmental impact through the publication of our CDP report. Our most recent CDP report can be found here**

- **For more information on this subject please review our ESG report which can be found here:** U.S. Bank releases 2021 ESG report | U.S. Bank (usbank.com)

Question to all participants except Brian Moynihan:

- Many of the banks represented here have been accused of discriminating against individuals of Iranian heritage, along with other MENA communities, in your efforts to comply with US sanctions and anti-money laundering regulations. This results in significant harm to ordinary people who are barred from financial services through no fault of their own, throwing their finances and life upside down. Is your bank aware of this problem, and is it taking steps to safeguard vulnerable communities from over-enforcement or de-risking, while continuing to comply with US regulations?

  - **The Bank does not prohibit opening or maintaining accounts of individuals Iranian or any other descent, who are resident in the U.S.**

Questions for the Record (Rep. Alex Mooney)

Questions for all witnesses:

1. What role does your institution play in determining which merchant category code (MCC) a merchant falls under?

   - **U.S. Bank will follow the guidelines and requirements of the card networks relative to merchant card category codes.**

2. Activists successfully pressured the International Organization for Standardization (ISO) to adopt this new MCC for firearm retailers. Do you believe it was appropriate for the ISO to reverse course and adopt a new MCC it previously rejected and payment networks reportedly did not support based on public pressure?

    - **It is early in the process, but we will follow the guidelines and requirements of the card networks when it comes to the merchant card category codes.**

3. Does your institution plan to go back and recode businesses and past purchases that may now most closely fall under the new MCC?

    - **It is early in the process, but we will follow the guidelines and requirements of the card networks when it comes to the merchant card category codes.**

4. Do you have a policy that would require any business in the firearm industry to meet criteria that goes above and beyond Federal, State, or local law or regulation? Yes or No? If yes, please describe policy and why you have.

    - **No**

5. Does your bank lend to companies that manufacture or sell modern sporting rifles, so long as they are lawful under federal, state, and local law and compliant with federal, state, and local regulations? Yes or No? If yes, please explain. If no, has it ever?

    - **Yes—as a financial institution, our focus is on providing access to financial services and upholding all state, federal and local laws as they relate to serving our customers.**

6. Does your bank lend to companies that manufacture or sell long guns to non-prohibited individuals ages 18 to 21, so long as it is lawful under federal, state, and local law and compliant with federal, state, and local regulations? Yes or No? If yes, please explain. If no, has it ever?

    - **Yes—as a financial institution, our focus is on providing access to financial services and upholding all state, federal and local laws as they relate to serving our customers.**

7. Does your bank lend to companies that manufacture or sell magazines, regardless of their capacity, so long as they are lawful under federal, state, and local law and compliant with federal, state, and local regulations? If yes, please explain. If no, has it ever?

    - **Yes—as a financial institution, our focus is on providing access to financial services and upholding all state, federal and local laws as they relate to serving our customers.**

8. Activists expect this new MCC to be used to help flag "suspicious" gun purchases. What in your mind constitutes a "suspicious" purchase? Do you believe this MCC will provide helpful information in combating gun-related crimes, or do you believe you already have sufficient information to make these determinations?

    - **MCC is an imperfect measure as it represents the primary business and will only identify gun sales when it is the merchant's primary business. Often, large retailers of guns are reported as some type of sports merchant which will likely not be captured by the proposed MCC code.**

9. The implementation of this new MCC may cause gunowners to purchase firearms with cash rather than payment card. Doesn't this make flagging legitimate suspicious transactions more difficult?

    - **Cash transactions are more difficult to track than electronic transactions**

10. What can you say to West Virginians to ensure them that this decision will not be used to restrict their Second Amendment rights?

    - **We will continue to provide banking services to companies that sell or manufacture firearms as a material part of their business and are in compliance with applicable laws and regulations.**

<u>Questions for the Record: Representative Ralph Norman</u>

<u>Question for each CEO/bank:</u>

1. Yes or No: Are we in a recession?

    - **It's too early to tell but there is a risk that at some point in the next year or so we will have a recession. The current employment environment is favorable – low unemployment rate and there are more job openings than job seekers - and many economic metrics indicate the economy remains quite healthy. But there is a wide range of possible outcomes.**

2. These are the highest mortgage rates (above 6%) since 2008 and when Biden took office, they were under 3%.
    a. What concerns are you each seeing in these trends?

        - **Interest rates move over time and there is a varied impact to these movement.**

3. Since it's getting more unaffordable to buy a home, are we going to see Biden following the same path as George W. Bush in allowing for subprime mortgages putting people in homes they cannot afford?
    a. For example, litigation we've seen from Ambac over junk mortgages during the financial crisis is a good reminder of the harm caused by selling homes to people who cannot afford them. Are yalls standards strong enough to protect against mass defaults as interest rates rise? Are yall confident in your mortgage portfolio?
    b. We want to ensure the market can correct itself before too much – if any government – intervention in this space again.

        - **We believe that our risk management and underwriting is strong in the mortgage market**

4. You all mentioned during the hearing that ESG compliance will soon cost into the hundreds of millions of dollars in the years to come.
    a. Yes or No: Would you agree that complying with an ESG-focused agenda means sacrificing company returns?

        - **We are working to address the business risks and opportunities presented by key environmental, social and governance issues.**

<u>Questions for the Record: Representative Al Green</u>

<u>Question for all witnesses/banks:</u>

I am interested in the details of your Special Purpose Credit Program. I understand that bank regulators are encouraging major lenders to focus this program toward minority communities. Please provide specific information, including the following:

1. Terms of the Mortgage

    a. down payment
    b. closing costs
    c. principal reduction

2. Underwriting Criteria:

    a. credit score
    b. alternative credit
    c. debt to income
    d. housing debt to income
    e. other criteria

3. Interest Rate

   a. fixed rate
   b. loan term
   c. credit score based
   d. other criteria

4. Eligibility

   a. maximum mortgage amount
   b. maximum income

5. Where it is available

   a. what communities
   b. census tracts

6. Type of Properties

   a. single family
   b. condos
   c. multi-family
   d. purchase and rehab

7. Total Mortgage Commitment

   a. total mortgage amount
   b. how long the program will be available

8. Housing Counseling

   a. required by HUD approved counselor
   b. counselors identified
   c. counseling requirements

9. Future Expansion

10. Reporting Requirements

   - **As part of our Community Benefit Plan (CBP) we are developing a mortgage special purpose credit program in consultation with our regulators and community groups. The program will commit $100 million in mortgage loans and include down payment assistance for borrowers in this program.**

PNC

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Tara Wade Foscato
SVP, Managing Director
Government Affairs

November 18, 2022

The Honorable Maxine Waters
Chairwoman, Committee on Financial Services
United States House of Representatives
2129 Rayburn House Office Building
Washington, DC 20515

Re: Holding Megabanks Accountable: Oversight of America's Largest Consumer Facing Banks

Dear Chairwoman Waters:

On behalf of The PNC Financial Services Group, Inc. and PNC Bank, National Association (collectively, "PNC"), I am pleased to respond to questions received following the hearing before the United States House Committee on Financial Services entitled, "Holding Megabanks Accountable: Oversight of America's Largest Consumer Facing Banks." Enclosed you will find PNC's responses to the questions submitted by Committee members.

PNC appreciates the opportunity to address the questions raised by the Committee, and we hope this information is helpful.

Sincerely,

Tara Wade Foscato

Tara Wade Foscato
SVP, Managing Director
Government Affairs-Federal

U.S. House Committee on Financial Services
September 21, 2022 Hearing
Holding Megabanks Accountable: Oversight of America's Largest Consumer Facing Banks
Questions for the Record Submitted to Mr. William S. Demchak

Questions from Representative Jesus "Chuy" García

Question 1: Over 7 million people in the U.S. are unbanked. These people are disproportionately Latino, Black, and low-income. Research by the Consumer Financial Protection Bureau (CFPB) found that banks rely heavily on overdraft and non-sufficient funds (NSF) fees for revenue, resulting in large fees for consumers and posing serious risks to them. Given the large unbanked population and the risk bank fees pose to consumers, do you believe the Federal Reserve Board should offer everyone in the U.S. a free bank account that they can use to make normal transactions, free from fees?

Answer: PNC is encouraged by the Federal Deposit Insurance Corporation 2021 National Survey of Unbanked and Underbanked Households, which indicated that only 4.5 percent of U.S. households were unbanked in 2021, the lowest number since the survey began in 2009. These results evidence that commercial banks have had reasonable success in lowering the percentage of U.S. households that are unbanked.

PNC is proud to be the only U.S. bank to offer two "Bank On" certified, low-cost, no overdraft products which provide safe, affordable checking and prepaid card accounts to consumers: the PNC Foundation Checking account and the PNC SmartAccess prepaid Visa® card. The Foundation Checking Account can be opened with as little as $25, bears a low ($5) monthly service fee (which is waived for customers over 62), and is designed for consumers who may not qualify for a traditional checking account. The SmartAccess prepaid card, which bears a low $5 monthly fee, is easily reloadable and can be used anywhere Visa debit cards are accepted.

Overdrafts are not permitted with either product, but customers continue to have access to PNC's award-winning online banking service, as well as our extensive branch and ATM network.

PNC does not believe the Federal Reserve should be authorized by Congress to offer bank accounts to individuals and, thereby, compete with private sector institutions in offering such services.

Question 2: In making a commitment to achieve net zero financed emissions by 2050, you're committing to evaluating the carbon footprint of every company you finance. But there's no standardized, mandatory methodology for measuring or reporting emissions, even by public companies. The Securities and Exchange Commission (SEC) is considering an update to its climate disclosure rules, including potentially making such disclosures comparable and mandatory.

- Do you support mandatory disclosure of emissions by public companies?
  - If yes: How would mandatory disclosure make it easier for you to meet your net zero goals? Are you planning to submit information to the SEC to that effect?

- If not: How can we trust that you will be able to accurately report your level of financed emissions in a way that's comparable across banks? Do you consider this data to be of material value to your investors?

Answer: PNC has not made a Net Zero commitment because our ability to achieve such a goal requires many actions that are outside of PNC's control, including technological and scientific advancements and concerted and sustained government policy. As such, we remain focused on those areas where our actions can have the greatest positive impact--lowering our own carbon footprint and financing our customers' transition to a low-carbon economy.

In fact, PNC has long supported the transition to a low-carbon economy, and has aligned its voluntary reporting efforts to reflect this. We endorsed the Taskforce for Climate-Related Financial Disclosures (TCFD) in 2019, and issued our first TCFD Report in August 2021. We believe in working collaboratively with the industry and the investor community to define decision-useful, standardized climate-related disclosures, and to continuing to engage with our stakeholders on climate-related issues and action plans.

While we believe some climate risk disclosures are appropriate by public companies, we are concerned that aspects of the recent SEC proposal go beyond what is practically feasible given data limitations and the traditional filing schedule for public company reports, depart from traditional concepts of materiality that have long guided public company disclosures, and could result in disclosures that are not useful to investors. We are particularly concerned with the proposed requirement to disclose, within the financial statement notes, the impact of physical or transition-related climate events if such events had a 1 percent or greater impact on the relevant financial line item. The 1 percent threshold is well below the level at which impacts are typically considered material for financial disclosure purposes and it may be difficult, or impossible, to assess and isolate the relationship between a physical or transition-related climate event (e.g., a change in a regulation affecting the economy) and individual line items within a bank's financial statements. Similarly, we believe the required disclosure of all upstream and downstream emissions within a public company's value chain (Scope 3 emissions) is impractical at this time, given the very limited emissions information available for large segments of the economy, and could be particularly burdensome for smaller suppliers and customers of banks.

Question 3: Many of the banks represented here have been accused of discriminating against individuals of Iranian heritage, along with other MENA communities, in your efforts to comply with US sanctions and anti-money laundering regulations. This results in significant harm to ordinary people who are barred from financial services through no fault of their own, throwing their finances and life upside down. Is your bank aware of this problem, and is it taking steps to safeguard vulnerable communities from over-enforcement or de-risking, while continuing to comply with US regulations?

Answer: PNC Bank complies with U.S. Sanctions and anti-money laundering (AML) regulations. To comply with U.S. sanctions regimes that include prohibitions that are framed descriptively (e.g., "… persons who are ordinarily resident in Iran, except when such persons are not located in Iran" 31 CFR 560.320) or in terms of a "national" or some other status that relates to another nation, PNC gathers the information necessary to ensure compliance with the strict liability prohibitions imposed by U.S. sanctions law while simultaneously considering the requirements and prohibitions of ECOA and other fair lending/banking laws. PNC follows up on potential sanctions-related "red flags" and gathers appropriate information for OFAC compliance purposes in a manner that treats all parties equally, consistent with the requirements of each sanctions program.

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Questions for the Record Submitted to Mr. William S. Demchak

Questions from Representative Al Green

<u>Question 1</u>: I am interested in the details of your Special Purchase Credit Program. I understand that bank regulators are encouraging major lenders to focus this program toward minority communities. Please provide information, including the following:

1. Terms of the mortgage (down payment, closing costs specific, principal reduction)
2. Underwriting criteria (credit score, alternative credit, debit to income, housing debit to income, other criteria)
3. Interest rate (Fixed rate, loan term, credit score based, other criteria)
4. Eligibility (maximum mortgage amount, maximum income)
5. Where it is available (what communities, census tracts)
6. Type of property (single family, condos, multi family, purchase and rehab)
7. Total mortgage commitment (total mortgage amount, how long the program will be available)
8. Housing counseling (required by a HUD approved counsel, counselors identified, counseling requirements)
9. Future expansion;
10. Reporting requirements.

<u>Answer:</u> PNC is currently working on the development of a Special Purpose Credit Program. In connection with PNC's BBVA USA acquisition, PNC did announce its $88 billion, 4-year Community Benefits Plan (the "Plan") covering PNC's legacy markets and new markets brought into our footprint through the BBVA USA acquisition. The Plan is comprehensive, with expansive goals for loans, investments and other financial support to assist our communities, including low- to moderate-income (LMI) individuals and neighborhoods, people and communities of color, and other underserved individuals and communities. In particular, the Plan calls for PNC to originate at least $47 billion in residential and home equity loans to LMI and minority borrowers and in LMI and majority-minority census tracts over the Plan's 4-year period (2022 – 2025). In connection with these efforts, PNC also will increase its home lending outreach in LMI and majority-minority communities, increase the availability of PNC's affordable home lending products, and reduce the minimum credit score needed for low-income borrowers to qualify for PNC's affordable Community Mortgage product and Federal Housing Administration (FHA) mortgage loans.

Through June 2022, we have already provided more than $3.4 billion in home loans to LMI borrowers and to borrowers in LMI census tracts, and nearly $10 billion to minority borrowers and to borrowers in majority minority census tracts. In addition, through June 2022, we have provided more than $1.3 billion in community development financing, including more than $700 million for affordable housing.

PNC also offers a variety of programs through down-payment assistance and grants to support additional lending opportunities. For example, PNC's Community product has a $500 minimum borrower contribution.

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Questions from Representative Alex Mooney

Question 1: What role does your institution play in determining which merchant category code (MCC) a merchant falls under?

Answer: Generally, we are obligated under card network rules to assign a merchant category code (MCC) that represents the merchant's primary business operation. We delegate this responsibility to our processor. If a merchant believes that their MCC designation is inaccurate, we are able to coordinate discussion with the appropriate card organization for ultimate determination.

Question 2: Activists successfully pressured the International Organization for Standardization (ISO) to adopt this new MCC for firearm retailers. Do you believe it was appropriate for the ISO to reverse course and adopt a new MCC it previously rejected and payment networks reportedly did not support based on public pressure?

Answer: We did not participate in that dialog.

Question 3: Does your institution plan to go back and recode businesses and past purchases that may now most closely fall under the new MCC?

Answer: We are generally obligated under card network rules to determine that a merchant category code is accurate, including under any revised or new codes. We expect that card networks will issue guidance on when and whether merchants should be re-coded.

Question 4: Do you have a policy that would require any business in the firearm industry to meet criteria that goes above and beyond Federal, State, or local law or regulation? Yes or No? If yes, please describe policy and why you have.

Answer: No. We comply with applicable law and our obligations to contractual counterparties including States and municipalities that impose "fair access" conditions on our engagement with them.

Question 5: Does your bank lend to companies that manufacture or sell modern sporting rifles, so long as they are lawful under federal, state, and local law and compliant with federal, state, and local regulations? Yes or No? If yes, please explain. If no, has it ever?

Answer: We do not prohibit lending to these types of companies.

Question 6: Does your bank lend to companies that manufacture or sell long guns to non-prohibited individuals ages 18 to 21, so long as it is lawful under federal, state, and local law and compliant with federal, state, and local regulations? Yes or No? If yes, please explain. If no, has it ever?

Answer: We do not prohibit lending to these types of companies and do not track the age of customers for legal sales of products.

Question 7: Does your bank lend to companies that manufacture or sell magazines, regardless of their capacity, so long as they are lawful under federal, state, and local law and compliant with federal, state, and local regulations? If yes, please explain. If no, has it ever?

Answer: We do not prohibit lending to companies lawfully engaged in firearm activities.

Question 8: Activists expect this new MCC to be used to help flag "suspicious" gun purchases. What in your mind constitutes a "suspicious" purchase? Do you believe this MCC will provide helpful information in combating gun-related crimes, or do you believe you already have sufficient information to make these determinations?

Answer: Given the newness of the MCC, we have not developed plans on how or whether to use this code in connection with suspicious activity monitoring. Existing transaction monitoring rules that identify suspicious activity (e.g., anomalous processing activity) will continue regardless of MCC.

Question 9: The implementation of this new MCC may cause gunowners to purchase firearms with cash rather than payment card. Doesn't this make flagging legitimate suspicious transactions more difficult?

Answer: The migration of transactions at merchants from non-cash to cash may make it more difficult for financial institutions to identify suspicious transactions.

Question 10: What can you say to West Virginians to ensure them that this decision will not be used to restrict their Second Amendment rights?

Answer: PNC does not discriminate against any industries, including the firearms' industry. PNC complies with its applicable obligations under federal, state and local laws that protect these industries and complies with other laws applicable to client/ opportunity selection including AML laws.

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Questions from Representative Ralph Norman

Question 1: Yes or No: Are we in a recession?

Answer: We are not in a recession currently. Inflation remains persistently high, and despite a modest boost in activity stemming from the recent decline in gas prices, a slowdown in economic growth is expected next year. If a recession were to occur, PNC believes it would most likely be relatively shallow and short, starting sometime in mid-2023. We have confidence that over time the effects of tighter monetary policy will percolate into slower growth and bring inflationary pressures under control.

Question 2: These are the highest mortgage rates (above 6%) since 2008 and when Biden took office, they were under 3%. What concerns are you each seeing in these trends?

Answer: A sharp increase in mortgage rates along with significant increases in home prices over the past two years have resulted in a significant decline in housing affordability. This has resulted in a very significant and sharp decline in housing activity and is also putting downward pressure on home prices, especially in areas that have seen the largest increases in home prices over the past few years. We expect these trends to continue over the next few quarters. Housing activity is likely to stay muted and we expect home price declines to accelerate.

Question 3: Since it's getting more unaffordable to buy a home, are we going to see Biden following the same path as George W. Bush in allowing for subprime mortgages putting people in homes they cannot afford?

a. For example, litigation we've seen from Ambac over junk mortgages during the financial crisis is a good reminder of the harm caused by selling homes to people who cannot afford them. Are yalls standards strong enough to protect against mass defaults as interest rates rise? Are yall confident in your mortgage portfolio?
b. We want to ensure the market can correct itself before too much – if any government – intervention in this space again.

Answer: Unlike in the pre-Global Financial Crisis run-up in housing prices, in this cycle, banks have been very disciplined in underwriting mortgages, and we see very few signs of excess speculation and poor mortgage lending. As such, despite a significant expected decline in home prices, we expect far fewer defaults in the current downturn.

The implementation of the Ability to Repay/Qualified Mortgage rule, which requires lenders to make a reasonable good faith determination of the consumer's ability to repay the loan according to its terms before making a residential mortgage loan to a consumer, ensures that additional rules are in place to assist with sustainability. Further, PNC's underwriting criteria are designed to protect both the bank and the financial system from excess risk.

Question 4: You all mentioned during the hearing that ESG compliance will soon cost into the hundreds of millions of dollars in the years to come. Yes or No: Would you agree that complying with an ESG-focused agenda means sacrificing company returns?

Answer: We do not agree that managing environmental, social and governance (ESG) issues responsibly means sacrificing company returns. ESG refers to a broad set of issues that speak to a company's commitments and responsibilities to its stakeholders, which include customers, employees, investors and communities. Managing these issues actively and well can often result in cost-savings, or at least cost-avoidance (examples include reducing energy and water use; running buildings more efficiently; etc.).

Proactive investments in other areas align with strategic priorities and opportunities for the company (examples include mobilizing $20 billion in environmental finance; pledging $88 billion towards home lending, small business lending, and community development financing in diverse and low- to moderate-income communities, etc.). The list of ESG issues relevant to companies – and therefore the risks and opportunities associated with those issues – is broad and growing. For PNC, these issues include such things as:

- Information security: cybersecurity, employee training on information security, information security infrastructure, and emerging threat detection;
- Diversity & inclusion: executive and workforce diversity, strategies to cultivate an inclusive culture, supplier diversity, diversity in the talent pipeline, and pay and promotion equity;
- Talent management and engagement: management of employee-related topics, including opportunities for learning and development, recruitment and retention, employee wellbeing and engagement, compensation and benefits, and company culture;
- ESG risk management: environmental and social risk management analysis, including climate change scenario planning, and stakeholder engagement on ESG issues management;
- Customer privacy: customer and business partner data use, protection and privacy, fraud prevention and authentication, employee training on data privacy and protection, and compliance with data protection and privacy laws;
- Ethics and compliance: anti-bribery and anti-corruption policies, compliance with banking rules and regulations, employee ethics training and awareness, ethical standards, grievances and whistleblowing mechanisms, and Code of Business Conduct and Ethics;
- Financial access and inclusion: programs or policies that cover access to financial products, financial education and literacy initiatives, financial wellbeing, diverse customers and the expansion of financial access to a broader customer base.

Managing these issues well is the responsibility of any responsibly managed company.

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Questions for the Record Submitted to Mr. William S. Demchak

Questions from Chairwoman Maxine Waters

Question 1: Mr. Cecere, Mr. Demchak, Mr. Dimon, Ms. Fraser, Mr. Moynihan, Mr. Rogers, Mr. Scharf, I expressed disappointment at the end of the hearing on September 21st that you were not responsive in your written testimony to some of the questions that were informally provided to your representatives on July 1st, well in advance of the hearing, and included in the formal invitation letter you later received. I ask that you fully respond in your written response to each of those unanswered questions. Specifically: Mr. Demchak, please provide a detailed response to questions #2, #3, #6, #10, #11, #12, #14, #15, #18, #21

Question 1.2: Include a summary of your institution's activities during the pandemic (March 2020 through present day) relating to Mortgage lending, including originations broadly, originations for homes valued at less than $100,000, refinancing, and related denial rates to borrowers of color.

Answer: The COVID-19 pandemic had a dramatic effect on the U.S. economy, consumers and small businesses beginning in early 2020. At PNC, throughout the pandemic we remained focused on assisting our customers and communities that were negatively impacted.

During the pandemic, the government-sponsored enterprises (GSEs) implemented additional underwriting guidelines due to uncertainty in the market. The Federal Housing Administration (FHA) and Portfolio loan products also had tightened guidelines.

PNC has not established a minimum loan size and does not have different guidelines for loans less than $100,000. PNC Home Mortgage Disclosure Act (HMDA) reportable home loans for March 1, 2020, through August 31, 2022 totaled 245,899 loans for an aggregate total loan amount of $85.8 billion. 5,772 loans were for less than $100,000, totaling $326.8 million. 129,735 were refinancing loans, totaling $47.1 billion. 2,346 were refinancing loans for less than $100,000, totaling $128.9 million. With respect to denial rates, additional information is detailed below:

- The denial rates for borrowers of color, defined as American Indian, Asian, Black, Hawaiian, or Hispanic for all loans were 36.4%, 16.4%, 39.1%, 37.5%, and 32.9%, respectively.
- The denial rates for borrowers of color, defined as American Indian, Asian, Black, Hawaiian, or Hispanic for loans less than $100,000 were 34.4%, 39.4%, 46.4%, NA, and 42.5%, respectively.
- The denial rates for borrowers of color, defined as American Indian, Asian, Black, Hawaiian, or Hispanic for refinancing loans were 28.6%, 17.4%, 29.5%, 20.0%, and 35.6%, respectively.
- The denial rates for borrowers of color, defined as American Indian, Asian, Black, Hawaiian, or Hispanic for refinancing loans less than $100,000 were 39.1%, 42.9%, 43.8%, NA, and 47.4%, respectively.

PNC has an established and robust program to monitor how we serve consumers and small businesses to help ensure compliance with the fair lending laws. This program seeks to proactively identify any outlier events in application approvals, product pricing, and servicing outcomes; and PNC acts to address its offerings and practices when disparities are found. Through this program, PNC regularly conducts analysis and file reviews to ensure we are acting in conformity with fair lending laws.

Question 1.3: Include a summary of your institution's activities during the pandemic (March 2020 through present day) relating to Forbearance and loan modifications offered, provided, or denied to customers experiencing hardship during the pandemic and foreclosures

Answer: The COVID-19 pandemic had a dramatic effect on the U.S. economy, consumers and small businesses beginning in early 2020. At PNC, throughout the pandemic we remained focused on assisting our customers and communities that were negatively impacted. For example, PNC offered COVID Forbearance plans to borrowers who were impacted by COVID in 3-month increments. Borrowers were eligible for up to 12 or 18 months of COVID forbearance depending on the investor and the date they requested forbearance assistance.

If we were unable to contact the borrower by the end of the forbearance plan, the loan was reviewed for potential solicitation options based on investor requirements. If the borrower was not eligible for a solicitation option, then a complete workout package was needed to bring the loan current.

PNC offered the following options to borrowers impacted by COVID that were on a COVID forbearance plan or borrowers who did not participate in a COVID Forbearance and met the investor eligibility requirements: (i) a Modification which modifies the loan terms through an interest rate reduction, extended term and/or principal deferral; (ii) Payment Deferral which defers the past due balance to the end of the loan term without accruing any additional interest or late fees; or (iii) a Partial Claim which allows past due payments to be placed in a zero-interest subordinate lien against the property due at the end of the loan, if the loan is refinanced, or the property is sold, whichever occurs first.

From the start of the pandemic through June 30, 2022, PNC provided COVID-19 related modifications to more than 430,000 loan customers, with balances totaling more than $18.2 billion. Mortgage modifications represented the largest segment in terms of balances (approximately $10.6 billion). More than 98 percent of our loan customers who received COVID-19-related modifications have exited assistance, and more than 90 percent of active customers who have exited assistance are making timely payment as agreed, demonstrating that the vast majority of consumers benefitted from the temporary forbearance or other concessions granted as part of these modifications.

Question 1.6: Include a detailed description of your bank's current size and line of business.

Answer: PNC is a Main Street banking organization focused on traditional banking activities, including retail banking, consumer and residential mortgage lending, corporate and institutional banking, and asset management. We are a coast-to-coast franchise with an extensive retail branch network and a presence in all of the country's 30 largest markets. We firmly believe that our success is directly tied to the success of our customers and communities, and our business model is focused on serving the needs of our customers and the communities in which our customers and employees work and live. PNC also is financially strong and resilient.

PNC had $559 billion as of September 30, 2022. As of September 30, 2022, our Common Equity Tier 1 (CET1) ratio was 9.3 percent and our Supplementary Leverage Ratio was 7.3 percent, in each case more than twice the regulatory minimum. We consistently perform well through the Federal Reserve's supervisory stress tests, reflecting the strength of our balance sheet and conservative, through-the-cycle approach to credit risk management. We also have limited capital markets, derivative and foreign operations, and the vast majority of our operations are conducted through our single national bank subsidiary, PNC Bank, National Association (PNC Bank). As a result of our simple organizational structure and Main Street bank focus, PNC is not a globally systemically important bank (GSIB), and our estimated GSIB score (Method 1) was only 38 as of December 31, 2021, far below the 130 level necessary to be classified as a GSIB.

Question 1.10: Include a detailed description of your bank's approach to offering fair and affordable products and services, including to address continuing disparities in homeownership, small business ownership, and wealth building for people of color, as well as serving people making at or below 80% of the area median income located in a variety of neighborhoods, individuals that do not have access to the Internet, and consumers seeking financing to help them access safe abortion care.

Answer:

Community Development Loans & Investments

PNC provides loans and investments to parties that develop and build affordable housing and community facilities. These parties include CDFIs, community development organizations, for-profit developers, faith-based organizations and any group serving low and moderate-income individuals and communities. We can also assist groups in working with government agencies and locating other sources for technical, financial or investment support.

Our lending and investment products include:

- Traditional real estate lending with flexible terms
- Lines of credit to nonprofit organizations for housing acquisition and rehabilitation
- Debt associated with various tax credit programs
- Tax-exempt bond financing
- Various state and federal tax credit programs
- Community development credit union deposits
- Letters of credit for bond financing
- CRA Qualified Opportunity Zone Projects

Banking Services

Our "Bank On" certified Foundation Checking product is available to customers opening new accounts that are entering or re-establishing themselves in the banking system. Additionally, our "Bank On" certified PNC SmartAccess is our prepaid Visa® card offering, which enables our customers to securely, easily access and manage their money. The card lets our customers deposit money, make purchases, pay bills, get cash and more.

Mortgages

PNC Mortgage offers a full range of products to help make the dream of homeownership real, with special programs for first-time and low-moderate income buyers.

Small Business Loans

PNC Business Banking offers a variety of lending solutions to small businesses, including those in low to moderate income neighborhoods. In 2021, we created a Minority Business Development Team which is focused on providing financial solutions that set up minority-owned businesses for effective growth, development and sustainability.

Savings Accounts

An Achieving a Better Life Experience (ABLE) account is a tax-advantaged savings account for individuals with disabilities, providing a new way to save, invest, and pay for qualified disability expenses. In most cases, eligible individuals can save without losing eligibility for certain means-tested benefit programs like Medicaid and Supplemental Security Income (SSI).

The ABLEnow program is offered by the Virginia College Savings Plan and PNC Bank supports the program in its role as Custodian.

Financial Education

We believe every decision is a financial decision, and our mission is to give our customers the confidence, information, and tools they need to make informed financial decisions that help them achieve their goals. That's why financial education is a key part of our commitment to our customers and the communities we serve. We offer live workshops and online resources and reached more than 40,000 people in 2019-2020.

Community Benefits Plan

Lastly, in 2021 we announced a 4-year, $88 billion Community Benefits Plan that began on January 1st of this year. We allotted $47 billion in financing for residential mortgage and home equity lending, $26.5 billion in small business loans, $14.5 billion for community financing loans and investments, and an additional $500 million in charitable giving. Six months into this ambitious plan, PNC has deployed nearly $17.4 billion in capital to advance economic opportunities for low and moderate-income individuals, communities and people of color.

Question 1.11: Include a detailed description of your bank's approach to payday loan alternatives such as small-dollar consumer loans, meeting the needs of underserved communities such as through special purpose credit programs, and meeting the needs of unbanked and low-income communities such as through no- or low-fee accounts

Answer: PNC is committed to providing our customers with easy and accessible banking services at a reasonable cost. We provide many products and services to help consumers meet a short-term, low-dollar liquidity need.

The suite of services in PNC's Low Cash Mode, which is available on our Virtual Wallet deposit products, provides consumers with the ability to set their own "low cash" threshold and gives them unique control over how they spend their money through (1) Real-Time, Intelligent Alerts; (2) at least 24 hours of Extra Time to bring their account to a zero or positive balance after an overdraft occurs; and (3) Payment Control, through which customers can choose whether to pay or return certain ACH and check payments when their balance is negative. For larger value loans, customers can apply for a PNC unsecured installment loan for as little as $1,000. PNC also recently introduced an on-demand pay solution, called PNC Earned It, that allows employees of our commercial clients who participate in the program to access their earned, but unpaid, wages at any point in the pay cycle. Earned wage programs are valuable to employees, as it offers an alternative to high-cost credit options when unplanned expenses occur, and it makes them less dependent on the typical two-week pay cycle.

PNC Mortgage also offers a full range of products to help make the dream of homeownership real, with special programs for first-time and low-moderate income buyers.

In regard to low-cost deposit accounts, PNC is the only bank to offer two "Bank On" certified, low-cost, no overdraft products: the PNC Foundation Checking account and the PNC SmartAccess prepaid Visa® card. A Foundation Checking Account can be opened with as little as $25, bears a low ($5) monthly service fee (which is waived for customers over 62), and is designed for consumers who may not qualify for a traditional checking account. The account also comes with a Foundation Savings account with no monthly service charge for the first year. The SmartAccess prepaid card, which bears a low $5 monthly fee, is easily reloadable and can be used anywhere Visa debit cards are accepted. Overdrafts are not permitted with either product, but customers continue to have access to PNC's award-winning online banking service, as well as our extensive branch and ATM network.

<u>Question 1.12</u>: Include a detailed description of public enforcement actions taken by a federal or state government agency since 2020, including any consent orders and settlements against your bank and the number of consumers or investors harmed per order, settlement, and action.

<u>Answer</u>: On July 18, 2022, PNC Bank, National Association (PNC Bank) and the Office of the Comptroller of the Currency (OCC) entered into a consent order concerning PNC Bank's compliance with Section 102(f) of the Flood Disaster Protection Act and its implementing regulations (the FDPA). PNC Bank agreed to pay a civil monetary penalty of $2,614,456 to address the OCC's claim that it failed to timely force-place flood insurance for 1,093 loans. PNC Bank did not admit or deny the OCC's conclusions. As noted in the order, PNC Bank self-identified this issue and had begun remediating the matter, including through the revision of its policies and procedures, before the OCC commenced its relevant examination.

<u>Question 1.14</u>: Include a detailed description of the extent your bank utilizes forced arbitration clauses in its contracts with consumers, employees, investors, and contractors;

<u>Answer</u>: PNC believes that arbitration can be an effective, fair, efficient, and less costly method of timely resolving disputes, regardless of the size of the claim. Accordingly, as permitted by the

Federal Arbitration Act, PNC requires that certain employment disputes, such as wage and hour matters, be resolved through arbitration.

PNC also includes pre-dispute arbitration provisions in a number of its consumer agreements. Importantly, PNC generally offers customers the right to opt out of the arbitration provision, typically within 45 days after an account is opened. PNC will not close an account solely because a customer opts out of arbitration. Our arbitration provisions generally include other important protections for our consumer customers, such as the following:

- In connection with an individual arbitration initiated against PNC, at the customer's request, PNC will pay the filing, administrative and/or arbitrator's fees that the customer is required to pay under the administrator's rules when the amount of the customer's claim doesn't exceed $75,000. In some instances when the customer requests, we may elect to pay those fees even when the claim exceeds $75,000.
- With respect to claims asserted by a customer in an individual arbitration, PNC will pay the customer's reasonable attorney, witness and expert fees and costs if the customer prevails, even if not required by law to do so.
- Any arbitration the customer attends will take place in a venue in the county where the customer resides unless the customer and PNC agree to another venue.

Question 1.15: Include a detailed description of Your compensation, benefits, and clawback policies, including the minimum wage you pay employees (including contract employees), how compensation policies are designed to promote accountability of company executives, how you ensure equal access to health care, including comprehensive reproductive health care for all employees (including contract employees), whether you are compensating employees seeking abortion care (such as paying for out-of-state travel when needed), and how you will guarantee every employee has equal access to this compensation and confidentiality, and how the compensation of the CEO and other C-suite executives compares to the median compensation of an employee at your bank.

Answer: Our compensation and benefits offerings are designed with the well-being of our diverse workforce in mind, as well as the safety, soundness and continued high performance of our company. We continuously review our pay and benefits offerings to ensure they remain competitive and equitable.

Currently, we provide a minimum pay rate of $18 per hour, with higher minimum pay in select markets for some lines of business. When PNC changed to $18/hr, we also increased our contractor supplier bill rates to accommodate the change. We ultimately cannot dictate what our contractors pay their employees, but we set an expectation with our contractor suppliers that the increased bill rates were to allow them to follow PNC's pay rate increase. In addition to our minimum rate increase, PNC has continued to invest heavily in compensation throughout all levels of the organization to respond to changes in the labor market and economic environment.

For our executives, accountability is embedded into the guiding principles and pay program structures set by our Human Resources Committee. For the CEO and other C-suite executives, a substantial majority of compensation is placed at risk; and while some incentive compensation is paid in cash today, most of our incentives are deferred for several years through potential equity-based payouts. PNC's CEO Pay Ratio (a comparison of the CEO pay to that of the median PNC employee) is 224:1, as reported in our 2022 Proxy Statement. We have a clawback policy that applies to our company executives and those employees receiving equity-based compensation. We believe clawbacks to be an effective means to deter fraud and undue risk-taking. Our clawback policy includes both a clawback and negative adjustment/forfeiture feature. We will review and update our policy, as necessary, to conform with the recent SEC ruling regarding clawback policies. Separately, we also utilize clawback provisions for certain sign-on and retention cash awards. These provisions provide PNC with the right to clawback all or a portion of any advance payment if the employee leaves prior to the agreed stay-through date.

Our benefits and wellness offerings continue to evolve to meet the needs of our employees. Over the course of the past two years, we have introduced paid family leave, fertility and family planning benefits, cultural observance paid time off, vacation carryover and additional occasional absence days to manage illness and personal commitments. As of July 1, 2022, we expanded our medical coverage to include up to $10,000 lifetime reimbursement per condition for travel and lodging directly related to any covered service that is not available within 50 miles of the residence of the covered member receiving care. As to the confidentiality of use, our benefits are administered through our ERISA-governed medical plan, and all claims are handled confidentially via our third-party claim's administrators, as with other medical claims.

We have also recently announced our partnership with Guild Education, which provides PNC employees with access to tuition-free education. We continue to focus on inclusive access within our benefits, and for 2023, have announced new support including new surrogacy reimbursement and enhanced adoption assistance, reimbursement for expenses associated with use of a doula which has been shown to reduce infant and maternal mortality and prevent other birth-related health issues that have an outsized impact on BIPOC women, and a new mental health concierge service with diverse network of providers for employees via our partnership with spring health.

Question 1.18: Include a detailed description of investments, loans, and partnerships with minority depository institutions (MDIs) and community development financial institutions (CDFIs) since 2020.

Answer: In 2020, we deployed capital in 68 transactions totaling $130 million to CDFIs/MDIs. In 2021, we deployed capital in 54 transactions totaling $181.5 million to CDFIs/MDIs. As of October 21, 2022, we've deployed capital in 25 transactions totaling $79.8 million to CDFIs/MDIs. For the 2 years and roughly 10 months, the combined totals are 147 transactions and $391.3 million in capital.

Question 1.21: Include a detailed description of Your bank's approach to mitigating various risks, including climate risk and reputational risk to the bank, with respect to any products, services, or investments your bank provides to jurisdictions prohibiting safe abortion care, gun manufacturers, private prisons, and the fossil fuel industry, as well as individuals and groups that support any form of human trafficking, terrorism, and the attempted insurrection on January 6, 2021

Answer: PNC provides a full description of how it manages various risks in its lending portfolio, including climate risk and reputational risk to the bank, in its Environmental and Social Policy Guidance for Responsible Lending.

Additionally, our Statement of Political Activity, particularly the Compliance and Oversight section, documents our political activities governance.

Question 2: Housing, Mortgage Lending, and Servicing

For all witnesses, research demonstrates that a lack of access to small-dollar mortgage loans is a key barrier to homeownership for many families with low and moderate incomes. According to the Urban Institute, potential buyers of low-cost homes, which require smaller-size mortgage loans, face higher denial rates than buyers who need larger loans, in both the government and conventional channels.

a. What programs or approaches are your banks considering to improve access to small-dollar mortgages for low-income borrowers and other underserved borrowers?
b. Has your bank considered developing a special purpose credit program to ensure that more small-dollar mortgages are available for borrowers that need this financing to buy a low-cost home?
c. One of the proposals noticed at the September 21st hearing would give lenders credit on their CRA exams for originating mortgages under $100,000. Would this be an incentive for your bank to make more loans of that size? What else should Congress consider in order to encourage more lenders to originate small-dollar mortgage loans?
d. What steps can your bank take to, either directly or perhaps in partnership with CDFIs and MDIs, support the origination of small-dollar business loans for Millennials and other young entrepreneurs?

Answer:

a. In connection with PNC's BBVA USA acquisition, PNC announced its $88 billion, 4-year Community Benefits Plan (the "Plan") covering PNC's legacy markets and new markets brought into our footprint through the BBVA USA acquisition. The Plan is comprehensive, with expansive goals for loans, investments and other financial support to assist our communities, including low- to moderate-income (LMI) individuals and neighborhoods, people and communities of color, and other underserved individuals and communities. In particular, the Plan calls for PNC to originate at least $47 billion in residential and home equity loans to LMI and minority borrowers and in LMI and majority-minority census tracts over the Plan's 4-year period (2022 – 2025). In connection with these efforts, PNC also will increase its home lending outreach in LMI and majority-minority communities, increase the availability of PNC's affordable home lending products, and reduce the minimum credit score needed for low-income borrowers to qualify for PNC's affordable Community Mortgage product and Federal Housing Administration (FHA) mortgage loans.

   Through June 2022, we have already provided more than $3.4 billion in home loans to LMI borrowers and to borrowers in LMI census tracts, and nearly $10 billion to minority borrowers and to borrowers in majority minority census tracts. In addition, through June

2022, we have provided more than $1.3 billion in community development financing, including more than $700 million for affordable housing.

PNC also offers a variety of programs through down-payment assistance and grants to support additional lending opportunities. For example, PNC's Community product has a $500 minimum borrower contribution.

b. PNC is currently working on the development of a Special Purpose Credit Program.

c. PNC does not have a minimum loan limit therefore an incentive would not impact our guidelines.

d. We believe CDFIs/MDIs are great partners in deploying capital with small dollar business loans. In fact, we have been and continue to be philanthropic supporters of the Opportunity Finance Network (OFN) as well as the African American Alliance of CDFI CEOs to provide capacity building dollars. In 2020, we deployed capital in 68 transactions totaling $130 million to CDFIs/MDIs. In 2021, we deployed capital in 54 transactions totaling $181.5 million to CDFIs/MDIs. As of October 21, 2022, we've deployed capital in 25 transactions totaling $79.8 million to CDFIs/MDIs.

Question 3: For all witnesses, during the pandemic, millions of homeowners have fallen behind on their mortgage payments and other housing costs. This is especially true for Black and Latinx homeowners who have been twice as likely during this time to be behind on their mortgage payments. In order to protect families and prevent a repeat foreclosure crisis, Congress passed a $10 billion Homeowner Assistance Fund (HAF) in the American Rescue Plan Act, which this Committee worked hard to secure. Today, nearly every State and tribal government has received funding from the Treasury and has opened their applications to homeowners.

a. Please provide how many of your customers have received loss mitigation, listing the number of customers who received each the type of treatment (e.g. forbearance, deferment, modification) your bank provided.
b. How many customers who received forbearance have remained delinquent once they exited a forbearance period and what is your bank doing to assist them?
c. Is your bank connecting borrowers with their state administered HAF program before initiating any foreclosure processes? If so, please provide the volume of payments you have received, the number of customers served, and how many of your customers have applied for HAF assistance.
d. What else is your bank doing to prevent foreclosures and connect borrowers to HAF programs in their state?

Answer:

a. The following are treatments processed and completed in Loss Mitigation from March 2020 to October 2022 for Mortgage and Home Equity accounts.

Modification	5,446
Forbearance (Non-COVID)	273
Repayment	45
Partial Claim	3,859

Payment Deferral	13,663
Short Sale	383
Deed in Lieu	19
Settlement	84
Charge Off	145

b. Roughly 9% of customers who have exited the COVID-19 forbearance are currently delinquent. For those customers we proactively reach out through calling campaigns, engage with them in a meaningful dialogue, and solicit eligible customers for a modification and/or payment deferrals.
c. Customers who have specific questions about the HAF program are provided the contact information for their state HAF program administrator/vendor. In addition, customers are sent a letter informing them that assistance may be available under the HAF program when they become 30 days delinquent.

Applications Received	1,320
Applications Approved	525
Payments Received	595

d. Accounts applying for HAF assistance will have the foreclosure hold placed on the account from application through the Initial (I) Record, until removed from the HAF program due to funds bringing the account current, the customer or state withdrawing the application, or if the customer is determined to be ineligible for certain reasons.

Question 4: For all witnesses, research has shown that banks' CRA lending has contributed to neighborhood gentrification and the displacement of long-time residents, who are often lower income households and people of color, by financing housing for higher income renters and higher income homebuyers moving into gentrifying areas.

a. Does your bank invest in the development or preservation of affordable housing, and if so, how? Please include what share of households are served by these investments in terms of their level of area median income (AMI).
b. As a share of your CRA investments, how much does your bank invest each year in affordable housing? Please include what share of households are served by these investments in terms of their AMI level.
c. What steps does your bank take to ensure that the financing you provide does not lead to the displacement of a community's residents, especially low-income families and people of color?

Answer:

a. Yes. Consistent with PNC's mission as a Main Street Bank, PNC is a leader in financing development and preservation of affordable rental housing. PNC's contribution to affordable rental housing takes two forms.

   First, PNC is a leading fund sponsor of affordable housing investments utilizing the Low Income Housing Tax Credit (LIHTC). In this capacity, PNC originates and manages investments in affordable housing on behalf of other institutional investors in a series of investment funds in which PNC is the fund sponsor. Additionally, PNC also invests in affordable housing for its own account. Taken together, PNC is currently ranked as the third largest sponsor of affordable housing investments (NMHC 2022 survey) in the United States. In this way, PNC not only actively invests for its own account, but further assists other institutional investors who lack the expertise to invest on their own. Second, PNC has been a market leader and innovator in the effort to prevent the displacement of affordable housing residents due to pending expiration of income restrictions on existing affordable housing. PNC has sponsored and invested in a series of funds designed to "preserve" affordable housing by acquisition of "at risk" affordable rental housing properties and extending contractual affordability through rehabilitation and recapitalization using a new allocation of LIHTCs. In this way, PNC seeks to prevent the conversion of existing affordable housing to market rate housing (which would eventually displace residents).

b. As noted above, PNC is not only an active investor in affordable housing, but is also a leading sponsor of affordable housing funds which enable other investors to make investments in affordable housing as well. For example, from 2017 to 2021, PNC invested over $3.19 billion in LIHTC funds, representing approximately 56% of PNC's total Community Reinvestment Act investments for that same period. To qualify as a LIHTC fund under applicable law, the project must meet certain requirements, including that the project sponsors are required to set aside at least 40 percent of the units for renters earning no more than 60 percent of the area's median income or 20 percent of the units for renters earning 50 percent or less of the area's median income.

c. Through our Community Benefits Plan, we focus on borrowers and transactions that benefit low- and moderate-income borrowers as well as borrowers of color to ensure that the opportunities to preserve and maintain communities is afforded to all. Our Tax Credit Solutions team is entirely focused on creation of new or the preservation of existing affordable housing. PNC is a recognized leader in financing affordable housing and leadership of our tax credit team actively participates in advocacy and thought leadership in the area of increased affordable housing production. Virtually all of PNC's investments are designed to either create new affordable housing options or to preserve existing housing precisely to avoid displacement of low income families including people of color. This housing is designed to serve tenants earning 80% of Area Median Income or below with the vast majority at 60% or below.

<u>Question 5:</u> For all witnesses, a recent study by Freddie Mac showed that 12.5% and 15.4% of homes appraised in majority-Black and majority-Latinx communities, respectively, are valued below the contract purchase price. Those figures compare to 7.4% of homes in majority-White neighborhoods. Disparities in home valuation, including appraisals, contribute to borrowers of color being denied mortgage lending and locks them out of homeownership and wealth-building opportunities.

a. What share of your in-house appraiser panels are made up of appraisers of color and female appraisers?

b. Does your bank contract with any or women-owned Appraisal Management Companies (AMCs) or those owned by people of color? If so, what share of your appraisal business goes to AMCs are owned by women or people of color?
c. Your bank is responsible for setting the stage for consumers by establishing appraisal fair lending compliance standards and reconsideration of value policies (ROV) that allow consumers to contest appraisals. What is your current ROV policy and how do you make borrowers aware of this policy? Does your bank track ROV-related data, such as the number of ROV requests that are granted annually, which borrowers are requesting them, how many resulted in corrected home valuations, and what the average appraisal gap is? If so, please share what type of data is collected.
d. What processes do your banks have in place for reporting appraiser malpractice, possible appraisal discrimination, or fair lending compliance issues with AMCs?
e. Does your bank currently rely on Automated Valuation Models (AVMs) to conduct home valuations or fair lending compliance, and are you supportive of federal regulations that seek to require affirmative non-discrimination requirements in the development and maintenance of AVMs?

Answer:

As part of PNC's continuing commitment to diversity and inclusion, PNC conducts ongoing monitoring of how we treat our employees and customers, including along the diversity dimensions of race/ethnicity, gender, veteran, disability, and LGBTQ+, as permitted by applicable law. PNC has a dedicated Supplier Diversity team that conducts extensive outreach to, and maintains membership in, organizations that support minority-, women- and veteran-owned firms, such as the National Minority Supplier Development Council, the Women's Business Enterprise National Council and the National Veteran-Owned Business Association. Although PNC does not have in-house appraiser panels, PNC actively considers diversity when recruiting new Appraisal Management Companies (AMCs), and PNC contracts with AMCs owned by women and people of color.

As a financial services provider, PNC takes seriously our obligation to fairly serve all of our customers and communities. Consistent with the supervisory expectations of our federal regulators, including the Consumer Financial Protection Bureau, the Federal Reserve Board, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation, PNC has an established program to monitor how we serve consumers and small businesses to help ensure compliance with the anti-discrimination provisions of the fair lending laws. This program seeks to proactively identify any outlier events in application approvals, product pricing, and servicing outcomes; and PNC acts to address its offerings and practices when disparities are found. Additionally, PNC has a process whereby a borrower may request a Reconsideration of Value (ROV). PNC tracks and review all ROVs, and PNC has an approval review process that assesses the quality and compliance of each valuation. PNC tracks and reviews all complaints and has an escalation and review process in partnership with the line of business, legal, and compliance partners.

Question 7: For all witnesses, while many banks are migrating many of their banking products and services online, according to research from the National Community Reinvestment

Coalition, many small businesses continue to rely on local bank branches for access to a loan. In fact, the research shows that among the most important predictors of the amount of small business lending by large banks in metropolitan areas are the number of branch locations and county level GDP. Please describe how small business owners typically engage with your bank?

a. Do most of your small business customers engage online or via digital channels, or are they coming into a bank branch to apply for credit and to access other services?
b. What is your bank doing to ensure that branches are located and accessible in communities where local residents as well as small business owners are seeking credit?

Answer:

a. PNC small business customers have the option to utilize multiple channels to meet their servicing and credit needs including through our online and mobile experience, at the branch, or by calling our Care Center. During the three-month period ending September 2022, 67% of PNC small business customers used non-branch channels for their servicing needs. PNC small business customers are also choosing digital channels for their credit needs and approximately 11% of small business loans and credit cards through September 2022 originated in non-branch channels. In addition, PNC actively calls on small businesses in our communities.

b. PNC recently signed a Community Benefits Plan which includes a commitment of 20 new branches located in low-and-moderate income communities, within the next four years. The placement of new branches, as well as other changes to the branch network, follow a formal process that includes feedback from local market leaders, branch planning, CRA Compliance and Community Development Banking. Additionally, the Retail Network Planning Committee, as well as PNC Bank's Board of Directors, approves all branch openings and closings. PNC's commitment to delivering products and services that are accessible to the communities we serve is evidenced by PNCs "Outstanding" CRA Performance Rating, which PNC has received in every CRA evaluation since the CRA was enacted in 1977.

Question 9: To all witnesses, please list and describe any small-dollar consumer loan you offer, including how many consumers use those products, the current APR on those loans, the eligibility criteria, the general terms and conditions, and the maximum amount that a customer can borrow with these products?

Answer: Although PNC does not specifically market small dollar or payday loans, PNC does offer Unsecured Installment Loans and Unsecured Lines of Credit to existing relationship and new-to-bank consumers. Collateral is not required, and credit is subject to approval. A U.S. credit bureau will be requested on every application before extension of credit will be considered. There are no prepayment penalties on these loans.

The lowest rates are available to well-qualified applicants. The actual APR may be higher than the lowest available rate and will be based upon multiple factors such as credit qualifications, existing PNC relationships, and automated payment from a PNC checking account. PNC includes a 0.25% APR discount for customers that have automated payments from a PNC checking account.

Unsecured Installment Loan amounts range from $1,000 - $35,000, with an APR range of 6.49% - 29.49%. Loans can be used for debt consolidation, home improvement, major purchases or unexpected expenses. PNC caps the maximum term at 36 months for loan amounts less than $2,500, caps the maximum term at 48 months for loan amounts less than $5,000, and caps remaining loan amounts at 60-month terms.

Line of Credit loan amounts range from $1,000 - $25,000 ($5,000 in CA), with an APR range of 14% - 24%. Lines can be used for general purposes and/or for overdraft protection. There is a $50 minimum draw requirement.

Question 10: Banking Deserts

For all witnesses, throughout the COVID-19 pandemic, there has been a greater shift to online banking. However, for communities living in rural areas, when physical bank branches close permanently, some customers may lack internet access, or the knowledge of how to navigate online banking, and are forced to turn to expensive alternatives like cash-checking stores or payday lenders. How does your bank interact with clients in rural communities?

a. How do you productively engage with communities that lack reliable broadband internet service?

Answer: PNC is actively using mobile branches as community outreach tools to extend essential banking services into low- and moderate-income communities (including rural) and strengthen relationships with unbanked or underbanked members of these communities.

For more than 15 years, PNC has maintained a fleet of mobile units to help customers when they need in-person banking services most – during outdoor festivals and events, college move-in days and, especially, branch closures due to renovations or natural disasters.

PNC currently has three 40-foot units that have an ATM in addition to the teller services offered on the other eight smaller mobile branches. We have teamed up with 17 community organizations and centers to set a monthly route with repeating stops scheduled in multiple neighborhoods. In doing so, the mobile branch outreach program has aligned with PNC's recently announced $88 billion commitment to make its products and services more accessible to diverse and low- and moderate-income communities.

Question 11: Mr. Demchak, according to the committee's analysis, the number of PNC bank branches declined over the past 12 years, before your branch numbers increased after your acquisition of BBVA. Does PNC plan to resume the trend of closing branches as you did before the BBVA acquisition?

Answer: Physical branches remain an important part of PNC Bank's retail banking delivery model even though our customers are increasingly interacting with their banks through mobile, online and other channels. We will continue to open new branches, and close others, to meet the evolving banking needs of our communities.

Question 12: Credit Reporting and Underwriting Practices

For all witnesses, in 2021, Fannie Mae began to incorporate positive rental payment history into its automated underwriting systems, followed by Freddie Mac in 2022. Similarly, according to a recent report from HUD, the Federal Housing Administration (FHA) is working to incorporate positive rental payment history into its automated underwriting policies and processes (AUS). HUD elaborated that doing so could help renters with a strong record of on-time rent payments get credit when seeking to qualify for an FHA-insured mortgage.

a. Does your bank already consider positive rental payment history in the mortgage underwriting process?
b. Please provide a list of other forms of alternative data or credit information that are not typically included on a consumer's credit report, that your bank uses to determine a consumer's creditworthiness for the purposes of underwriting a mortgage.
c. Does the incorporation of alternative data into federal automated underwriting systems, like that of Fannie Mae and Freddie Mac, or FHA, help facilitate the inclusion of rental payment data in the mortgage underwriting process?
d. If you do not currently consider alternative data like positive rental payment history, what are the challenges and barriers to doing so?

Answer:

a. PNC does consider alternative forms of credit in its mortgage underwriting process, which includes consideration of rental payment history.

b. PNC considers a variety of alternative forms of credit in the mortgage underwriting process, including rental payment history; payments to utility companies; and any other reasonable service or purchase that can be documented through cancelled checks, bank statements or money orders.

c. The incorporation of alternative data into federal automated underwriting systems would help simplify the approval process and feedback received from these systems.

d. Not applicable.

Question 13: Equifax's Inaccurate Credit Scores

Mr. Cecere, Mr. Demchak, Mr. Dimon, Ms. Fraser, Mr. Rogers, Mr. Scharf, following up to your respective responses to my letter regarding your bank's use of Equifax's inaccurate credit scores, what is the status of your bank's work to identify and remediate all harmed consumers? Specifically:

a. Are you still investigating to identify any harmed consumers? If so, please describe when you expect for your investigation to conclude.

b. How many consumers were wrongfully denied credit based on the use of Equifax's inaccurate credit score?
c. How many consumers were charged more than they should have been based on the use of Equifax's inaccurate credit score?
d. What steps are you taking to remediate harmed consumers, and by when do you estimate that all harmed consumers will be remediated?

Answer:

a. PNC used credit scores provided by Equifax, as well as other information, to originate certain (i) small business and equipment finance credit transactions, and (ii) consumer mortgages where investor requirements call for the use of a "tri-merge" credit report that includes information from Equifax, TransUnion, and Experian. Because the systems and the models at issue reside with Equifax, PNC is dependent on Equifax to help us identify the customers affected by the inaccurate scores initially provided. The work to identify the small business credit customers who may have been impacted by the inaccurate scores continues, as we are awaiting additional information from Equifax necessary to complete the analysis for this group of customers.

b. We have found no consumer mortgage customers where the original score resulted in a credit denial and the revised score would have resulted in a credit approval.

c. We have found fewer than five instances where the original score provided for a consumer mortgage customer resulted in a negative fee impact for the customer compared to the fees that would have been charged under the revised score.

d. When the revised score would have resulted in lower customer fees for the mortgage customer, we have notified the customers and provided a refund of the higher fees. The inaccurate scores did not impact the interest rate paid by the consumers on their mortgages. We look forward to remediating any impacted small business customers as soon as possible.

Question 15: For all witnesses, what systems does your bank have in place to ensure third-party information you receive, such as the credit scores Equifax provides to your bank, is accurate before you utilize the information?

Answer: PNC has preventative and detective controls over information we receive from third party sources that helps to ensure the credit information used in decisioning is complete and accurate. However, it is not possible for us to validate or replicate proprietary third party bureau scores or data prior to use. If consumers believe that the information we relied on for a credit decision was inaccurate, the Fair Credit Reporting Act provides rules for the investigation and correction of inaccurate information by both furnishers and credit reporting agencies.

Question 16: For all witnesses, do you have a contractual relationship with Equifax?

a. What are the terms of your bank's agreement with Equifax?

b. Does your contract include language around liability for the provision and accuracy of Equifax's scores?
c. What does your contract say about liability when the scores your bank received from Equifax are inaccurate?

Answer: PNC has a contractual relationship with Equifax for the provision of credit reports, employment and income verification, and other services. PNC's contractual relationship with Equifax requires the timely and accurate delivery of both the credit bureau data reported regarding an applicant and other attributes and scores by Equifax to PNC.

Question 19: Swipe Fees

All witnesses, do you hear complaints from small businesses about the swipe fees that they are charged? If so, what should policymakers do to address the concerns of small business owners?

Answer: Complaints from our small business customers related to debit card interchange transaction fees (sometimes called "swipe fees") are very rare.

In 2011, pursuant to Section 1075 of the Dodd-Frank Act, the Federal Reserve Board issued Regulation II (12 CFR part 235) which capped the debit interchange fees that large issuers may charge. Small issuers with assets of less than $10 billion were exempted from this cap.

As a result, we have seen significant increases in debit card partnerships between very large nonbanks with significant market presence and small bank issuers which allow very large nonbank corporations to collect interchange transaction fees much higher than large bank issuers can. This is often called the "Durbin loophole."

PNC believes that the "Durbin loophole" should be closed, and that large corporations, often with much more than $10 billion in assets, should not be able to take advantage of a regulatory exemption intended only for small community banks.

Question 22: Diversity and Inclusion

All witnesses, the committee has considered various legislative solutions to support greater diversity and inclusion, including mandating the consideration of diverse candidates for all roles or senior roles. Has your bank committed to such a policy?

a. Research indicates that considering diverse candidates alone may not lead to more diverse hires; instead, two or more diverse candidates should be considered, and the interviewing slate should also be composed of diverse staff. Is this an approach your bank has considered and/or deployed? If so, can you share what progress you have witnessed using this approach?

Answer: PNC believes that the highest-performing teams are diverse, and the most productive and engaging workplaces are inclusive. We also believe that embracing and promoting diversity, equity and inclusion is about being a better company, employer and neighbor, and an overall better investment for our shareholders.

Our employees drive our success. We know that attracting, recruiting and retaining a diverse workforce is essential to our success. We are focused on recruiting, developing, promoting and retaining talented and engaged team members who deliver exceptional results for our customers. While we do not have a policy that mandates consideration of diverse candidates, we intentionally seek and develop diverse top talent with varied experiences, skills and perspectives to build a workforce that generates innovative solutions to meet the needs of our growing and increasingly diverse customer base, which has resulted in increased representation of people of color and women at the first, mid and senior leadership levels each year for the last five years.

Question 26: Commitments to Racial Equity and support of MDIs and CFDIs

For all witnesses, do you have a diverse and inclusive community advisory board that you meet with periodically, such as every quarter, to consult with them when your bank makes decisions regarding which communities you might open or close a bank branch, or to guide the bank's efforts to comply with the Community Reinvestment Act? If not, will you consider establishing one?

Answer: Earlier this year, we announced the formation of a national Community Advisory Council (CAC) who will provide ongoing guidance for the Bank's community lending, investment, and service efforts in support of PNC's four-year Community Benefits Plan. Under the Community Benefits Plan, PNC committed to forming this advisory council comprised of appointed local executives, community leaders, representatives of nonprofit organizations and other community stakeholders from across the bank's footprint. The PNC CAC members represent a broad range of expertise in community investment lending and services, small business development, and neighborhood revitalization from twelve states. The CAC will meet semi-annually to discuss emerging areas of community needs and to collaborate with the bank to advance its home lending, small business lending, and community investment commitments as outlined in the Community Benefits Plan.

Question 27: Commitments to Racial Equity and support of MDIs and CFDIs

For all witnesses, will you commit to commissioning an independent racial equity audit that covers *all* of your bank's operations -- including employment, contracting, investments, and the financial products and services you provide -- and make those findings public?

Answer: We believe the efforts that we have undertaken to ensure equitable practices across all our stakeholders – employees, customers, communities, and shareholders – remains more than adequate. Recently, PNC has received the Management Leadership for Tomorrow Black Equity At Work Certification, making us the first financial institution to achieve this distinguished recognition. The certification centers on 5 pillars of equity including representation, compensation, workplace culture, business practices and contributions & investments.

Question 31: Investigating Discriminatory Practices

For all witnesses, yes or no, do you believe that racial discrimination occurs in the financial sector?

a. Yes, or no, do you believe that any discrimination that occurs at your bank or any bank is unfair to affected individuals?

Answer: Any racial discrimination that occurs is unfair to affected individuals.

Question 32: Investigating Discriminatory Practices

For all witnesses, do you endorse the lawsuit the American Bankers Association and other organizations filed to challenge the Consumer Financial Protection Bureau's efforts to combat unfair discriminatory practices? Why or why not?

Answer: As part of PNC's continuing commitment to diversity and inclusion, PNC conducts ongoing monitoring of how we treat our employees and customers, including along the diversity dimensions of race/ethnicity, gender, veteran, disability, and LGBTQ+, as permitted by applicable law. PNC has a dedicated Supplier Diversity team that conducts extensive outreach to, and maintains membership in, organizations that support minority-, women- and veteran-owned firms, such as the National Minority Supplier Development Council, the Women's Business Enterprise National Council and the National Veteran-Owned Business Association.

As a financial services provider, PNC takes seriously our obligation to fairly serve all of our customers and communities. Consistent with the supervisory expectations of our federal regulators, including the Consumer Financial Protection Bureau, the Federal Reserve Board, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation, PNC has an established program to monitor how we serve consumers and small businesses to help ensure compliance with the anti-discrimination provisions of the fair lending laws. This program seeks to proactively identify any outlier events in application approvals, product pricing, and servicing outcomes; and PNC acts to address its offerings and practices when disparities are found.

Furthermore, in connection with PNC's acquisition of BBVA USA, we announced a Community Benefits Plan that is expected to provide at least $88 billion in loans, investments, and other financial support to benefit LMI individuals and communities, people and communities of color, and other underserved individuals and communities over four years. The commitment was developed by PNC, in consultation with BBVA, and was informed by numerous community listening sessions that PNC held with the National Community Reinvestment Coalition ("NCRC"), including over 150 NCRC member organizations, the National Diversity Coalition, the Greenlining Coalition, the California Reinvestment Coalition, Faith and Community Empowerment, and members of their organizations.

PNC has not taken a position on the ongoing legal proceedings challenging the CFPB's recent amendments to the Unfair, Deceptive, or Abusive Acts or Practices section of its examination manual.

Question 38: Pending and Recent Bank Mergers

Mr. Demchak, in your testimony you provided some aspects of the Community Benefits Plan that emerged from your bank's acquisition of BBVA USA, such as "to originate at least $47 billion in residential and home equity loans to LMI and minority borrowers and in LMI and majority-minority census tracts over the Plan's 4-year period (2022 – 2025)" and "to originate at least $26.5 billion in loans to small businesses during the Plan period."[6] You also mentioned the creation of a 17-member Community Advisory Council that includes representatives from national, regional and local community organizations from across the bank's footprint. How do you plan to measure your bank's progress toward meeting those goals?

a. Will you make that progress available to the public and to members of this Committee?
b. Please list the 17 organizations represented and summarize how those representatives were chosen.

Answer:

a. We are happy to share progress with the Committee and have and will continue to report on our progress against the Community Benefits Plan on a semi-annual basis. Six months into its ambitious plan, PNC has deployed nearly $17.4 billion in capital to advance economic opportunities for low- and moderate-income individuals, communities, and people of color. This includes $13.3 billion to expand homeownership, $2.7 billion to advance small business and empower entrepreneurs, and $1.33 billion supporting community revitalization and economic development.

b. Members of the 2022 PNC Community Advisory Council are:
    - Joseph B. Anderson, TAG Holdings, LLC, Wixom, MI
    - Seema Agnani, National Coalition for Asian Pacific American Community Development, Washington, DC
    - Nick Mitchell Bennett, CDC of Brownsville, Brownsville, TX
    - Marla Bilonick, National Association for Latino Community Asset Builders, Washington, DC
    - Barbara Busch, Working In Neighborhoods, Cincinnati, OH
    - Carri Cowan, Bright Horizon Ventures, Mitchellville, MD
    - Catherine Crosby, Town Manager, Apex, North Carolina
    - Bob Dickerson, Birmingham Business Resource Center, Birmingham, AL
    - Jonathan Encarnacion, UPMC for You, Reading, PA
    - Ismael Guerrero, Mercy Housing, Denver, CO
    - Luis Granados, Mission Economic Development Agency, San Francisco, CA
    - Matt Hull, Texas Association of CDCs, Austin, TX
    - Gustavo Lasala, PeopleFund, Austin, TX
    - Lisa Mensah, Opportunity Finance Network, Washington, DC
    - Darel Ross, Start Garden, Grand Rapids, MI
    - Mo Smith, Vorys, Sater, Seymour and Pease LLP, Washington, DC

- Jesse Van Tol, National Community Reinvestment Coalition, Washington, DC

These individuals were chosen based on relationship or partnerships represented across various markets we operate in with counsel from community development leaders from across the country.

Question 42: Abortion Access
For all witnesses, since the Supreme Court's ruling in *Dobbs v. Jackson Women's Health Organization*, several states have made accessing abortion services illegal. Data collected by credit card issuers and banks have the potential to serve as incriminating evidence against those seeking reproductive health care. What steps do you plan to take to protect the privacy of your customers and employees seeking reproductive health care?

a. How will you ensure that employees do not face retaliation or discrimination in the workplace based on their personal healthcare decisions?

Answer: Our medical benefits are run through our ERISA-governed medical plan, and all medical claims are handled via our third-party claims administrators, ensuring the privacy and confidentiality of our employees' healthcare decisions. PNC does not share customer data with third parties, whether related to health care or other matters, unless compelled to do so by legal process.

Question 44: Digital Assets, including Cryptocurrency

For all witnesses, what is your bank's current position on central bank digital currencies (CBDCs), and how might your daily operations be impacted if the Fed started to issue a CBDC?

a. In your view, which technical design choices will ensure that a future CBDCs furthers financial inclusion, and does not hinder it?
b. Which design choices are likely to create challenges to increasing financial inclusion?

Answer:

As the United States monitors CBDC experiments in other countries and strives to stay at the forefront of innovation in payments, we appreciate that the U.S. government is taking a thoughtful approach in evaluating the potential need for a U.S. CBDC. We strongly support the development of next generation payment services, faster and cheaper cross border payments, and improvements to financial inclusion—stated objectives for a CBDC in the Federal Reserve Board's paper "Money and Payments: The U.S. Dollar in the Age of Digital Transformation" (Jan. 14, 2022) (the "Paper"). Commercial banks, including PNC, have served as critical intermediaries in the operation of the payment system and its evolution over time.

Notwithstanding our shared pursuit of these goals, we believe these objectives can be better achieved—and with less risk and costs to the real economy—through continued improvements to the U.S. payments and banking landscape instead of through the issuance of a U.S. CBDC. In fact, we have grave reservations that the introduction of a CBDC in the United States could have significant negative effects on the cost and availability of credit to households and businesses in the United States—the very same goals a CBDC would seek to address—and could have other unintended consequences.

As described in the Paper, a U.S. CBDC would be (1) a "liability of a central bank" that would be (2) "widely available to the general public" and (3) "digital" like a digital wallet, mobile payment app, or cryptocurrency. Additionally, the Federal Reserve states that a CBDC would best serve the needs of the U.S. if it were (4) privacy-protected, (5) intermediated, (6) readily transferable, and (7) identity-verified.

Importantly, all of the key features of a CBDC described in the Paper are present in electronic bank-intermediated payment systems in use today, but for the first one: a CBDC would be a direct liability of the central bank, i.e., "central bank money." As the Paper notes, today central bank money represents only 26% of the combined liabilities of commercial banks and central banks in the economy, and only 9% of that total is widely available to the public as cash.

If some portion of commercial bank deposits migrated to a CBDC, they would become the digital equivalent of cash stored in a bank safe deposit box, unable to be transformed into loans by commercial banks. Loss of core deposit funding sources would increase bank funding costs, which would result in reduced credit availability to households and businesses and higher costs of credit. Direct competition with commercial banks for deposit funding by an arm of the federal government will increase bank funding costs to deliver new products and services to market.

Additionally, as a direct liability of an arm of the U.S. government, a U.S. CBDC effectively would offer unlimited government insurance of deposited funds, a competitive edge versus the limits of FDIC deposit insurance. In times of market stress, the sudden reallocation of investment into the safe haven of a CBDC would amplify financial stress on any entity—foreign or domestic—that relies on short-term funding, particularly nonfinancial businesses and state and local governments.[1]

To be clear, even financial institutions and the U.S. Treasury itself would not be immune from the effects of the central bank becoming a "deposit monopolist" through the issuance of a retail CBDC, as it would likely reduce the aggregate demand for deposits in the commercial banking system and other low-risk assets such as Treasury bills.[2]

On the other hand, we view the question of whether tokenization or DLT are valuable technologies for a future payment system to be entirely distinct from the question of whether individuals and corporates should have Federal Reserve/USG liability accounts, whether

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[1] *See* Bank for International Settlements, "Central bank digital currencies: financial stability implications," Report 4 (Sept. 2021) *available at* https://www.bis.org/publ/othp42_fin_stab.pdf (noting "a CBDC could increase the risks of "runs" from non-banks in stressed conditions. This risk is greatest for non-banks reliant on short-term funding.").

[2] "Money and Payments", at p. 17. *See also* Bank for International Settlements "Central bank digital currencies", at p. 13.

administered directly by the USG or on a pass-through basis. A "wholesale CBDC" that limited this access to only banks and financial institutions would have the same economic substance as Fed master accounts do today but might rely on the technologies of digital tokens and distributed ledgers. If tokens and distributed ledger technologies do show promise in payments over conventional payment systems, PNC would look forward to helping bring these products to market for the benefit of our customers.

We do not believe that giving consumers access to an intermediated retail CBDC, as described in the Paper, will necessarily further the goal of bringing more consumers into the banking system. This is in part due to the challenges of designing a CBDC that can provide cash-like privacy but also facilitate compliance with applicable laws (e.g., know-your-customer, anti-money laundering, and tax laws).

Prior statements or Federal Reserve publications and statements by Federal Reserve officials frequently reference that a retail CBDC would be a "two-tier" system, with commercial banks and potentially others responsible for conducting customer identity verification, BSA/AML screening, and technological wallet management. Data indicates that trust, privacy and identification concerns are major reasons why consumers remain unbanked—concerns that would exist for an intermediated retail CBDC. In fact, as we have witnessed in other countries, introduction of a state-sponsored digital currency often is viewed as an attempt to increase the state's control of the payment system and to more closely monitor transactions and personal behavior.

Recent data indicate that banks have made significant progress in lowering the percentage of U.S. households that are unbanked. The Federal Deposit Insurance Corporation's 2021 National Survey of Unbanked and Underbanked Households also found an estimated 4.5 percent of U.S. households (representing 5.9 million households), lacked a bank or credit union account, the lowest national unbanked rate since the FDIC survey began in 2009.

We believe there are better options for bringing the unbanked into the banking system and serving the needs of low-income individuals than a retail CBDC. For example, PNC is proud to be the only U.S. bank to offer two "Bank On" certified accounts which provide safe, affordable checking and prepaid card accounts to consumers. These accounts are PNC's Foundation Checking Account and SmartAccess prepaid Visa® card. Bank On, led by national nonprofit organization the Cities for Financial Empowerment Fund, first established standards for Bank On accounts in October 2015, with input from local coalitions, financial institutions, regulators, advocates, and researchers around the country. The Bank On standards include core and strongly recommended features designed to reduce cost and improve functionality and consumer safety. To date there are more than 200 Bank On certified accounts offered by financial institutions nationally, with more than 3.8 million open and active customer accounts in 2020.

Question 45: Fintech and AI

Mr. Demchak and Mr. Moynihan, PNC Bank and Bank of America were some of the first banks to send Zelle payments over the Real Time Payments network. Starting next year, the Federal

Reserve is set to release FedNow. In your view, how will small banks, big banks, and fintechs interact in the payments landscape where the FedNow service is launched?

a. What kind of impact will the transition to real-time payment systems have on local banks in rural and underserved communities?
b. Has your bank taken steps to elicit and incorporate the views of consumers in those communities into conversations between fintech companies and large banking institutions?

Answer: Small banks, big banks, and FinTechs interact today across a variety of U.S. payment systems, including those operated by the private sector and those operated by the Federal Reserve.

PNC has been a leader in bringing innovative payments to market to better serve the needs of our customers and the U.S. market, including The Clearing House's RTP® network which launched in November 2017. RTP has significant advantages to consumers by providing near instant funds availability from a safer "credit-push" system than the legacy ACH network. As a result, we've seen both FinTechs and payments processors embrace RTP for delivery of payroll, peer-to-peer (P2P) payments, and payroll-on-demand or earned wage access use cases.

We expect that the launch of FedNow will represent an additional real time payment system option for the nation but will not offer qualitative benefits to the market or customers greater than RTP.

a. Currently more than 280 federally insured depository institutions – both large and small – are participants in the RTP network. Additionally, because the largest core bank technology providers, such as FIS, Fiserv, and Jack Henry, now offer RTP integration, we expect these numbers will continue to grow.

b. Real time payment systems have benefits to consumers, banks, and businesses, including in rural and underserved communities. Near instant funds availability can help customers avoid the timing delays of deposits and payments inherent in the check and ACH systems, helping customers avoid unexpected debits by billers from their account. Credit-push payment systems also give help customers avoid over drawing an account, as good funds must be present in the account at the time of the transfer. As a result, we've seen both FinTechs and payments processors embrace RTP for delivery of payroll, peer-to-peer (P2P) payments, and payroll-on-demand or earned wage access use cases.

Question 46: For all witnesses, the Fed has stated that "financial institutions may place a hold on FedNow payments received where there is reasonable cause to believe that a FedNow payment may be related to fraudulent activity." What technical strategies has your bank adopted or are working to adopt in order to ensure protection of consumer information as our payment systems evolve?

Answer: PNC takes seriously its obligations to protect our customers and has consistently been an advocate for heightened data security standards on all companies, both banks and nonbanks, that may hold consumer financial data. We have also taken extensive efforts to protect our customers from becoming victims of financial fraud. PNC also recently completed the migration of PNC Online Banking and the PNC Mobile app to a stronger authentication platform – which includes enhanced two-factor authentication, device intelligence, and binding – to help enhance customer security while delivering a seamless experience.

We have a multi-layered and comprehensive fraud detection and prevention system, and we are continuously working to improve our existing systems and innovate to better protect our customers against fraud and payment scams. PNC relies on advanced authentication, fraud, and risk tools to help detect fraud, including machine learning tools which have allowed us to establish new fraud rules to identify and interdict payment scams faster. PNC also uses mobile authentication risk scoring which helps detect suspicious mobile app sign-on sessions and can prompt additional authentication measures.

Question 47: For all witnesses, emerging artificial intelligence (AI) technologies, including Machine Learning, can potentially offer a broad range of benefits for both financial institutions and regulators. How does your bank utilize regulatory technology in their daily operations?

a. On the other hand, some studies have shown that lending algorithms have unwittingly caused discrimination based on race or even educational attainment. How do you ensure that your bank is not feeding biased data into the algorithms you use, and that AI is not perpetuating discriminatory outcomes for protected classes of borrowers?

Answer: Regulatory technology generally refers to the use of information technology to enhance monitoring, reporting, and compliance with the goal of creating more consistent and standardized regulatory processes and ultimately producing higher quality outcomes at a lower cost. Examples of how PNC uses regulatory technology in our daily operations include enhancements in fraud monitoring, Anti-Money Laundering, customer complaints and other operations.

a. PNC is committed to fair treatment of all applicants for credit. PNC takes a multi-step, cross-disciplinary approach to managing all models and algorithms used in credit decisioning, including AI technologies, with extensive involvement from both quantitative modeling and regulatory compliance experts to minimize the risk of bias in the development of our lending models.

Question 48: For all witnesses several non-bank fintech companies offer "earned wage access" products allowing consumers to access wages they have earned but have not yet been paid.[8] Has your bank considered offering "earned wage access" opportunities to its employees or customers?

Answer: Yes. PNC has recently introduced an employer-supported, earned wage access (EWA) or on-demand pay solution, called PNC Earned It, that allows employees of our commercial clients to access their earned, but unpaid, wages at any point in the pay cycle for a low fixed fee. Our market research has shown that earned wage access programs are valuable to employees, as it offers an alternative to high-cost credit options when unplanned expenses occur, and it makes them less dependent on the typical two-week pay cycle. Additionally, we have heard from our corporate employer customers that they believe that EWA are a valuable benefit they can offer to employees in a competitive labor market.

Question 49: Sanctions

For all witnesses, is it correct that following the unprovoked Russian invasion of Ukraine, your firms have ceased some or all of your operations in Russia and Belarus (including subsidiaries and affiliates)? Can you please elaborate?

a. Where you have continued to engage, can you please describe your firm's efforts to avoid the violation of U.S. sanctions related to Russia and Belarus?
b. Can you please describe how your firms manage the Office of Foreign Assets Control (OFAC) 50-percent rule in determining whether a customer is one with which your firm can do business? (For example, does your firm draw a line at 49.9%? Do you do enhanced due diligence for any ownership above 40%? Does your bank apply different standards in different components/services of the business?)
c. Can you please describe the scrutiny that your firm conducts on third parties, such as firms with Chinese or Indian operations, to ensure that your customers are not engaging in sanctions violations with Russian and Belarusian sanctions targets?

Answer: The PNC Financial Services Group, Inc. does not have operations in Russia and Belarus.

a. PNC does not have operations in Russia or Belarus.

b. PNC administers a risk-based compliance program that utilizes controls to mitigate and manage sanctions-related risk. As part of this program, PNC applies appropriate due diligence to all customers and monitors for the 50 percent rule within its client screening. PNC screens customers and material parties using solutions which identify SDNs and entities that are owned 50% or more by sanctioned parties. Once a sanctions nexus is determined through screening, enhanced due diligence is performed to identify any additional risk factors. As a result, PNC may exercise its right to refuse to do business and/or process a transaction when the percentage of ownership presents with an additional risk below 50% and/ or the customer's ownership structure contains one or more SDNs. This approach is consistent with OFAC's 50% rule guidance published under FAQ 398.

c. PNC conducts due diligence on third parties associated with payment transactions, on third-party vendor relationships, and on material parties to commercial deals. As it relates to high-risk jurisdictions, PNC uses such diligence to identify and analyze the organizational and ownership structures of legal entities. Additionally, PNC requires all third-party providers to submit on a periodic basis a sanction's-related questionnaire to identify any changes to a customer's risk exposure and to assess ongoing regional risk exposure.

Question 50: To all witnesses, on September 14, 2022, the Honorable Mia Amor Mottley, QC, MP, the Prime Minister of Barbados, testified in front of the House Financial Services

Committee. In her testimony, she shared that over the last decade, the nations and territories of the Caribbean region have been experiencing a steady decline of available cross-border financial services, including correspondent banking services. In some cases, banks had withdrawn completely from individual countries and in other cases, the time to open an account or to process a transaction could be months long.

a. Can you please describe the cross-border financial services that you offer in the Caribbean and how those services have changed over the last 10 years? Over the next year, does your institution expect to expand, contract, or continue existing services in the region? What are the reasons for any changes in activity?
b. Where your institution has pulled back on available services, did international lists (such as the European Union's list of non-cooperative jurisdictions for tax purposes or the U.S. State Department's International Narcotics Control and Strategy Report) factor into those decisions?

Answer:

a. PNC does not offer cross-border correspondent banking services to any banks based out of or headquartered in the Caribbean. Consistent with our risk appetite and applicable laws, regulations, and economic sanctions concerns, we are committed to supporting our clients conducting business in the Caribbean region.
b. Not applicable.

Question 51: For all witnesses, at the September 14, 2022, hearing entitled, "*When Banks Leave: The Impacts of De-Risking on the Caribbean and Strategies for Ensuring Financial Access*," witnesses discussed the role that volume and profit can play in attracting larger financial institutions to offering cross-border financial services like correspondent banking. Among the proposals made were (a) that the Caribbean region harmonize anti-money laundering law across nations, lowering the cost to correspondent banks wishing to do business in the region, (b) that a "middleman" or "hub" bank be established to merge the volume of transactions from across small nations, perhaps at a government institution like the Eastern Caribbean Central Bank, and (c) that small and medium banks should be encouraged to enter the correspondent banking business.

a. What are your institution's views on the practicality and attractiveness of these concepts in terms of securing or expanding your institution's cross-border financial services offerings in the region?
b. What other proposals might your institution suggest to make the region more attractive to your institution, in terms of offering cross-border financial services to the countries and territories of the Caribbean?

Answer:

a. Harmonizing anti-money laundering laws across Caribbean nations would facilitate a more streamlined approach to cross-border financial services like correspondent banking. For instance, the implementation of a Central Bank with enforcement authority over agreed upon controls and regulations could facilitate cross-border financial services. The middleman or "hub" bank concept may lower transaction costs as it relates to the provision of cross-border financial services but must be analyzed for the additional risk such a structure may create. For instance, middleman or "hub" bank could increase the risk of layering as it relates to money laundering through nested account structures. Finally, while encouraging small and medium-sized banks to enter the corresponding business may result in great access to the global financial market, such an option may face challenges to scaling the banks' operations and compliance functions sufficiently to support cross-border financial services such as correspondent banking.

b. We have no other proposals as this time.

Question 52: For all witnesses, China ranked 21 of 128 on the recently released Basel AML Index. In 2020, the U.S.-China Economic and Security Review Commission issued a report that detailed concerns with financing, shadow banking, and oversight of the Chinese banking industry.[9] Chinese fintech firm Tencent has been identified as highly deficient in its money laundering controls. Additionally, Chinese firms are regularly named as facilitating evasion of sanctions in support of North Korea's increasingly bellicose government. Your banks do business in China and with firms based there, as well as around the globe. How you manage those relationships with an eye towards the inherent risks, including safety and soundness, anti-money laundering, and sanctions risks, especially in an environment where geopolitical issues involving China, like the security of Taiwan and Ukraine, are in the headlines?

a. Please provide examples of how your bank manages those relationships.
b. What support from government, industry or conducted collaboratively through public-private partnerships have made a difference or could help with mitigating risk?

Answer:

a. PNC Bank provides international trade finance, multi-currency, foreign exchange services and payment options to our U.S. clients doing business in China and various other entities around the globe. As such, PNC's exposure to China is limited to business we conduct for our U.S. clients. PNC Bank has a representative office in Shanghai, China, which provides only limited representational services to its U.S. customers doing business in China. PNC conducts enhanced due diligence on any of its customers engaging in business in China. Among other things, these customers are subject to PNC's Enterprise BSA/AML and Sanctions Programs, which performs customer verification and due diligence at client onboarding. Customers are subject to standard ongoing diligence and diligence commensurate with the risk identified at customer onboarding. Additionally, PNC also maintains a Trade Compliance Program designed to identify and assess the risk of trade transactions to ensure compliance with trade export control programs. The Program evaluates all involved parties, export and import control regulations specific to transshipment of goods, red flags for trade-based money laundering, and other material governmental advisories and notices.

b. Agency collaboration globally between sanctions regimes and Department of Commerce authorities has been a significant and positive factor in helping PNC identify and mitigate risk. To that end, continuing to enhance cross-border efforts to collaborate on sanctions programs across relevant jurisdictions will reduce regulatory gaps and improve global compliance standards. Similarly, the Financial Action Task Force's efforts to rate jurisdictions that continue to bank anonymous entities or disguise ownership is a helpful indicator of jurisdictional risk and reduces opportunities for these regimes to take advantage of the global financial system.

House Financial Services Committee
Full Committee Hearing: Oversight of America's Largest Consumer Facing Banks
September 21, 2022

Responses to Questions to Jamie Dimon, Chairman and CEO, JPMorgan Chase & Co.

Chair Maxine Waters

Mr. Cecere, Mr. Demchak, Mr. Dimon, Ms. Fraser, Mr. Moynihan, Mr. Rogers, Mr. Scharf, I expressed disappointment at the end of the hearing on September 21st that you were not responsive in your written testimony to some of the questions that were informally provided to your representatives on July 1st, well in advance of the hearing, and included in the formal invitation letter you later received. I ask that you fully respond in your written response to each of those unanswered questions.

JPMorgan Chase a leader in financial services for consumers and small businesses, commercial banking, investment banking, financial transaction processing and asset management. Our nearly 160,000 U.S. employees serve over 66 million households including more than 5 million small businesses, and many of the world's most prominent corporate, institutional and government clients. Last year, we became the first bank to have branches in all the contiguous 48 states and the District of Columbia, with about 4,800 branches covering about 80% of the U.S. population. We provide critical financing to nearly every sector, including manufacturing, service, energy, real estate and transportation. We finance federal, state and local governments for infrastructure projects for schools, bridges, hospitals, universities and transit. We finance Americans' ambitions with loans for homes, autos, and growing a small business, and provide valuable products and services to more than half of American households.

The work we do at JPMorgan Chase matters – in good times, and particularly in tough times, such as during the COVID-19 pandemic. Because of the investments we've made to build a strong and healthy company, we were able to extend more than $5.5 trillion in new and renewed credit and capital to large and small businesses, state and local governments, universities and hospitals at a time when they needed it the most. We waived hundreds of millions in fees and postponed debt repayments for consumers struggling to make ends meet. With regards to your specific questions related to our COVID-19 response –

- **Mortgage Lending, Originations and Refinancing:** At the height of the pandemic, we offered delayed payments and forbearance on more than 2 million mortgage, auto and credit card accounts, representing approximately $90 billion in loans. We also refunded $120 million in fees on consumer deposit accounts for nearly 1 million customers, and provided more than $70 million in loan relief through nearly 1,500 multifamily loans, affecting housing for more than 27,000 tenants.

  The recent housing shortage has resulted in downward trending volume of loans under $100,000 across the industry. In 2021, our volume of loans under $100,000 was approximately 1 percent, generally consistent with the industry. Through COVID-19, a small number of loan applications were denied for a variety of reasons (typically debt to income ratio, credit history, collateral, insufficient cash for down payment and closing costs, or other qualifications). Our denial rate for non-White applicants is less than 10%.

- **Garnishments and Stimulus Deposits:** When the pandemic was declared in March 2020, the firm immediately began responding to pandemic-related relief orders. To work to ensure compliance with pandemic-related interim orders and directives issued at the federal, state and local levels that prohibited or restricted third-party collections against pandemic-related relief deposited in customer accounts, we conducted a daily review of interim orders and directives as they were released to identify prohibitions or restrictions against third-party collection efforts impacting customer accounts. To the extent the orders and directives provided protections for relief payments, the firm's Court Orders and Levies department – which processes garnishments impacting customers' accounts – implemented measures to identify relief payments and protect them from third-party collections. In addition, unless prohibited by law, all customers were advised in writing of any holds placed on their accounts, which provided an extra layer of assurance that impacted customers were notified and would raise any concerns related to a hold on pandemic-related relief funds. As those customers called in to the Court Orders and Levies Service Center, customers' questions were answered, and if we had inadvertently held pandemic-related relief funds contrary to an interim order or directive, the funds were immediately released to the customer.

Serving the Underserved: We are always intensely focused on lifting people up in every community we serve by making investments that will have a lasting impact for families, small businesses and neighborhoods. We leverage a comprehensive strategy to serve minority customers and communities and LMI customers and communities, and we believe that this strategy is the foundational building block to developing a long-term, sustainable business model and to improving opportunities and outcomes for the traditionally underserved. Our strategy includes:

- People: We seek to hire, retain, and develop diverse talent. We serve customers through both Field and Centralized channels, and have created Community Home Lending Advisor roles in both channels to focus on deepening relationships and serving customers in these communities.
- Presence: We leverage our extensive branch network to serve communities across the country. We strive to be actively present in communities to meet customers where, when, and how they want to be served.
- Partnerships: We seek to build and deepen relationships with key referral sources, such as realtors, builders, non-profits, advocacy groups that have a span and reach in the communities we seek to serve.
- Products: We offer a broad array of products and programs across the economic spectrum, including low down payment products (DreaMaker, FHA) designed to benefit LMI and first-time homebuyers. We also provide grants in LMI and minority communities.
- Promotion: We strive to create awareness and dispel myths centered around the homeownership process, and to provide outreach in LMI and minority communities to build trust and consideration in the markets we seek to serve.

- Policy: We partner with industry participants to advocate for comprehensive housing policy reform that enables access to credit, sustainable homeownership, and wealth creation.

Affordable Housing: We are always willing to be part of solutions to national challenges that require collaboration among businesses, government and communities. Affordable housing is one of those challenges. We continue our efforts to help expand homeownership for Black, Hispanic and Latino households and, in doing so, help to stabilize and revitalize communities across the country. We are expanding our affordable lending products and plan to continue prudently expanding Federal Housing Administration ("FHA") lending. We are also exploring new financing options and working with public resources to support the development of vital community facilities and new affordable housing units.

Last year, we announced a five-year $400 million philanthropic commitment to help address housing stability, affordability and wealth creation. We also announced new business practices such as the new Chase Community Home Lending Advisor roles, which will help more people on the journey to homeownership. We're also actively finding better ways to address valuation bias in the residential appraisal process.

There is more the government could consider, as well. Policymakers should consider reforms that increase funding for rental assistance and housing vouchers. Also, to encourage greater participation by financial institutions in increasing affordable homeownership, the Federal Housing Administration must move forward with reform efforts to both rationalize and modernize its rules around originating and servicing loans to be able to serve the needs of consumers most in need of these products. Additional information about our efforts in this space may be found throughout this response document. Our answers to Questions #2 through #5 provide additional information on our efforts in this space.

Small Business: We are also proud to be the nation's leading small business bank and recognized as #1 in customer satisfaction in the Northeast and West Regions in the J.D. Power 2021 U.S Small Business Banking Satisfaction Study. We serve about five million small businesses, helping clients safely store and move their money, process payments, access credit to expand and grow, pay their employees and manage their daily cash flows. With more than 11,000 specially trained business bankers across 48 states and the District of Columbia, we work with small business owners through our branches and at the businesses themselves. Our responses to Questions #6 & #7 provide additional information about our work with small businesses.

Emerging Technologies: Utilization of emerging technologies will be driven by whether they provide real value through ease of use, reliability and robust consumer protections. We do not currently offer a point of sale (POS) Buy Now, Pay Later product, but we do offer similar post-POS products like My Chase Plan and My Chase Loan. Those allow consumers to use their existing lines of credit to pay for purchases over time. We also do not currently offer an earned wage access product, but we are proud of our new Early Direct Deposit feature that our Secure Banking customers receive – more information can be found in our answer to Question #28. More information about our work with artificial intelligence and machine learning may be found in our answer to Question #27. We are also working towards enabling customer flexibility to use the digital wallet of their choice wherever they want.

Ultimately, we make extensive investments in technology for a broad range of reasons, from improving operations and security to enhancing our products and services. More information can be found in the most recent shareholder letter, which may be found here.

Arbitration: Arbitration provides a more efficient, quicker and fair way to resolve disputes, with generally better outcomes for our customers.

A few notable specifics:

- Our customers can opt out of arbitration within 60 days after account opening. Also of note, nothing prevents a customer from going to small claims court. Customers can obtain reimbursement or advancement of certain fees, including filing fees and hearing fees.
- For our employees, all remedies available in Court are available to the employee in arbitration. Of note, the company bears most costs of arbitration, unlike a non-arbitration option. It's also important to note that, while the proceedings are confidential, nothing stops the employee or counsel from using social media or other venues to make public statements. Our employees always have an option to go to the EEOC or the DOL if they have administrative claims processes. We also have carve outs to comply with applicable laws regarding sexual harassment and assault.

Much of the other information requested is publicly available:

- Additional, detailed information about our bank's businesses and operations may be found in our Annual Reports, as well as our Chairman and CEO's letter to shareholders and our Lines of Business CEO letters to shareholders, all of which may be found here. Information about our capital and liquidity ratios and our various capital actions are publicly available in our regulatory filings, including those posted on our website here.
- **Compensation Practices & Benefits Policies:** Information about our compensation practices and philosophy may be found in our proxy statement here. With regards to health care services for our employees, our focus is on the health and wellbeing of our employees and providing equal access to our plan's full benefits. We have employees in all 50 states and have long provided travel benefits for certain health care services that cannot be obtained close to home, which is now available for all covered services.
- **Enforcement Actions:** All but a relatively small number of JPMorgan Chase employees show up to work every week right-minded and ready to help our customers and make our communities better. When mistakes are made or inappropriate behaviors identified we take action – including terminating employment, canceling or clawing back compensation. All recent enforcement actions against us are publicly available.
- **Risk Management:** Information about our firm's approach to risk management is publicly available in the Firmwide Risk Management section of JPMC's Annual 10-K filing with the Securities and Exchange Commission. For ease of reference, in the most recent 10-K, the discussion of risk management starts on page 81 here.

Housing, Mortgage Lending, and Servicing

1) **For all witnesses, research demonstrates that a lack of access to small-dollar mortgage loans is a key barrier to homeownership for many families with low and moderate incomes. According to the Urban Institute,[1] potential buyers of low-cost homes, which require smaller-size mortgage loans, face higher denial rates than buyers who need larger loans, in both the government and conventional channels.**
   a) **What programs or approaches are your banks considering to improve access to small-dollar mortgages for low-income borrowers and other underserved borrowers?**
   b) **Has your bank considered developing a special purpose credit program to ensure that more small-dollar mortgages are available for borrowers that need this financing to buy a low-cost home?**
   c) **One of the proposals noticed at the September 21st hearing would give lenders credit on their CRA exams for originating mortgages under $100,000. Would this be an incentive for your bank to make more loans of that size? What else should Congress consider in order to encourage more lenders to originate small-dollar mortgage loans?**
   d) **What steps can your bank take to, either directly or perhaps in partnership with CDFIs and MDIs, support the origination of small-dollar business loans for Millennials and other young entrepreneurs?**

Chase offers $2,500 and $5,000 purchase grants in select LMI income census tracts and select Black and Hispanic census tracts. The grant value does not differ based on loan amount, so a borrower receives a more meaningful benefit on small-dollar mortgages.

We combine our pricing strategy with market-based pricing incentives for customers with very low income to better serve lower income customers/lower loan balance loans. We are above the FHFA GSE benchmarks for both low-income purchase and refinance affordable targets.

In 2021, Chase doubled our Homebuyer Grant program – our special purpose credit program (SPCP) – to $5,000. Our program aims to help more customers with two of the biggest obstacles to homeownership: closing costs and down payment assistance. The program was launched in approximately 6,700 majority-Black census tracts, and was expanded in 2022 to include approximately 4,775 majority-Hispanic and Latino census tracts in 20 markets across the country. Our SPCP is available on DreaMaker, Standard Agency, FHA and VA mortgages, and can be used toward closing costs, down payment, and/or for mortgage points that can reduce the interest rate. It can also be combined with our $500 Homebuyer Education Benefit when purchasing a home with a DreaMaker mortgage and completing an approved course. The program is location-based (not income-based nor race-based) and is available on properties located in designated census tracts. We also offer a $2,500 homebuyer grant in low-to-moderate income communities.

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[1] Urban Institute, *Making FHA Small-Dollar Mortgages More Accessible Could Make Homeownership More Equitable* (Apr. 22, 2021).

While additional CRA credit for mortgage loans under $100,000 would be helpful, these loans would generally already contribute to banks' CRA performance. One of the main obstacles to conducting these loans is the significant regulatory burden that increases the cost of making the loans. These costs are magnified for smaller loan sizes. Addressing the regulatory burdens that these loans carry would be more impactful in incentivizing banks to conduct more of these loans.

More information about our work with our approximately 5 million small business customers, including young entrepreneurs, may be found in our answers to Questions #6 and #7.

2) **For all witnesses, during the pandemic, millions of homeowners have fallen behind on their mortgage payments and other housing costs. This is especially true for Black and Latinx homeowners who have been twice as likely during this time to be behind on their mortgage payments. In order to protect families and prevent a repeat foreclosure crisis, Congress passed a $10 billion Homeowner Assistance Fund (HAF) in the American Rescue Plan Act, which this Committee worked hard to secure. Today, nearly every State and tribal government has received funding from the Treasury and has opened their applications to homeowners.**
   a) **Please provide how many of your customers have received loss mitigation, listing the number of customers who received each the type of treatment (e.g. forbearance, deferment, modification) your bank provided.**
   b) **How many customers who received forbearance have remained delinquent once they exited a forbearance period and what is your bank doing to assist them?**
   c) **Is your bank connecting borrowers with their state administered HAF program before initiating any foreclosure processes? If so, please provide the volume of payments you have received, the number of customers served, and how many of your customers have applied for HAF assistance.**
   d) **What else is your bank doing to prevent foreclosures and connect borrowers to HAF programs in their state?**

Chase Home Lending works to prevent unnecessary foreclosures by ensuring that customers can be fully and fairly reviewed for all available foreclosure prevention options. Customer assistance remains a fundamental part of our business and culture. In that regard, any customer who exited/exits a COVID forbearance period is entered into loss mitigation to identify a curing solution.

Chase Home Lending also participates in all Homeowner Assistance Fund ("HAF") programs. Beginning shortly after the passage of the American Rescue Plan, we worked closely with state HAF administrators and industry groups to design HAF programs and processes for rapid delivery of relief to homeowners. Chase Home Lending added notifications to several pre-foreclosure customer letters to indicate that assistance could be available from state or local agencies. We have also updated our website to direct customers to program and state-specific information on HAF and provided customer service agents with key information for assisting customers with questions about HAF relief. Finally, Chase Home Lending has designed HAF-specific coding in our system of record to prevent further foreclosure or referral action once a homeowner is undergoing review in their applicable HAF program.

We work to prevent unnecessary foreclosures by ensuring that customers can be fully and fairly reviewed for all available foreclosure prevention options. As noted above, customer assistance remains a fundamental part of our business and culture. The mortgage servicing guidelines established by the CFPB in the wake of the 2007-2009 financial crisis and the mortgage assistance solutions established by home loan mortgage investors and insurers – most of which didn't exist prior to the last crisis – help ensure that mortgage servicers are prepared to offer home retention assistance (and foreclosure prevention) to homeowners in financial distress. Following the CFPB and mortgage loan investor/insurer guidelines, Chase Home Lending supports a customer-first culture, a robust framework of customer assistance procedures and controls, and teams of trained customer assistance personnel. All of this and more helps ensure that homeowners have access to foreclosure prevention options. In addition, as noted above, Chase Home Lending has taken important steps for ensuring that customers have access to information on the availability of HAF relief.

3) **For all witnesses, research has shown that banks' CRA lending has contributed to neighborhood gentrification and the displacement of long-time residents, who are often lower income households and people of color, by financing housing for higher income renters and higher income homebuyers moving into gentrifying areas.**[2]
   a) **Does your bank invest in the development or preservation of affordable housing, and if so, how? Please include what share of households are served by these investments in terms of their level of area median income (AMI).**
   b) **As a share of your CRA investments, how much does your bank invest each year in affordable housing? Please include what share of households are served by these investments in terms of their AMI level.**
   c) **What steps does your bank take to ensure that the financing you provide does not lead to the displacement of a community's residents, especially low-income families and people of color?**

As an active and national leader in community development finance, Chase's Community Development Banking Team promotes affordable housing, economic development and the revitalization of LMI communities across the country. Comprehensive financing products are available for projects of any size and complexity, including construction financing, bridge loans, acquisition loans, letters of credit to support bond transactions and long-term permanent financing for Low Income Housing Tax Credit developments and bond purchases. Chase also makes substantial investments in New Market Tax Credit Investments which help provide community services and revitalization/stabilization efforts to LMI communities.

The bank has supported the community development finance efforts mentioned above by providing approximately $20.7 billion in community development lending and $6.1 billion in community development investments from Jan 2020 through Dec 2021. Financing provided by JPMorgan Chase supported the development of more than 190,000 units of affordable housing for those that have low- or moderate-incomes (< 80% AMI).

[2] Washington Post, *A tool meant to help minorities buy homes is instead speeding up gentrification in D.C.* (Aug. 9, 2019).

Chase has long supported economic development, affordable housing, support services, education, and other community development initiatives to ensure that bank financing does not lead to the displacement of community residents (and people of color) by providing grants to non-profit organizations and financial intermediaries devoted to these areas. In addition, the bank has been a leader in designing and fostering innovative programs to meet the changing needs of its communities. From January 2020 through December 2021, Chase provided over $390 million in grants to non-profit organizations for community development purposes.

The bank also provided over 75,000 community development services in partnership with local non-profit partners that are responsive to community needs. Services provided include homebuyer counseling, financial education, technical assistance trainings, and serving on the board of directors of nonprofit organizations with a community development purpose that benefits the area.

4) **For all witnesses, a recent study by Freddie Mac[3] showed that 12.5% and 15.4% of homes appraised in majority-Black and majority-Latinx communities, respectively, are valued below the contract purchase price. Those figures compare to 7.4% of homes in majority-White neighborhoods. Disparities in home valuation, including appraisals, contribute to borrowers of color being denied mortgage lending and locks them out of homeownership and wealth-building opportunities.**
   a) **What share of your in-house appraiser panels are made up of appraisers of color and female appraisers?**
   b) **Does your bank contract with any or women-owned Appraisal Management Companies (AMCs) or those owned by people of color? If so, what share of your appraisal business goes to AMCs are owned by women or people of color?**
   c) **Your bank is responsible for setting the stage for consumers by establishing appraisal fair lending compliance standards and reconsideration of value policies (ROV) that allow consumers to contest appraisals. What is your current ROV policy and how do you make borrowers aware of this policy? Does your bank track ROV-related data, such as the number of ROV requests that are granted annually, which borrowers are requesting them, how many resulted in corrected home valuations, and what the average appraisal gap is? If so, please share what type of data is collected.**
   d) **What processes do your banks have in place for reporting appraiser malpractice, possible appraisal discrimination, or fair lending compliance issues with AMCs?**
   e) **Does your bank currently rely on Automated Valuation Models (AVMs) to conduct home valuations or fair lending compliance, and are you supportive of federal regulations that seek to require affirmative non-discrimination requirements in the development and maintenance of AVMs?**

We are committed to hiring people of color and women as in-house appraisers – and in fact, more than 40% of our in-house appraisers are diverse today. We also committed $3 million to the Appraiser Diversity Initiative, a partnership with Fannie Mae, Freddie Mac, the National

[3] Freddie Mac, *Racial and Ethnic Valuation Gaps In Home Purchase Appraisals* (Sept. 20, 2021).

Urban League, and the Appraisal Institute to attract diverse new appraisers and overcome barriers to entry.

We have established a robust process for obtaining reliable appraisals and appropriately addressing complaints, and we support policy changes by the OCC, CFPB, FHFA and the GSEs to drive changes that will result in more equitable outcomes.

Our customers and borrowers are made aware of the ability to request a ROV via the cover letter that accompanies every approved appraisal. We track ROV requests received from customers.

We comply with applicable law in reporting material failures identified within valuation reports to the appropriate state licensing board or agency. Such concerns of material deficiencies and concerns regarding appraisal discrimination or fair lending compliance issues are also reviewed internally and recommendations made for appropriate action. Furthermore, AMCs are required to notify us of state submissions made on appraisals fulfilled for Chase.

We use Automated Valuation Models (AVMs) for home valuations within our servicing portfolio. AVMs were previously leveraged for HELOC transactions but have been discontinued due to the suspension of the HELOC channel during COVID-19. The AVMs we use have been tested for fair lending compliance.

Small Business Lending and Support

5) **For all witnesses, while many banks are migrating many of their banking products and services online, according to research[4] from the National Community Reinvestment Coalition, many small businesses continue to rely on local bank branches for access to a loan. In fact, the research shows that among the most important predictors of the amount of small business lending by large banks in metropolitan areas are the number of branch locations and county level GDP. Please describe how small business owners typically engage with your bank?**
   a) **Do most of your small business customers engage online or via digital channels, or are they coming into a bank branch to apply for credit and to access other services?**
   b) **What is your bank doing to ensure that branches are located and accessible in communities where local residents as well as small business owners are seeking credit?**

Chase is the nation's leading small business bank and recognized as #1 in customer satisfaction in the Northeast and West Regions in the J.D. Power 2021 U.S Small Business Banking Satisfaction Study. We serve about five million small businesses, helping clients safely store and move their money, process payments, access credit to expand and grow, pay their employees and manage their daily cash flows. With more than 11,000 specially trained business bankers across 48 states and the District of Columbia, we work with small business owners through our branches and at the businesses themselves.

[4] NCRC, *Relationships Matter: Small Business and Bank Branch Locations* (Accessed Sep. 15, 2022).

Many small business owners rely on our national network of branches when they need to speak to a banker, open a new account, or have a credit need. We are constantly thinking about how we can give more people access to a Chase branch by adding new locations in our newer markets where we see people live, work and shop and there are small business banking needs.

Most of our small business customers use both our digital channels and our branch network, depending on what they need. The vast majority use our online and mobile channels for routine transactions, and we also saw an uptick in the use of digital tools by our small business customers, particularly since the pandemic. We therefore did things like raising mobile deposit limits so clients could deposit more checks remotely. We gave our bankers digital tools to interact with their customers, which was particularly helpful for screen-sharing and fixing applications for PPP.

For credit needs, our small business customers will either work with a Business Relationship Manager in their community who specializes in small business, or virtually with loan specialists that can help them apply remotely. We are also testing an online business loan application so business owners can apply online anytime from anywhere; we expect it to be widely available in 2023.

6) **Mr. Dimon, according to your testimony,[5] in 2021, JPM announced a five-year, $350 million commitment to grow small businesses and underserved entrepreneurs through low-cost, long-term capital and technical expertise for underserved entrepreneurs. How many small businesses have you served through this commitment, and how much capital has already been received by those businesses?**
   a) **How soon do you expect to reach your goal of $350 million, and would you consider increasing the commitment if you ahead of time?**

In early 2021, JPMorgan Chase pledged a five-year, $350 million global commitment to grow Black, Latino, Hispanic, women-owned and other underserved small businesses. Through October 2022, JPMC has executed $181M of its $350 million commitment, serving approximately 8,450 small businesses to date. We have hired over 40 senior business consultants in 21 U.S. cities whose job is to mentor and coach ~50 small business owners at any one time so they can better run their business. We also mentored 1,800+ small business owners, graduated our first 115 mentees earlier this year (600 YTD). We have reached over 90,000 diverse business owners through targeted education events, community workshops, and local networks.

This commitment combines loans, direct equity investments, and philanthropy. Select examples include:

- Entrepreneurs of Color Fund (EOCF), a collaboration between the firm and a network of investors, foundations and Community Development Financial Institutions (CDFIs) that provides underserved entrepreneurs access to capital and technical assistance with a goal of building a path to bankability. Through June 30, EOCF closed $86.7M through 1,500 loans to small businesses in 9 cities, including Atlanta, Chicago, Detroit, Los Angeles, New Orleans, New York, Newark, Oakland, and Washington, D.C.

[5] Written Testimony of Jamie Dimon before the House Financial Services Committee (Sep. 21, 2022).

- Ascend, headquartered at the University of Washington Foster School of Business, provides business education, consulting services, and partnerships to small business owners, aiming to create $1B worth of value with businesses owned by entrepreneurs of color by 2025. Since 2021, Ascend has supported 88 small businesses, leading to nearly $9.5MM in increased revenue for those businesses.
- Loan commitment to the Southern Opportunity And Resilience (SOAR) Fund, which provides flexible, affordable capital and free business support services to small businesses and nonprofits across the south and southeast to help them navigate and rebuild from the Covid-19 economic crisis. SOAR has reached 641 small businesses, of which 71% are minority-owned.
- Direct equity investments in small businesses like Propel, technology platform for low-income Americans that enables users to view their government benefits, access discounts for everyday items, and utilize a debit card and Upswing, a virtual assistant and student services platform focused on engaging non-traditional, adult, and online learners to prevent student dropouts.

Small Dollar Loans

7) To all witnesses, please list and describe any small-dollar consumer loans you offer, including how many consumers use those products, the current APR on those loans, the eligibility criteria, the general terms and conditions, and the maximum amount that a customer can borrow with these products?

We currently do not offer any small-dollar loan products. We continuously review our products and services, and explore all possible options to adapt to needs of our customers.

Banking Deserts

8) For all witnesses, throughout the COVID-19 pandemic, there has been a greater shift to online banking. However, for communities living in rural areas, when physical bank branches close permanently, some customers may lack internet access, or the knowledge of how to navigate online banking, and are forced to turn to expensive alternatives like cash-checking stores or payday lenders.[6] How does your bank interact with clients in rural communities?

a) How do you productively engage with communities that lack reliable broadband internet service?

JPMorgan Chase is committed to serving customers and communities in rural areas. Last year, we provided $40 billion in lending and investments to rural areas and small towns across America to support local farms, agribusiness and manufacturing facilities and to open and expand local grocery stores, healthcare facilities and schools. These efforts help create jobs, drive inclusive growth and boost local economies – and that's why we're looking to do even more over time. Our recent branch expansion made us the first bank to be in all 48 lower states, and are we eying further expansion.

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[6] NPR, *After The Banks Leave* (Apr. 15, 2021).

We have also made significant investments in our digital platform, which customers can access from anywhere, and we provide capital to rural communities by partnering with organizations and intermediaries that are rooted in these communities. We offer an affordable, high quality bank account known as Chase Secure Banking. This Secure Banking account provides all the benefits of our core checking products without the ability to overdraft or write checks, for $4.95/month.

Credit Reporting and Underwriting Practices

9) **For all witnesses, in 2021, Fannie Mae began to incorporate positive rental payment history into its automated underwriting systems, followed by Freddie Mac in 2022. Similarly, according to a recent report from HUD, the Federal Housing Administration (FHA) is working to incorporate positive rental payment history into its automated underwriting policies and processes (AUS). HUD elaborated that doing so could help renters with a strong record of on-time rent payments get credit when seeking to qualify for an FHA-insured mortgage.**
   a) **Does your bank already consider positive rental payment history in the mortgage underwriting process?**
   b) **Please provide a list of other forms of alternative data or credit information that are not typically included on a consumer's credit report, that your bank uses to determine a consumer's creditworthiness for the purposes of underwriting a mortgage.**
   c) **Does the incorporation of alternative data into federal automated underwriting systems, like that of Fannie Mae and Freddie Mac, or FHA, help facilitate the inclusion of rental payment data in the mortgage underwriting process?**
   d) **If you do not currently consider alternative data like positive rental payment history, what are the challenges and barriers to doing so?**

We do consider rental payment history in particular situations, for example for certain manually underwritten FHA loans. We are evaluating broader use of positive rental payment history.

When manually underwriting an FHA loan, additional repayment histories such as rental, payment history, telephone service or utility company references may be considered as compensating or supporting factors to a favorable decision.

The incorporation of alternative data into federal automated underwriting systems does help facilitate inclusion of rental payment data in the mortgage underwriting process. FHA's approach in particular helps facilitate that inclusion since it provides the option to obtain and review rental payment history documents and send an indicator to have TOTAL scorecard evaluate or re-evaluate the customer's qualification using positive rental payment history.

FHA presents fewer challenges since they would only require that lenders implement an indicator to be sent to FHA. The data feeds currently required by Fannie Mae and Freddie Mac as well as the limitation to positive payment rental payments made from a bank account present operational and technology limitations that prolong the timeline to implement.

<u>Equifax's Inaccurate Credit Scores</u>

10) Mr. Cecere, Mr. Demchak, Mr. Dimon, Ms. Fraser, Mr. Rogers, Mr. Scharf, following up to your respective responses to my letter regarding your bank's use of Equifax's inaccurate credit scores, what is the status of your bank's work to identify and remediate all harmed consumers? Specifically:

a) Are you still investigating to identify any harmed consumers? If so, please describe when you expect for your investigation to conclude.

b) How many consumers were wrongfully denied credit based on the use of Equifax's inaccurate credit score?

c) How many consumers were charged more than they should have been based on the use of Equifax's inaccurate credit score?

d) What steps are you taking to remediate harmed consumers, and by when do you estimate that all harmed consumers will be remediated?

We agree with you that accurate credit report information is essential to how loans and other credit products are priced– which directly impact the lives of consumers. We take this seriously and are taking every step necessary on behalf of consumers to minimize negative impacts as a result of Equifax's error.

We have identified potentially impacted customers, and they are currently being validated with our testing and verification teams. Anyone who was harmed will be made whole.

Approximately 1% of applications where Equifax data was used for underwriting were impacted with a denial of credit. Once validated, these customers will be offered an invitation to reapply.

Approximately 0.3% of applications where Equifax data was used for underwriting were charged a higher price than they should have. Again, once validated, anyone who was charged more or otherwise harmed will be made whole.

Impacted customers are being validated through our testing and verification process. Once completed, the small percentage of customers that were initially turned away based on the incorrect Equifax data will be offered an invitation to reapply. Customers who received a higher price than they should have will be repriced appropriately, with excess interest returned. We expect this will be completed before the end of the year.

11) For all witnesses, what systems does your bank have in place to ensure third-party information you receive, such as the credit scores Equifax provides to your bank, is accurate before you utilize the information?

Industry credit scores such as FICO and Vantage score are calculated at the credit bureaus and the algorithms to calculate those scores are proprietary to the companies that developed those scores (Fair, Isaac and Company and Vantage). Those algorithms are not made available to financial institutions to be able to replicate those calculations. The same is true of other data elements received from the credit bureaus. While we have data quality rules to look for anomalies during ingestion, as well as monitoring of stability and data quality post ingestion, we rely on the bureaus to calculate scores and data elements accurately.

12) For all witnesses, do you have a contractual relationship with Equifax?
- **a) What are the terms of your bank's agreement with Equifax?**
- **b) Does your contract include language around liability for the provision and accuracy of Equifax's scores?**
- **c) What does your contract say about liability when the scores your bank received from Equifax are inaccurate?**

We have an agreement with Equifax and are evaluating it for recourse and liability provisions as needed.

Swipe Fees

13) Mr. Dimon and Ms. Fraser, the use of credit cards has steadily increased as a form of payment in recent years, going from 18% based on the number of transactions in 2016 to 28% in 2021. JPMorgan Chase and Citi are among the largest credit card issuers. In 2021, merchants were charged more than $105 billion in credit and debit card fees, with more than $77 billion of those fees relating to credit card transactions. How much revenue from interchange fees did JPMorgan and Citi receive last year?

The vast majority of any revenue we receive is passed on to our customers in the form of credit card benefits and rewards, invested in security and fraud prevention measures, or is paid out to co-branded credit card partners – who in turn also often pass along the benefit to customers.

14) All witnesses, do you hear complaints from small businesses about the swipe fees that they are charged? If so, what should policymakers do to address the concerns of small business owners?

Most merchants recognize that the ability to accept credit cards provide substantial value to their businesses, enabling e-commerce, generally higher spend on credit purchases, and significantly lower costs of cash handling, and their customers benefit through ease of payment, billions in annual rewards and data security.

Diversity and Inclusion

15) All witnesses, the committee has considered various legislative solutions to support greater diversity and inclusion, including mandating the consideration of diverse candidates for all roles or senior roles. Has your bank committed to such a policy?
- **a) Research indicates that considering diverse candidates alone may not lead to more diverse hires; instead, two or more diverse candidates should be considered, and the interviewing slate should also be composed of diverse staff. Is this an approach your bank has considered and/or deployed? If so, can you share what progress you have witnessed using this approach?**

We believe our diversity makes us a stronger company – leading to better ideas and better culture and allowing us to outperform our competitors.

Our hiring managers are expected to consider a diverse slate of candidates when hiring. We hold our most senior leaders accountable for diverse representation and inclusive cultures by incorporating into year-end performance evaluations and compensation decisions.

Commitments to Racial Equity and Support of MDIs and CDFIs

16) For all witnesses, do you have a diverse and inclusive community advisory board that you meet with periodically, such as every quarter, to consult with them when your bank makes decisions regarding which communities you might open or close a bank branch, or to guide the bank's efforts to comply with the Community Reinvestment Act? If not, will you consider establishing one?

We are committed to ensuring the Firm's decisions are informed by diverse perspectives, particularly those of the communities we serve. We are engaging with external stakeholders in a variety of forums. Through our longstanding Chase Advisory Panel program, we facilitate regular conversations among senior JPMorgan Chase executives and consumer policy groups, non-profit organizations, civic leaders, trade associations and diverse chambers of commerce, many of which are sources of information and ideas about how the Firm can promote racial equity through our products, services and approaches. Community Engagement furthers local and national engagement and two-way dialogue with stakeholders. In 2022, Community Engagement held 50 Chase Advisory Panels, listening sessions and other convenings with over 120 community stakeholders to share firmwide updates and solicit feedback on products, services and approaches.

17) For all witnesses, will you commit to commissioning an independent racial equity audit that covers *all* of your bank's operations -- including employment, contracting, investments, and the financial products and services you provide -- and make those findings public?

We retained an independent auditor to hold ourselves accountable to our racial equity commitment. We will prepare and publish a report based on the results of the audit by the end of this year.

18) Mr. Dimon, JPMorgan Chase has committed $30 billion to closing the racial wealth gap. Meanwhile, however, there have been several reports of Black customers being denied service at Chase branches for "banking while Black." In one of these instances, a doctor in Houston, Texas was accused of fraud and denied service when she tried to open an account to deposit her first paycheck. Are you aware of such complaints and how is your banking responding?

a) What steps are you taking to ensure that all customers are treated fairly and with respect, and to build trust with Black customers and other communities of color?

In 2020, we took a hard look at how we do business so that we could gain a deeper understanding of what we can do to root out racism and discrimination anywhere it exists. A group of our senior executives across multiple lines of business and control functions evaluated our policies, procedures and programs firmwide to ensure they are fair for all our customers and employees and consistent with a culture where racism is not tolerated. We challenged our people to be clear-eyed and open to change. As a result, we've identified a number of areas that, with enhanced, scaled or new programming or processes, would serve to improve our culture in important ways. We have also focused on employee and customer complaints — examining common themes, where they originated and where opportunity exists to improve. To be clear, we recognize that this will be an ongoing process, and will always be looking across the whole firm and at everything we do to ensure racism is not tolerated.

Investigating Discriminatory Practices

19) For all witnesses, yes or no, do you believe that racial discrimination occurs in the financial sector?

a) Yes, or no, do you believe that any discrimination that occurs at your bank or any bank is unfair to affected individuals?

Racism has existed for too long — in our country, in our communities — and unfortunately, at times, within the financial services industry and at our own company. But this is not who we are.

Any such behavior — explicit or veiled, deliberate or unconscious — is unacceptable and does not reflect who we are as a company and how we serve our clients and communities every day. All but a relatively small number of JPMorgan Chase employees show up to work every week right-minded and ready to help our customers and make our communities better. When mistakes are made or inappropriate behaviors identified we take action – including terminating employment, and canceling or clawing back compensation.

20) For all witnesses, do you endorse the lawsuit the American Bankers Association and other organizations filed to challenge the Consumer Financial Protection Bureau's efforts to combat unfair discriminatory practices? Why or why not?

We oppose discrimination and support effective anti-discrimination polices, and we adhere to the laws passed by Congress and regulations properly issued by our regulators. The lawsuit challenges the appropriateness of the CFPB's actions, and the courts will need to resolve that dispute.

Executive and Employee Compensation

21) Mr. Dimon, as you know, in 2020, JPMorgan settled a gender pay bias suit for $9.8 million and as part of this settlement agreed to conduct annual pay equity analyses for five years.[7] When was the last time your bank conducted a pay equity analysis?

a) What were the results of that analysis?

b) What additional steps are you taking to support salary disclosure across employees?

We do an annual Pay Equity report and release the results publicly.

Gender and pay equality remain a top priority for JPMorgan Chase. JPMC continues to focus on expanding advancement opportunities for diverse employees, including women. We follow appropriate processes to support our agenda and goals related to hiring, development, advancement and compensation, and cultivate a diverse and inclusive environment at all stages of the employee life cycle.

Abortion Access

22) For all witnesses, since the Supreme Court's ruling in *Dobbs v. Jackson Women's Health Organization*, several states have made accessing abortion services illegal. Data collected by credit card issuers and banks have the potential to serve as incriminating evidence against those seeking reproductive health care. What steps do you plan to take to protect the privacy of your customers and employees seeking reproductive health care?

a) How will you ensure that employees do not face retaliation or discrimination in the workplace based on their personal healthcare decisions?

We take the privacy of our customers and employees seriously and we will comply with the laws the protect customer privacy. We will handle any legal subpoenas and requests for information from law enforcement consistent with our legal obligations.

We have employees in all 50 states, so our focus is on the health and wellbeing of our employees and providing equal access to our plan's full benefits. We have long provided travel benefits for certain health care services that cannot be obtained close to home, which is now available for all covered services.

Criminal Justice

23) Mr. Dimon and Mr. Moynihan, In 2020, the FDIC issued a new rule to narrow the crimes that are subject to Section 19 of the Federal Deposit Insurance Act which limited employment opportunities or required employers to obtain written consent for a potential employee to work for the bank. What steps are you taking to recruit, hire and promote justice-involved individuals?

In 2021, more than 4,300 people with arrest or conviction records joined JPMorgan Chase, thanks to concerted efforts to clear pathways for these candidates. Over the last several years, we adjusted our hiring practices and have been a leader in "banning the box" on job applications so qualified

[7] U.S. Department of Labor, "JP Morgan Chase Agrees to Pay $9.8 Million to Resolve Gender Discrimination Allegations" (Nov. 12, 2020).

applicants with criminal backgrounds receive the same consideration as any other applicant. We are actively supportive of the Fair Hiring in Banking Act in both the House and the Senate, and are advocating for Clean Slate policy reforms in Congress and at the state level. We collaborate closely with nonprofit organizations in local communities like Chicago, Columbus and Phoenix on preparing workers for our talent pipeline. We also proudly led the creation of the Second Chance Business Coalition, which currently includes 44 large cross-sector private-sector firms committed to expanding second chance hiring and provides employers with a set of tools, relationships and expertise to hire and provide career advancement and greater economic opportunities to people with criminal records.

Specifically, we have taken a number of steps to broaden our potential talent pool and create more inclusive inroads to careers at our Firm by actively reducing barriers to employment for individuals with criminal records. We started in 2018 with the decision to "ban the box" by removing questions about criminal records from our job applications in the U.S. Next, we developed a program to work with community and legal aid organizations to proactively grow a pipeline of potential employees with criminal justice involvement, whose records fit within industry guidelines, to fill open roles. In 2019, we piloted this Second Chance community-based hiring program in Chicago and have since expanded the model to Columbus, Ohio; Phoenix, Arizona; Wilmington, Delaware; and Detroit, Michigan with plans to bring it to additional cities. Through the program, we collaborate with local legal services providers and other nonprofit organizations, which provide job seekers with mentorship and training to prepare them for employment opportunities. Our recruiters coordinate directly with the nonprofit to identify open roles and potential candidates, who are then connected with hiring managers within our Firm. Through these and other efforts, we hired approximately 4,300 individuals with criminal backgrounds in 2021, approximately 10% of our new hires in the U.S.

Through the JPMorgan Chase PolicyCenter, our Firm is developing and advancing sustainable, evidence-based policy solutions to help remove barriers to employment for people with criminal records. We are focused on supporting reforms to industry hiring rules by working with the Federal Deposit Insurance Corporation ("FDIC") and Congress to modify Section 19 of the Federal Deposit Insurance Act rules for people with convictions for certain low-risk crimes to qualify for jobs in the banking industry. In 2018 and 2020, JPMorgan Chase was pleased to support the proposed changes to the Statement of Policy for Section 19 of the Federal Deposit Insurance Act ("Section 19") and submitted comments for consideration on the FDIC's proposed changes. This year, JPMorgan Chase supported the passage of the Fair Hiring in Banking Act in the U.S. House and has worked to advance a companion measure introduced in the U.S. Senate.

In addition, we are supporting community organizations that equip people with criminal records with the skills, resources and connections to get on a career pathway. For example, in 2021 we committed $12.5 million to help community organizations in cities like Los Angeles, New York, Seattle, Chicago, Nashville and Wilmington connect people with criminal records to in-demand, well-paying jobs and other tools to achieve their financial goals.

<u>Digital Assets, including Cryptocurrency</u>

24) **For all witnesses, what is your bank's current position on central bank digital currencies (CBDCs), and how might your daily operations be impacted if the Fed started to issue a CBDC?**

a) **In your view, which technical design choices will ensure that a future CBDCs furthers financial inclusion, and does not hinder it?**
b) **Which design choices are likely to create challenges to increasing financial inclusion?**

JPMC fully supports the policy objectives of increasing financial inclusion and improving the efficiency of cross-border payments. Nonetheless, as the FRB Federal Reserve Board (FRB) acknowledges, the introduction of a CBDC could introduce significant new risks to the U.S. financial system. Consequently, the introduction of a CBDC should be approached with caution and supported by clear evidence that it will further these policy objectives without the introduction of undue costs or excessive risks. It is also important to note that there are a number of private sector initiatives that are already underway to address the objectives identified by the FRB, many of which have significant momentum and are making meaningful progress towards achieving these goals. As such, a U.S. dollar CBDC should include an analysis of incremental benefits and incremental costs vs these existing and in-flight efforts.

JPMC wholly supports the goal of increasing financial inclusion and, to this end, has taken a number of steps through our Chase brand. If the FRB seeks greater financial inclusion as a primary goal in issuing a CBDC, more research should be conducted against a detailed design proposal to understand the likelihood of lower-income and unbanked Americans utilizing a CBDC to manage their finances to ensure this effort would have any real impact on financial inclusion.

Fintech and AI

25) **For all witnesses, the Fed has stated that "financial institutions may place a hold on FedNow payments received where there is reasonable cause to believe that a FedNow payment may be related to fraudulent activity."[8] What technical strategies has your bank adopted or are working to adopt in order to ensure protection of consumer information as our payment systems evolve?**

Consumer protection is paramount at JPMC. JPMC is considering all reasonable technical strategies for ensuring the protection of consumer information as our payment systems continue to evolve. This consideration is backed by significant investments in technology meant to enable the implementation of any strategies that are deemed to be appropriate. We make extensive investments in technology for a broad range of reasons, from improving operations and security to enhancing our products and services. More information on these technology investments can be found in my most recent shareholder letter, which may be found here.

26) **For all witnesses, emerging artificial intelligence (AI) technologies, including Machine Learning, can potentially offer a broad range of benefits for both financial institutions and regulators. How does your bank utilize regulatory technology in their daily operations?**
    a) **On the other hand, some studies have shown that lending algorithms have unwittingly caused discrimination based on race or even educational attainment.**

[8] NCLC, *New FedNow Rules Lack Fraud Protection* (May 19, 2022).

How do you ensure that your bank is not feeding biased data into the algorithms you use, and that AI is not perpetuating discriminatory outcomes for protected classes of borrowers?

JPMC continues to invest significantly in AI and machine learning (ML) capabilities and, as with any new technology, proceeds in a controlled manner. We are implementing responsible AI practices to promote beneficial uses of AI and safeguard stakeholders, including customers, from harms or risks associated with AI, while acting ethically as individuals and institutions. This involves defining what a given model is good at and not good at, and incorporates considerations of interpretability, fairness, bias, and robustness, expressed in common language and applied throughout the model development lifecycle including through post-production model monitoring, in addition to applicable technology and data controls.

Addressing fraud was an important early use case of how emerging technologies can be beneficial to consumers. For several years we have used a ML model to estimate credit-card transaction fraud probability to assist in Point of Sale authorization decisions. As a result, we have seen a significant reduction in fraud loss and operational expense. Our annual fraud losses have come down 14% since 2017 (a reduction of $100mm) despite payment volumes being up almost 50%. The model also supports a better customer experience: About 1MM legitimate transactions are approved annually that would have been declined otherwise.

27) For all witnesses several non-bank fintech companies offer "earned wage access" products allowing consumers to access wages they have earned but have not yet been paid.[9] Has your bank considered offering "earned wage access" opportunities to its employees or customers?

We're always listening to our customers and seeking ways to give them more access and greater value. While we do not currently offer an earned wage access product, we do allow customers with our Chase Secure Banking accounts to access their direct deposits – which includes payroll, government benefits, pensions and tax refunds – up to two days early. This is one way we can help those households who struggle to deal with an unexpected expense.

At a time when budgets are already stretched, our early direct deposit offering helps customers get a head start in paying their bills and avoid potential late fees. Chase Secure Banking already helps customers pay bills, cash checks, and send money — all for the same $4.95 monthly service fee. Secure Banking customers:

- Need no minimum deposit to get started
- Pay no overdraft fees
- Have access to 16,000 Chase ATMs and 4,700 branches
- Can check on their account and pay bills through the Chase Mobile app and chase.com
- Receive text and email alerts to help them monitor their balance and transactions

[9] Forbes, *How Earned Wage Access Can Upend Predatory Lending And Build Employee Financial Wellness* (Feb 5, 2021).

Sanctions

29) For all witnesses, is it correct that following the unprovoked Russian invasion of Ukraine, your firms have ceased some or all of your operations in Russia and Belarus (including subsidiaries and affiliates)? Can you please elaborate?

a) **Where you have continued to engage, can you please describe your firm's efforts to avoid the violation of U.S. sanctions related to Russia and Belarus?**
b) **Can you please describe how your firms manage the Office of Foreign Assets Control (OFAC) 50-percent rule in determining whether a customer is one with which your firm can do business? (For example, does your firm draw a line at 49.9%? Do you do enhanced due diligence for any ownership above 40%? Does your bank apply different standards in different components/services of the business?)**
c) **Can you please describe the scrutiny that your firm conducts on third parties, such as firms with Chinese or Indian operations, to ensure that your customers are not engaging in sanctions violations with Russian and Belarusian sanctions targets?**

The sanctions on Russia imposed by the US, UK and EU are very broad and complex, and we have worked diligently to implement them. This is an ongoing process as both sanctions and the related guidance continue to evolve. We are working in lock step with the government throughout the process.

We rely on our policies and procedures, including risk-based due diligence, that have been reasonably designed to promote compliance with sanctions, including the "50% Rule." Such policies and procedures reflect both the applicable legal prohibitions as well as any related guidance. Likewise, we have policies and procedures reasonably designed to promote compliance with all applicable sanctions, including sanctions-related due diligence questionnaires designed to assess Russia-related sanctions risks.

30) To all witnesses, on September 14, 2022, the Honourable Mia Amor Mottley, QC, MP, the Prime Minister of Barbados, testified in front of the House Financial Services Committee. In her testimony, she shared that over the last decade, the nations and territories of the Caribbean region have been experiencing a steady decline of available cross-border financial services, including correspondent banking services. In some cases, banks had withdrawn completely from individual countries and in other cases, the time to open an account or to process a transaction could be months long.

a) Can you please describe the cross-border financial services that you offer in the Caribbean and how those services have changed over the last 10 years? Over the next year, does your institution expect to expand, contract, or continue existing services in the region? What are the reasons for any changes in activity?

b) Where your institution has pulled back on available services, did international lists (such as the European Union's list of non-cooperative jurisdictions for tax purposes or the U.S. State Department's International Narcotics Control and Strategy Report) factor into those decisions?

JPMorgan offers, on an offshore basis as allowed by the respective countries, the following cross border products and services to clients in the Caribbean:

- Investment Banking: strategic advice in mergers & acquisitions and debt and equity capital raising to corporations, institutions, and governments
- Payments: cash management, liquidity and trade solutions for financial institutions and corporate clients
- Lending: syndicated and bilateral lending
- Markets: market research and trade execution across multiple asset classes including fixed income, equities, and FX
- Securities services: custody, collateral management, and depositary receipts programs
- Wealth Management: wealth management for individuals and family offices
- Asset Management: portfolio management for institutional investors and corporations

Financial services offered to clients in the Caribbean haven't changed substantially over the last 10 years. On the Payments side, focus on corporate clients has been expanded and the correspondent banking portfolio has grown over time. In Asset Management, JP Morgan started offering its offshore family of funds and ETFs to institutional and corporate clients. No material changes are expected in the services offered by JPMorgan to clients in the Caribbean over the next year. However, JPMorgan's financial services offering is constantly evolving to incorporate new technologies and adapt to clients' needs.

JPMC has grown its Correspondent Banking client portfolio in the Caribbean over time and when doing so considers a large number of factors in its due diligence in order to enter into a new client relationship or to expand an existing one. International lists form one of a number of factors that we evaluate in our overall due diligence process and we would look to specifically understand why a jurisdiction appeared on a list and then assess those related risks as we reviewed the compliance program of the respective potential new or expanded Correspondent Bank relationship.

31) For all witnesses, at the September 14, 2022, hearing entitled, "*When Banks Leave: The Impacts of De-Risking on the Caribbean and Strategies for Ensuring Financial Access*," witnesses discussed the role that volume and profit can play in attracting larger financial institutions to offering cross-border financial services like correspondent banking. Among the proposals made were (a) that the Caribbean region harmonize anti-money laundering law across nations, lowering the cost to correspondent banks wishing to do business in the region, (b) that a "middleman" or "hub" bank be established to merge the volume of transactions from across small nations, perhaps at a government institution like the Eastern Caribbean Central Bank, and (c) that small and medium banks should be encouraged to enter the correspondent banking business.

a) What are your institution's views on the practicality and attractiveness of these concepts in terms of securing or expanding your institution's cross-border financial services offerings in the region?

b) What other proposals might your institution suggest to make the region more attractive to your institution, in terms of offering cross-border financial services to the countries and territories of the Caribbean?

There are a number of options available to policymakers. Our view is that harmonizing the AML law across the nations would be an attractive concept as it would be easier for a bank providing correspondent banking services to assess the compliance program of banks across the region. We are happy to engage in future discussions of these proposals with your staff.

32) For all witnesses, China ranked 21 of 128 on the recently released Basel AML Index. In 2020, the U.S.-China Economic and Security Review Commission issued a report that detailed concerns with financing, shadow banking, and oversight of the Chinese banking industry.[10] Chinese fintech firm Tencent has been identified as highly deficient in its money laundering controls. Additionally, Chinese firms are regularly named as facilitating evasion of sanctions in support of North Korea's increasingly bellicose government. Your banks do business in China and with firms based there, as well as around the globe. How you manage those relationships with an eye towards the inherent risks, including safety and soundness, anti-money laundering, and sanctions risks, especially in an environment where geopolitical issues involving China, like the security of Taiwan and Ukraine, are in the headlines?

> **a) Please provide examples of how your bank manages those relationships.**
>
> **b) What support from government, industry or conducted collaboratively through public-private partnerships have made a difference or could help with mitigating risk?**

We take these concerns seriously. For an additional description of JPMC's approach to risk governance, please refer to the Firmwide Risk Management section of JPMC's Annual 10-K filing with the Securities and Exchange Commission. For ease of reference, in the most recent 10-K, the discussion of risk management starts on page 81 here.

[10] USCC, *China's Banking Sector Risks and Implications for the United States* (May 2020).

Rep. Ralph Norman

Question for each CEO/bank:

1. **Yes or No: Are we in a recession?**

   Positive indicators for the economy include continued strong consumer spending and balance sheets fueled by economic stimulus, historically low charge off rates and ongoing positive jobs reports.

   Negative indicators for the economy include the highest inflation in 40 years, which has been eroding real incomes – as seen in increased gas and food prices – and exacerbated by supply chain disruptions. Geopolitical volatility and the devastating war in Ukraine remain a persistent threat, as evidenced by the slowing European economy. Additionally, the Federal Reserve's quantitative tightening and rate hikes are unprecedented. Many Americans are feeling pain, and consumer confidence continues to drop.

   We are prepared for whatever happens and will continue to serve our customers and clients even in the toughest of times – as we have always done.

2. **These are the highest mortgage rates (above 6%) since 2008 and when Biden took office, they were under 3%.**
   a. **What concerns are you each seeing in these trends?**

   The increased rate environment as a result of tightening monetary policy and the Federal Reserve's attempt to tame inflation has clearly made borrowing costs for a home purchase more expensive. Additionally, the rising rate environment is leading to home builders reducing the number of new homes they are willing to build, which is contributing to the housing shortage.

3. **Since it's getting more unaffordable to buy a home, are we going to see Biden following the same path as George W. Bush in allowing for subprime mortgages putting people in homes they cannot afford?**
   a. **For example, litigation we've seen from Ambac over junk mortgages during the financial crisis is a good reminder of the harm caused by selling homes to people who cannot afford them. Are yalls standards strong enough to protect against mass defaults as interest rates rise? Are yall confident in your mortgage portfolio?**
   b. **We want to ensure the market can correct itself before too much – if any government – intervention in this space again.**

   We won't speak for any Administration. We continue to lend responsibly.

4. **You all mentioned during the hearing that ESG compliance will soon cost into the hundreds of millions of dollars in the years to come.**
   a. **Yes or No: Would you agree that complying with an ESG-focused agenda means sacrificing company returns?**

We believe the scale and reach of our business and our approach to Environmental, Social and Governance ("ESG") matters contributes to a more inclusive economy, which ultimately helps to support and grow our business. Developing valuable products, serving our customers fairly, supporting our employees and lifting our communities make us more competitive and contribute to the success of our company.

Rep. Alex Mooney

Questions for all witnesses:

1. **What role does your institution play in determining which merchant category code (MCC) a merchant falls under?**
2. **Activists successfully pressured the International Organization for Standardization (ISO) to adopt this new MCC for firearm retailers. Do you believe it was appropriate for the ISO to reverse course and adopt a new MCC it previously rejected and payment networks reportedly did not support based on public pressure?**
3. **Does your institution plan to go back and recode businesses and past purchases that may now most closely fall under the new MCC?**
4. **Do you have a policy that would require any business in the firearm industry to meet criteria that goes above and beyond Federal, State, or local law or regulation? Yes or No? If yes, please describe policy and why you have.**
5. **Does your bank lend to companies that manufacture or sell modern sporting rifles, so long as they are lawful under federal, state, and local law and compliant with federal, state, and local regulations? Yes or No? If yes, please explain. If no, has it ever?**
6. **Does your bank lend to companies that manufacture or sell long guns to non-prohibited individuals ages 18 to 21, so long as it is lawful under federal, state, and local law and compliant with federal, state, and local regulations? Yes or No? If yes, please explain. If no, has it ever?**
7. **Does your bank lend to companies that manufacture or sell magazines, regardless of their capacity, so long as they are lawful under federal, state, and local law and compliant with federal, state, and local regulations? If yes, please explain. If no, has it ever?**
8. **Activists expect this new MCC to be used to help flag "suspicious" gun purchases. What in your mind constitutes a "suspicious" purchase? Do you believe this MCC will provide helpful information in combating gun-related crimes, or do you believe you already have sufficient information to make these determinations?**
9. **The implementation of this new MCC may cause gunowners to purchase firearms with cash rather than payment card. Doesn't this make flagging legitimate suspicious transactions more difficult?**
10. **What can you say to West Virginians to ensure them that this decision will not be used to restrict their Second Amendment rights?**

JPMC has many relationships with firearms retailers and manufacturers. In fact, JPMC has more than 5,000 clients with federal firearms licenses. We do not prevent legal credit card purchases of firearms. We do not finance manufacturers of military-style weapons for civilian use.

The International Organization for Standardization (ISO) recently imposed a new MCC for firearm retailers. The card networks determine the rules and guidelines for use of the new code (not banks or payment processors), which we will review and take appropriate steps to incorporate. Any participant of the card networks, including retailers who want to accept payments, must follow the rules of the networks or face fines or limited access to the network. We are required by law to report suspicious activity as defined by FinCEN, but the mere act of a legal purchase at a firearms retailer identified by the new MCC code would not fit this definition. Otherwise, it is our policy to not turn over private customer information or transactions absent a lawful subpoena.

Rep. Al Green

I am interested in the details of your Special Purpose Credit Program. I understand that bank regulators are encouraging major leaders to focus this program toward minority communities. Please provide specific information, including the following:

1. **Terms of the mortgage: down payment, closing costs, principal reduction**
2. **Underwriting criteria: credit score, alternative credit, debt-to-income, housing debt-to-income, other criteria**
3. **Interest rate: fixed rate, loan term, credit score based, other criteria**
4. **Eligibility: maximum mortgage amount, maximum income**
5. **Where is it available: what communities, census tracts**
6. **Type of property: single family, condos, multi-family, purchase and rehab**
7. **Total mortgage commitment: total mortgage amount, how long the program will be available**
8. **Housing counseling: required by a HUD-approved counselor, counselors identified, counseling requirements**
9. **Future expansion**
10. **Reporting requirements**

In 2021, Chase doubled our Homebuyer Grant program – our special purpose credit program (SPCP) – to $5,000. Our program aims to help more customers with two of the biggest obstacles to homeownership: closing costs and down payment assistance. The program was launched in approximately 6,700 majority-Black census tracts, and was expanded in 2022 to include approximately 4,775 majority-Hispanic and Latino census tracts in 20 markets across the country. Our SPCP is available on DreaMaker, Standard Agency, FHA and VA mortgages, and can be used toward closing costs, down payment, and/or for mortgage points that can reduce the interest rate. It can also be combined with our $500 Homebuyer Education Benefit when purchasing a home with a DreaMaker mortgage and completing an approved course. The program is location-based (not income-based nor race-based) and is available on properties located in designated census tracts. We also offer a $2500 homebuyer grant in low-to-moderate income communities.

We do not require housing counseling in order for customers to receive the SPCP benefits. Our SPCP is available on primary residence for 1-4 Unit properties (includes condo/co-op). We do not offer rehab loans. Jumbo and investment loans are excluded from the SPCP, but we otherwise follow our standard guidelines.

We follow applicable requirements concerning periodic re-evaluation of the need for the SPCP. With regards to future expansion and reporting requirements, we are closely monitoring the SPCP to inform any future changes, and provide periodic reports to our regulators.

Rep. Lance Gooden

Mr. Dimon, in early 2019, you announced that your bank would no longer provide lending or banking services to The GEO Group and CoreCivic, two long-standing federal contractors who provide essential government services through their operation of nearly all the U.S. immigration detention beds in this country. This decision fundamentally impacts U.S. immigration policy through your underwriting decisions, which have nothing to do with these contractors' creditworthiness and everything to do with political pressure to achieve partisan goals.

What caused your bank to abruptly reverse course ending your financial relationship with these essential federal government contractors, despite an excellent debt repayment record and strong credit profile?

Did you or anyone on your board of directors meet or communicate by phone, email, or text message with any immigration advocacy groups or individuals regarding the decision to stop lending to federal contractors who provide the majority of the U.S. immigration detention beds in this country?

While we will not comment on individual client relationships, we no longer bank the private prison industry. We have a robust process in place and are constantly evaluating with whom we do business, and there are many factors that we take into consideration when we make our decisions. In the normal course of business, we use risk-based assessments to determine legal, credit, market, regulatory and reputational risks, as expected by our regulators.

Rep. Chuy Garcia

1.Over 7 million people in the U.S. are unbanked. These people are disproportionately Latino, Black, and low-income. Research by the Consumer Financial Protection Bureau (CFPB) found that banks rely heavily on overdraft and non-sufficient funds (NSF) fees for revenue, resulting in large fees for consumers and posing serious risks to them. Given the large unbanked population and the risk bank fees pose to consumers, do you believe the Federal Reserve Board should offer everyone in the U.S. a free bank account that they can use to make normal transactions, free from fees?

We agree that more can be done to increase banking services for the unbanked. But we believe banking is best done by regulated banks.

We should continue to encourage more banks to offer low-cost BankOn-certified products, intended to ensure everyone has access to a transactional account. Today there are hundreds of BankOn-certified accounts available, with opportunities for further growth. Recent FDIC data indicates 1.2 million more households are banked today than in 2019, with national unbanked numbers at their lowest since the FDIC's survey began in 2009. Chase's BankOn-certified product, Secure Banking, provides all of the benefits of our core checking products, without the ability to overdraft or write checks for a low, fixed monthly fee. In addition to our product offering, Chase has provided seed philanthropic support to Bank On since its inception.

With regards to fees generally, we charge fees so we can continue to offer services our customers value. Our fees are fair, competitive, and clearly disclosed – compliant with multiple laws and regulations. We also refund many types of fees when customers notify us of a hardship, and continuously make adjustments to our products to best serve our customers' needs.

2. In making a commitment to achieve net zero financed emissions by 2050, you're committing to evaluating the carbon footprint of every company you finance. But there's no standardized, mandatory methodology for measuring or reporting emissions, even by public companies. The Securities and Exchange Commission (SEC) is considering an update to its climate disclosure rules, including potentially making such disclosures comparable and mandatory.

- **Do you support mandatory disclosure of emissions by public companies?**
- **If yes: How would mandatory disclosure make it easier for you to meet your net zero goals? Are you planning to submit information to the SEC to that effect?**
- **If not: How can we trust that you will be able to accurately report your level of financed emissions in a way that's comparable across banks? Do you consider this data to be of material value to your investors?**

We support effective climate disclosure that provides investors with decision-useful information about how companies are managing material risk to their business. For these reasons, we already disclose information on climate, including on how we manage climate risk. Unfortunately, the SEC proposal has elements that would require disclosure that is unworkable and would not result in useful information for investors.

3. Many of the banks represented here have been accused of discriminating against individuals of Iranian heritage, along with other MENA communities, in your efforts to comply with US sanctions and anti-money laundering regulations. This results in significant harm to ordinary people who are barred from financial services through no fault of their own, throwing their finances and life upside down. Is your bank aware of this problem, and is it taking steps to safeguard vulnerable communities from over-enforcement or de-risking, while continuing to comply with US regulations?

We oppose any and all forms of discrimination.

4. From 2020 to 2021, your pay has increased from \$31.7 million – an already staggering figure – to \$84.4 million. This increase in pay was so egregious that only 31% of shareholders voted to support it. Your pay for 2021 is over 900 times the pay of the average Chase employee. What makes you worth over 900 times more than the average Chase employee? Why was your pay increase allowed to move forward when only 31% of shareholders supported it?

Our independent Board of Directors determines the CEO's compensation and outlines its criteria in our proxy statement. The CEO's compensation is aligned to JPMorgan Chase's short-, medium-, and long-term performance, with approximately 85% of the variable pay deferred into equity, of which 100% is in at-risk performance share units. The shareholder vote referenced was for a one-off award from the Board reflecting exemplary leadership and to help ensure a successful leadership transition. The award will not vest for five years, and no vested shares would be able to be sold for an additional five years. The options would be worthless if the stock does not appreciate.

We compete for the best talent at all levels to best serve our customers and clients, and our record on salaries, benefits and workforce investments reflects that. We already pay at or above the local minimum wage for all positions in the firm, with entry-level annual compensation (for a 40 hour work week) between \$41,000 to \$52,000 a year – higher than any state minimum wage, by a good deal. In July, we raised the minimum base pay for U.S. overtime-eligible employees to between \$20 -- \$25 per hour, depending on work location. Additionally, more than 50,000 longer-tenured and/or experienced overtime-eligible employees who were at or slightly above the new minimum also received base pay increases in July. In the last five years, we have more than doubled our average minimum pay with steady increases, and nearly 70% of employees who started at JPMC before 2017 with a salary under \$40,000 are still at the company – and have experienced an average salary increase of 50% since that time. We also offer a comprehensive benefits package which is valued, on average, at approximately \$16,035 per employee for this population.

Via Electronic Mail
The Honorable Maxine Waters
Chairwoman
U.S. House Committee on Financial Services
United States House of Representatives
2129 Rayburn House Office Building
Washington, DC 20515

November 21, 2022

Dear Chairwoman Waters:

Thank you for the opportunity to testify before the United States House Financial Services Committee on September 21, 2022. We have enclosed Citi's written responses to the Committee's questions for the record.

Sincerely,

Citi

cc: The Honorable Patrick McHenry, Ranking Member

Questions for the Record from Chairwoman Maxine Waters

Full Committee Hearing, entitled "Holding Megabanks Accountable: Oversight of America's Largest Consumer Facing Banks"

Wednesday, September 21, 2022 at 10:00 a.m. ET

1. **Mr. Cecere, Mr. Demchak, Mr. Dimon, Ms. Fraser, Mr. Moynihan, Mr. Rogers, Mr. Scharf**, I expressed disappointment at the end of the hearing on September 21st that you were not responsive in your written testimony to some of the questions that were informally provided to your representatives on July 1st, well in advance of the hearing, and included in the formal invitation letter you later received. I ask that you fully respond in your written response to each of those unanswered questions. Specifically:
   - **Mr. Cecere**, please provide a detailed response to questions #2, #4, #5, #7, #10, #12, #13, #14, #15, #20, #21
   - **Mr. Demchak**, please provide a detailed response to questions #2, #3, #6, #10, #11, #12, #14, #15, #18, #21
   - **Mr. Dimon**, please provide a detailed response to questions #2, #4, #6, #7, #10, #12, #14, #15, #20, #21
   - **Ms. Fraser**, please provide a detailed response to questions #2, #3, #6, #10, #11, #15, #21
   - **Mr. Moynihan**, please provide a detailed response to questions #2, #3, #9, #10, #15, #21
   - **Mr. Rogers**, please provide a detailed response to questions #3, #10, #15, #21
   - **Mr. Scharf**, please provide a detailed response to questions #2, #3, #6, #10, #15, #20, #21

Housing, Mortgage Lending, and Servicing

2. **For all witnesses,** research demonstrates that a lack of access to small-dollar mortgage loans is a key barrier to homeownership for many families with low and moderate incomes. According to the Urban Institute,[1] potential buyers of low-cost homes, which require smaller-size mortgage loans, face higher denial rates than buyers who need larger loans, in both the government and conventional channels.
   a. What programs or approaches are your banks considering to improve access to small-dollar mortgages for low-income borrowers and other underserved borrowers?
   b. Has your bank considered developing a special purpose credit program to ensure that more small-dollar mortgages are available for borrowers that need this financing to buy a low-cost home?
   c. One of the proposals noticed at the September 21st hearing would give lenders credit on their CRA exams for originating mortgages under $100,000. Would this

be an incentive for your bank to make more loans of that size? What else should Congress consider in order to encourage more lenders to originate small-dollar mortgage loans?

d. What steps can your bank take to, either directly or perhaps in partnership with CDFIs and MDIs, support the origination of small-dollar business loans for Millennials and other young entrepreneurs?

3. **For all witnesses,** during the pandemic, millions of homeowners have fallen behind on their mortgage payments and other housing costs. This is especially true for Black and Latinx homeowners who have been twice as likely during this time to be behind on their mortgage payments. In order to protect families and prevent a repeat foreclosure crisis, Congress passed a $10 billion Homeowner Assistance Fund (HAF) in the American Rescue Plan Act, which this Committee worked hard to secure. Today, nearly every State and tribal government has received funding from the Treasury and has opened their applications to homeowners.
   a. Please provide how many of your customers have received loss mitigation, listing the number of customers who received each the type of treatment (e.g. forbearance, deferment, modification) your bank provided.
   b. How many customers who received forbearance have remained delinquent once they exited a forbearance period and what is your bank doing to assist them?
   c. Is your bank connecting borrowers with their state administered HAF program before initiating any foreclosure processes? If so, please provide the volume of payments you have received, the number of customers served, and how many of your customers have applied for HAF assistance.
   d. What else is your bank doing to prevent foreclosures and connect borrowers to HAF programs in their state?

4. **For all witnesses**, research has shown that banks' CRA lending has contributed to neighborhood gentrification and the displacement of long-time residents, who are often lower income households and people of color, by financing housing for higher income renters and higher income homebuyers moving into gentrifying areas.[2]
   a. Does your bank invest in the development or preservation of affordable housing, and if so, how? Please include what share of households are served by these investments in terms of their level of area median income (AMI).
   b. As a share of your CRA investments, how much does your bank invest each year in affordable housing? Please include what share of households are served by these investments in terms of their AMI level.
   c. What steps does your bank take to ensure that the financing you provide does not lead to the displacement of a community's residents, especially low-income families and people of color?

5. **For all witnesses,** a recent study by Freddie Mac[3] showed that 12.5% and 15.4% of homes appraised in majority-Black and majority-Latinx communities, respectively, are valued below the contract purchase price. Those figures compare to 7.4% of homes in majority-White neighborhoods. Disparities in home valuation, including appraisals,

contribute to borrowers of color being denied mortgage lending and locks them out of homeownership and wealth-building opportunities.

a. What share of your in-house appraiser panels are made up of appraisers of color and female appraisers?
b. Does your bank contract with any or women-owned Appraisal Management Companies (AMCs) or those owned by people of color? If so, what share of your appraisal business goes to AMCs are owned by women or people of color?
c. Your bank is responsible for setting the stage for consumers by establishing appraisal fair lending compliance standards and reconsideration of value policies (ROV) that allow consumers to contest appraisals. What is your current ROV policy and how do you make borrowers aware of this policy? Does your bank track ROV-related data, such as the number of ROV requests that are granted annually, which borrowers are requesting them, how many resulted in corrected home valuations, and what the average appraisal gap is? If so, please share what type of data is collected.
d. What processes do your banks have in place for reporting appraiser malpractice, possible appraisal discrimination, or fair lending compliance issues with AMCs?
e. Does your bank currently rely on Automated Valuation Models (AVMs) to conduct home valuations or fair lending compliance, and are you supportive of federal regulations that seek to require affirmative non-discrimination requirements in the development and maintenance of AVMs?

Small Business Lending and Support

6. **Mr. Moynihan**, in a press release from last month, your bank announced a new program for women-owned businesses and businesses owned by people of color applying for Small Business Administration (SBA) 504 and 7(a) commercial real estate loans.[4] The press release also stated that the commercial real estate properties must be located in certain Opportunity Zones. A 2018 article from Brookings questioned whether Opportunity Zones would spur targeted investment for underserved communities or act as an incentive for gentrification.[5]
   a. Why did Bank of America decide to focus on properties located in Opportunity Zones?
   b. How will you ensure that your bank's new program to support small businesses will support, and not harm, local communities?

7. **For all witnesses**, while many banks are migrating many of their banking products and services online, according to research[6] from the National Community Reinvestment Coalition, many small businesses continue to rely on local bank branches for access to a loan. In fact, the research shows that among the most important predictors of the amount of small business lending by large banks in metropolitan areas are the number of branch locations and county level GDP. Please describe how small business owners typically engage with your bank?
   a. Do most of your small business customers engage online or via digital channels, or are they coming into a bank branch to apply for credit and to access other services?

b. What is your bank doing to ensure that branches are located and accessible in communities where local residents as well as small business owners are seeking credit?

8. **Mr. Dimon**, according to your testimony,[7] in 2021, JPM announced a five-year, $350 million commitment to grow small businesses and underserved entrepreneurs through low-cost, long-term capital and technical expertise for underserved entrepreneurs. How many small businesses have you served through this commitment, and how much capital has already been received by those businesses?
    a. How soon do you expect to reach your goal of $350 million, and would you consider increasing the commitment if you ahead of time?

Small Dollar Loans

9. **To all witnesses**, please list and describe any small-dollar consumer loan you offer, including how many consumers use those products, the current APR on those loans, the eligibility criteria, the general terms and conditions, and the maximum amount that a customer can borrow with these products?

Banking Deserts

10. **For all witnesses**, throughout the COVID-19 pandemic, there has been a greater shift to online banking. However, for communities living in rural areas, when physical bank branches close permanently, some customers may lack internet access, or the knowledge of how to navigate online banking, and are forced to turn to expensive alternatives like cash-checking stores or payday lenders.[8] How does your bank interact with clients in rural communities?
    a. How do you productively engage with communities that lack reliable broadband internet service?

11. **Mr. Demchak,** according to the committee's analysis, the number of PNC bank branches declined over the past 12 years, before your branch numbers increased after your acquisition of BBVA. Does PNC plan to resume the trend of closing branches as you did before the BBVA acquisition?

Credit Reporting and Underwriting Practice

12. **For all witnesses**, in 2021, Fannie Mae began to incorporate positive rental payment history into its automated underwriting systems, followed by Freddie Mac in 2022. Similarly, according to a recent report from HUD, the Federal Housing Administration (FHA) is working to incorporate positive rental payment history into its automated underwriting policies and processes (AUS). HUD elaborated that doing so could help renters with a strong record of on-time rent payments get credit when seeking to qualify for an FHA-insured mortgage.
    a. Does your bank already consider positive rental payment history in the mortgage underwriting process?

b. Please provide a list of other forms of alternative data or credit information that are not typically included on a consumer's credit report, that your bank uses to determine a consumer's creditworthiness for the purposes of underwriting a mortgage.
c. Does the incorporation of alternative data into federal automated underwriting systems, like that of Fannie Mae and Freddie Mac, or FHA, help facilitate the inclusion of rental payment data in the mortgage underwriting process?
d. If you do not currently consider alternative data like positive rental payment history, what are the challenges and barriers to doing so?

Equifax's Inaccurate Credit Scores

13. **Mr. Cecere, Mr. Demchak, Mr. Dimon, Ms. Fraser, Mr. Rogers, Mr. Scharf,** following up to your respective responses to my letter regarding your bank's use of Equifax's inaccurate credit scores, what is the status of your bank's work to identify and remediate all harmed consumers? Specifically:
    a. Are you still investigating to identify any harmed consumers? If so, please describe when you expect for your investigation to conclude.
    b. How many consumers were wrongfully denied credit based on the use of Equifax's inaccurate credit score?
    c. How many consumers were charged more than they should have been based on the use of Equifax's inaccurate credit score?
    d. What steps are you taking to remediate harmed consumers, and by when do you estimate that all harmed consumers will be remediated?

14. **Ms. Fraser**, how soon did Citibank notify the CFPB after you learned that through the use of these inaccurate credit scores from Equifax, consumers applying for credit from your bank were harmed?

15. **For all witnesses**, what systems does your bank have in place to ensure third-party information you receive, such as the credit scores Equifax provides to your bank, is accurate before you utilize the information?

16. **For all witnesses**, do you have a contractual relationship with Equifax?
    a. What are the terms of your bank's agreement with Equifax?
    b. Does your contract include language around liability for the provision and accuracy of Equifax's scores?
    c. What does your contract say about liability when the scores your bank received from Equifax are inaccurate?

Swipe Fees

17. **Mr. Dimon and Ms. Fraser,** the use of credit cards has steadily increased as a form of payment in recent years, going from 18% based on the number of transactions in 2016 to 28% in 2021. JPMorgan Chase and Citi are among the largest credit card issuers. In 2021, merchants were charged more than $105 billion in credit and debit card fees, with more

than $77 billion of those fees relating to credit card transactions. How much revenue from interchange fees did JPMorgan and Citi receive last year?

18. **Ms. Fraser**, I understand that small businesses are frustrated that swipe fees charged to run a customer's credit card transaction always seem to be going up and are set in a manner that is anti-competitive. Meanwhile, opponents resist expanding the Durbin Amendment to cover credit card swipe fees since, as they describe, the revenue covers costs that go into fighting security risks and fraud in these payment systems, among other things.[9] Are those swipe fees entirely set by Visa or Mastercard, and if so, given that Visa and Mastercard controls more than 70% of the credit card market, do you believe this price setting is anti-competitive?
    a. **Ms. Fraser,** what role does your bank play, if any, in determining what fees a merchant is charged when a customer uses a Citi credit card at their shop?

19. **All witnesses,** do you hear complaints from small businesses about the swipe fees that they are charged? If so, what should policymakers do to address the concerns of small business owners?

Diversity and Inclusion

20. **Mr. Cecere**, in late 2021, U.S. bank was sued by John Span—a Black employee who worked for two decades as a loan officer and underwriter. In his complaint, he describes being subjected to a toxic and racially hostile work environment as the only Black underwriter. The complaint states that bank metrics and avoiding Early Payment Defaults encouraged underwriters to racially discriminate to increase their compensation. Has U.S. Bank reviewed the underwriter metrics in response to this lawsuit, and what have you found?
    a. What metrics have you established to assess underwriters' performance?
    b. How do you ensure underwriters are performing high quality work while not discriminating against entire classes of borrowers?

21. **Mr. Cecere**, U.S. Bank reached a settlement with Joe Morrow, a Black customer who was accused of having a fraudulent check and placed in handcuffs by police. In your December 10, 2021 letter you indicated that U.S. Bank is "revisiting and expanding…employee training and guidance."[10] What kind of training for conflict resolution and anti-bias does U.S. Bank require for its employees?
    a. What changes have you made to employee training since your December letter?
    b. What steps is your bank taking to build trust with Black customers and other communities of color?

22. **All witnesses**, the committee has considered various legislative solutions to support greater diversity and inclusion, including mandating the consideration of diverse candidates for all roles or senior roles. Has your bank committed to such a policy?
    a. Research indicates that considering diverse candidates alone may not lead to more diverse hires; instead, two or more diverse candidates should be considered, and the interviewing slate should also be composed of diverse staff. Is this an

approach your bank has considered and/or deployed? If so, can you share what progress you have witnessed using this approach?

23. **Ms. Fraser**, Citi recently announced it exceeded its goal for boosting management diversity. Black employees now make up 8.1% of managers, up from 6% in 2018.[11] What investments and policy changes have Citi made to increase representation?
    a. What are your bank's goals for representation in 2023?
    b. How should other banks invest or plan to increase representation of underrepresented groups?

24. **Mr. Cecere**, in your submitted testimony, you shared that over 40% of board member identified as diverse. As a share of your overall board membership, please provide the following:
    a. What percentage are people of color only?
    b. What percentage are women only?
    c. How many are both people of color and women?

Commitments to Racial Equity and Support of MDIs and CDFIs

25. **Ms. Fraser,** in November 2021, Citibank announced the creation of the Diverse Financial Institutions Unit, which is meant to focus on supporting minority depository institutions (MDIs) as well as the Citi MDI Rotational Program, which will allow Citi executives to work at select MDIs for up to a year to help the MDIs learn and grow. Since that announcement, have you created any metrics that you would like these programs to follow and achieve?
    a. Please provide those metrics, and describe your methodology for measuring progress toward program goals.
    b. If you have established metrics, would you say that these programs are on track to meet these metrics and goals? If not, what could be done to encourage the productivity of these programs?

26. **For all witnesses**, do you have a diverse and inclusive community advisory board that you meet with periodically, such as every quarter, to consult with them when your bank makes decisions regarding which communities you might open or close a bank branch, or to guide the bank's efforts to comply with the Community Reinvestment Act? If not, will you consider establishing one?

27. **For all witnesses**, will you commit to commissioning an independent racial equity audit that covers *all* of your bank's operations -- including employment, contracting, investments, and the financial products and services you provide -- and make those findings public?

28. **Ms. Fraser,** Citibank has previously stated it aims to invest in Black entrepreneurship. In September 2021, Citi committed $50 million to the Citi Impact Fund's Black Entrepreneurs Investment Initiative.
    a. How many small businesses or entrepreneurs have received funding from Citi?

b. How much of the $50 million have you deployed to entrepreneurs?
c. For what purposes are the small businesses using the funding Citi is providing?
d. In addition to the funding, what services will Citi provide? Please provide any opportunities such as new partnerships that came as a result of this funding.

29. **Mr. Dimon,** JPMorgan Chase has committed $30 billion to closing the racial wealth gap. Meanwhile, however, there have been several reports of Black customers being denied service at Chase branches for "banking while Black." In one of these instances, a doctor in Houston, Texas was accused of fraud and denied service when she tried to open an account to deposit her first paycheck. Are you aware of such complaints and how is your banking responding?
    a. What steps are you taking to ensure that all customers are treated fairly and with respect, and to build trust with Black customers and other communities of color?

30. **Mr. Scharf,** this summer, Wells Fargo announced the Growing Diverse Housing Developers initiative, a $40 million grant initiative focused on expanding the growth and success of real estate developers of color, including Black- and Latinx-owned firms.
    a. What impact and evaluation indicators are you collecting to measure progress in the Growing Diverse Housing Developers initiative?
    b. How will you measure the extent to which the initiative is accomplishing its goals in an equitable manner?

Investigating Discriminatory Practices

31. **For all witnesses,** yes or no, do you believe that racial discrimination occurs in the financial sector?
    a. Yes, or no, do you believe that any discrimination that occurs at your bank or any bank is unfair to affected individuals?

32. **For all witnesses,** do you endorse the lawsuit the American Bankers Association and other organizations filed to challenge the Consumer Financial Protection Bureau's efforts to combat unfair discriminatory practices? Why or why not?

33. **Mr. Moynihan**, the Department of Justice and the U.S. Attorney's Office for the Eastern District of New York filed a civil complaint alleging that since 2010, Bank of America "maintained a policy of denying mortgage and home equity loans to adults with disabilities who were under legal guardianships or conservatorships."[12] Please describe your bank's current anti-discrimination policies?
    a. Have any of those policies changed? If so, please describe those changes.
    b. Going forward from this settlement, how do you ensure that all of Bank of America's policies are in full compliance with the Fair Housing Act?

34. **Mr. Moynihan**, following a report by Reveal News in 2018 which found evidence of modern-day redlining, bank examiners from the Office of the Comptroller of the Currency (OCC) found that Bank of America was offering fewer loans to homebuyers of

color in Philadelphia compared to White homebuyers. Is your bank offering fewer loans to homebuyers of color in Philadelphia compared to White homebuyers?

a. What steps has Bank of America taken to atone for past discriminatory practices and affirmatively advance equitable lending to all qualified borrowers?

Enforcement Actions and Repeat Offenders

35. **Mr. Moynihan**, in May of this year, the CFPB finalized an enforcement action[13] against your bank for unlawfully freezing customer accounts, charging garnishment fees, garnishing funds, and sending payments to creditors based on out-of-state garnishment court orders that should have been processed under the laws and protections of the states where the consumers lived. You also violated the law by inserting unfair language into customer contracts that limited their rights to challenge garnishments. How many customer accounts were frozen, charged fees and garnished of funds?
    a. What steps has your bank taken to remediate harmed consumers?
    b. In July, the CFPB and the OCC finalized another enforcement action against Bank of America,[14] this time for unfairly and unlawfully freezing people's access to unemployment benefit funds, and giving them little recourse when there was, in fact, no fraud. How are you remediating harmed consumers?
    c. When banks repeatedly break the law, should they continue to pay fines or would regulators be justified in imposing stronger penalties, such as the asset cap imposed on Wells Fargo by the Fed?

36. **Mr. Scharf**, in May, the SEC announced[15] charges against Wells Fargo Advisors for failing to file at least 34 Suspicious Activity Reports (SARs) in a timely manner between April 2017 and October 2021. Wells Fargo Advisors agreed to pay $7 million to settle the charges. What is Wells Fargo Advisors' policy for filing SARs?
    a. Since the settlement, has your bank reviewed its SARs policy? What have you learned?
    b. Has your bank decided to make any changes to its policy regarding filing SARs? Please describe any changes made to your bank's SARs policy.
    c. Would regulators be justified to impose additional enhanced penalties above and beyond the asset cap that the Fed imposed on your bank to the extent your bank continues to break the law?

Pending and Recent Bank Mergers

37. **Mr. Rogers**, according to research from the Committee for Better Banks, the SunTrust and BB&T merger that created Truist Bank in 2019 had the effect of shifting branch openings away from communities of color and low-income neighborhoods. What is Truist's strategy in terms of locating branches in low-income neighborhoods and communities of color?
    a. Have you opened any new branches that were not previously SunTrust or BB&T branches?

38. **Mr. Demchak**, in your testimony you provided some aspects of the Community Benefits Plan that emerged from your bank's acquisition of BBVA USA, such as "to originate at least $47 billion in residential and home equity loans to LMI and minority borrowers and in LMI and majority-minority census tracts over the Plan's 4-year period (2022 – 2025)" and "to originate at least $26.5 billion in loans to small businesses during the Plan period."[16] You also mentioned the creation of a 17-member Community Advisory Council that includes representatives from national, regional and local community organizations from across the bank's footprint. How do you plan to measure your bank's progress toward meeting those goals?
    a. Will you make that progress available to the public and to members of this Committee?
    b. Please list the 17 organizations represented and summarize how those representatives were chosen.

39. **Mr. Cecere**, in your testimony, you said, "Branches are a critical component of our connections to our customers."[17] However, since 2010, your bank closed more than 800 branches, with 500 branches closed in the past two years alone. . U.S. Bank applied to acquire MUFG Union Bank in the fall of 2021. How many of these branches in California and the Los Angeles area do you anticipate will be closed?

40. **Mr. Cecere** your bank announced a community benefits plan, in which your bank agrees to lend, invest, or donate $100 billion nationally, over a five-year period beginning in 2023.
    a. How much of this $100 billion are ***new*** mortgage lending commitments compared to what your bank would have expected to conduct in mortgage lending over the next five years?
    b. How will you be measuring progress towards achieving the small business, mortgage and affordable housing development goals set in the plan?
    c. According to NCRC,[18] U.S. Bank will partner with new organizations as part of this five-year commitment. How will these new partnerships be chosen?
    d. Will you be reporting your progress, as well as a list of the organizations your bank is partnering with, to the public, and to this Committee?
    e. Have you formally signed the community benefits plan as a contract with the community groups that you worked with to develop the plan? If yes, will you make that contract public? If not, when will you do so?

Executive and Employee Compensation

41. **Mr. Dimon,** as you know, in 2020, JPMorgan settled a gender pay bias suit for $9.8 million and as part of this settlement agreed to conduct annual pay equity analyses for five years.[19] When was the last time your bank conducted a pay equity analysis?
    a. What were the results of that analysis?
    b. What additional steps are you taking to support salary disclosure across employees?

Abortion Access

42. **For all witnesses,** since the Supreme Court's ruling in *Dobbs v. Jackson Women's Health Organization*, several states have made accessing abortion services illegal. Data collected by credit card issuers and banks have the potential to serve as incriminating evidence against those seeking reproductive health care. What steps do you plan to take to protect the privacy of your customers and employees seeking reproductive health care?
    a. How will you ensure that employees do not face retaliation or discrimination in the workplace based on their personal healthcare decisions?

Criminal Justice

43. **Mr. Dimon and Mr. Moynihan**, In 2020, the FDIC issued a new rule to narrow the crimes that are subject to Section 19 of the Federal Deposit Insurance Act which limited employment opportunities or required employers to obtain written consent for a potential employee to work for the bank. What steps are you taking to recruit, hire and promote justice-involved individuals?

Digital Assets, including Cryptocurrency

44. **For all witnesses**, what is your bank's current position on central bank digital currencies (CBDCs), and how might your daily operations be impacted if the Fed started to issue a CBDC?
    a. In your view, which technical design choices will ensure that a future CBDCs furthers financial inclusion, and does not hinder it?
    b. Which design choices are likely to create challenges to increasing financial inclusion?

Fintech and AI

45. **Mr. Demchak and Mr. Moynihan**, PNC Bank and Bank of America were some of the first banks to send Zelle payments over the Real Time Payments network. Starting next year, the Federal Reserve is set to release FedNow. In your view, how will small banks, big banks, and fintechs interact in the payments landscape where the FedNow service is launched?

a. What kind of impact will the transition to real-time payment systems have on local banks in rural and underserved communities?
b. Has your bank taken steps to elicit and incorporate the views of consumers in those communities into conversations between fintech companies and large banking institutions?

46. **For all witnesses**, the Fed has stated that "financial institutions may place a hold on FedNow payments received where there is reasonable cause to believe that a FedNow payment may be related to fraudulent activity."[20] What technical strategies has your bank adopted or are working to adopt in order to ensure protection of consumer information as our payment systems evolve?

47. **For all witnesses**, emerging artificial intelligence (AI) technologies, including Machine Learning, can potentially offer a broad range of benefits for both financial institutions and regulators. How does your bank utilize regulatory technology in their daily operations?
    a. On the other hand, some studies have shown that lending algorithms have unwittingly caused discrimination based on race or even educational attainment. How do you ensure that your bank is not feeding biased data into the algorithms you use, and that AI is not perpetuating discriminatory outcomes for protected classes of borrowers?

48. **For all witnesses** several non-bank fintech companies offer "earned wage access" products allowing consumers to access wages they have earned but have not yet been paid.[21] Has your bank considered offering "earned wage access" opportunities to its employees or customers?

Sanctions

49. **For all witnesses**, is it correct that following the unprovoked Russian invasion of Ukraine, your firms have ceased some or all of your operations in Russia and Belarus (including subsidiaries and affiliates)? Can you please elaborate?
    a. Where you have continued to engage, can you please describe your firm's efforts to avoid the violation of U.S. sanctions related to Russia and Belarus?
    b. Can you please describe how your firms manage the Office of Foreign Assets Control (OFAC) 50-percent rule in determining whether a customer is one with which your firm can do business? (For example, does your firm draw a line at 49.9%? Do you do enhanced due diligence for any ownership above 40%? Does your bank apply different standards in different components/services of the business?)
    c. Can you please describe the scrutiny that your firm conducts on third parties, such as firms with Chinese or Indian operations, to ensure that your customers are not engaging in sanctions violations with Russian and Belarusian sanctions targets?

50. **To all witnesses**, on September 14, 2022, the Honourable Mia Amor Mottley, QC, MP, the Prime Minister of Barbados, testified in front of the House Financial Services Committee. In her testimony, she shared that over the last decade, the nations and territories of the Caribbean region have been experiencing a steady decline of available cross-border financial services, including correspondent banking services. In some cases, banks had withdrawn completely from individual countries and in other cases, the time to open an account or to process a transaction could be months long.
    a. Can you please describe the cross-border financial services that you offer in the Caribbean and how those services have changed over the last 10 years? Over the next year, does your institution expect to expand, contract, or continue existing services in the region? What are the reasons for any changes in activity?
    b. Where your institution has pulled back on available services, did international lists (such as the European Union's list of non-cooperative jurisdictions for tax purposes or the U.S. State Department's International Narcotics Control and Strategy Report) factor into those decisions?

51. **For all witnesses**, at the September 14, 2022, hearing entitled, "*When Banks Leave: The Impacts of De-Risking on the Caribbean and Strategies for Ensuring Financial Access*," witnesses discussed the role that volume and profit can play in attracting larger financial institutions to offering cross-border financial services like correspondent banking. Among the proposals made were (a) that the Caribbean region harmonize anti-money laundering law across nations, lowering the cost to correspondent banks wishing to do business in the region, (b) that a "middleman" or "hub" bank be established to merge the volume of transactions from across small nations, perhaps at a government institution like the Eastern Caribbean Central Bank, and (c) that small and medium banks should be encouraged to enter the correspondent banking business.
    a. What are your institution's views on the practicality and attractiveness of these concepts in terms of securing or expanding your institution's cross-border financial services offerings in the region?
    b. What other proposals might your institution suggest to make the region more attractive to your institution, in terms of offering cross-border financial services to the countries and territories of the Caribbean?

52. **For all witnesses**, China ranked 21 of 128 on the recently released Basel AML Index. In 2020, the U.S.-China Economic and Security Review Commission issued a report that detailed concerns with financing, shadow banking, and oversight of the Chinese banking industry.[22] Chinese fintech firm Tencent has been identified as highly deficient in its money laundering controls. Additionally, Chinese firms are regularly named as facilitating evasion of sanctions in support of North Korea's increasingly bellicose government. Your banks do business in China and with firms based there, as well as around the globe. How you manage those relationships with an eye towards the inherent risks, including safety and soundness, anti-money laundering, and sanctions risks, especially in an environment where geopolitical issues involving China, like the security of Taiwan and Ukraine, are in the headlines?
    a. Please provide examples of how your bank manages those relationships.
    b. What support from government, industry or conducted collaboratively through public-private partnerships have made a difference or could help with mitigating risk?

House Financial Services Full Committee Hearing

"Holding Megabanks Accountable: Oversight of America's Largest Consumer Facing Banks"

September 21, 2022

Questions for the Record — Rep. Chuy García

Question to all participants:

53. Over 7 million people in the U.S. are unbanked. These people are disproportionately Latino, Black, and low-income. Research by the Consumer Financial Protection Bureau (CFPB) found that banks rely heavily on overdraft and non-sufficient funds (NSF) fees for revenue, resulting in large fees for consumers and posing serious risks to them. Given the large unbanked population and the risk bank fees pose to consumers, do you believe the Federal Reserve Board should offer everyone in the U.S. a free bank account that they can use to make normal transactions, free from fees?
54. In making a commitment to achieve net zero financed emissions by 2050, you're committing to evaluating the carbon footprint of every company you finance. But there's no standardized, mandatory methodology for measuring or reporting emissions, even by public companies. The Securities and Exchange Commission (SEC) is considering an update to its climate disclosure rules, including potentially making such disclosures comparable and mandatory.
    a. Do you support mandatory disclosure of emissions by public companies?
        i. If yes: How would mandatory disclosure make it easier for you to meet your net zero goals? Are you planning to submit information to the SEC to that effect?
        ii. If not: How can we trust that you will be able to accurately report your level of financed emissions in a way that's comparable across banks? Do you consider this data to be of material value to your investors?

Question to all participants except Brian Moynihan:

55. Many of the banks represented here have been accused of discriminating against individuals of Iranian heritage, along with other MENA communities, in your efforts to comply with US sanctions and anti-money laundering regulations. This results in significant harm to ordinary people who are barred from financial services through no fault of their own, throwing their finances and life upside down. Is your bank aware of this problem, and is it taking steps to safeguard vulnerable communities from over-enforcement or de-risking, while continuing to comply with US regulations?

<u>Question to Brian Moynihan:</u>

56. Bank of America has been accused of discriminating against individuals of Iranian heritage, including in letters from the National Iranian American Council in 2014, 2018 and again in 2019. However, BOA has failed to alter its underlying policies, which it claims are part of its "due diligence" efforts to comply with US sanctions. Now, a class action lawsuit is proceeding against BOA over its treatment of Iranian customers. Mr. Moynihan, why has your bank failed to respond to these complaints in a sincere manner and altered its underlying policies to limit de-risking toward Iranians? Is a change to federal regulations needed in order to provide assurances that you won't be penalized for servicing customers resident in the United States?

<u>Question to Jamie Dimon:</u>

57. From 2020 to 2021, your pay has increased from $31.7 million – an already staggering figure – to $84.4 million. This increase in pay was so egregious that only 31% of shareholders voted to support it. Your pay for 2021 is over 900 times the pay of the average Chase employee. What makes you worth over 900 times more than the average Chase employee? Why was your pay increase allowed to move forward when only 31% of shareholders supported it?

Questions for the Record — Rep. Al Green

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58. These questions are directed to Jamie Dimon, Brian Moynihan, Jane Fraser, Charles Scharf, Andy Cecere, William Demchak, and William Rogers, Jr. I am interested in the details of your Special Purchase Credit Program. I understand that bank regulators are encouraging major lenders to focus this program toward minority communities. Please provide specific information, including the following:

I. Terms of the mortgage:

a. Down payment
b. Closing costs
c. Principal reduction

II. Underwriting criteria:

d. Credit score
e. Alternative credit
f. Debt-to-income
g. Housing debt-to-income
h. Other criteria

III. Interest rate

i. Fixed rate
j. Loan term
k. Credit score based
l. Other criteria

IV. Eligibility

m. Maximum mortgage amount
n. Maximum income

V. Where it is available

o. What communities
p. Census tracts

VI. Type of property

q. Single family
r. Condos
s. Multi-family
t. Purchase and rebab

VII. Total mortgage commitment

u. Total mortgage amount
v. How long the program will be available

VIII. Housing counseling

w. Required by a HUD approved counselor
x. Counselors identified
y. Counseling requirements

IX. Further expansion

X. Reporting requirements

Questions for the Record:

Representative Ralph Norman

September 21, 2022, Full Hearing entitled, "Holding Megabanks Accountable: Oversight of America's Largest Consumer Facing Banks"

- Andy Cecere, Chairman, President, and CEO, U.S. Bancorp
- William Demchak, Chairman, President, and CEO, The PNC Financial Services Group
- Jamie Dimon, Chairman and CEO, JPMorgan Chase & Co.
- Jane Fraser, CEO, Citigroup
- Brian Moynihan, Chairman and CEO, Bank of America
- William Rogers Jr., Chairman and CEO, Truist Financial Corporation
- Charles Scharf, President and CEO, Wells Fargo & Company

Question for each CEO/bank:

59. Yes or No: Are we in a recession?

60. These are the highest mortgage rates (above 6%) since 2008 and when Biden took office, they were under 3%.
    a. What concerns are you each seeing in these trends?

61. Since it's getting more unaffordable to buy a home, are we going to see Biden following the same path as George W. Bush in allowing for subprime mortgages putting people in homes they cannot afford?
    a. For example, litigation we've seen from Ambac over junk mortgages during the financial crisis is a good reminder of the harm caused by selling homes to people who cannot afford them. Are yalls standards strong enough to protect against mass defaults as interest rates rise? Are yall confident in your mortgage portfolio?
    b. We want to ensure the market can correct itself before too much – if any government – intervention in this space again.

62. You all mentioned during the hearing that ESG compliance will soon cost into the hundreds of millions of dollars in the years to come.
    a. Yes or No: Would you agree that complying with an ESG-focused agenda means sacrificing company returns?

Holding Megabanks Accountable: Oversight of America's Largest Consumer Facing Banks

Questions for the Record (Rep. Alex Mooney)

Questions for all witnesses:

63. What role does your institution play in determining which merchant category code (MCC) a merchant falls under?

64. Activists successfully pressured the International Organization for Standardization (ISO) to adopt this new MCC for firearm retailers. Do you believe it was appropriate for the ISO to reverse course and adopt a new MCC it previously rejected and payment networks reportedly did not support based on public pressure?

65. Does your institution plan to go back and recode businesses and past purchases that may now most closely fall under the new MCC?

66. Do you have a policy that would require any business in the firearm industry to meet criteria that goes above and beyond Federal, State, or local law or regulation? Yes or No? If yes, please describe policy and why you have.

67. Does your bank lend to companies that manufacture or sell modern sporting rifles, so long as they are lawful under federal, state, and local law and compliant with federal, state, and local regulations? Yes or No? If yes, please explain. If no, has it ever?

68. Does your bank lend to companies that manufacture or sell long guns to non-prohibited individuals ages 18 to 21, so long as it is lawful under federal, state, and local law and compliant with federal, state, and local regulations? Yes or No? If yes, please explain. If no, has it ever?

69. Does your bank lend to companies that manufacture or sell magazines, regardless of their capacity, so long as they are lawful under federal, state, and local law and compliant with federal, state, and local regulations? If yes, please explain. If no, has it ever?

70. Activists expect this new MCC to be used to help flag "suspicious" gun purchases. What in your mind constitutes a "suspicious" purchase? Do you believe this MCC will provide helpful information in combating gun-related crimes, or do you believe you already have sufficient information to make these determinations?

71. The implementation of this new MCC may cause gunowners to purchase firearms with cash rather than payment card. Doesn't this make flagging legitimate suspicious transactions more difficult?

72. What can you say to West Virginians to ensure them that this decision will not be used to restrict their Second Amendment rights?

Question for Mr. Brian Moynihan (Bank of America)

73) A lawsuit from Ambac against Bank of America is advancing to trial nearly 12 years after the suit was filed. This episode is a good reminder of the harm caused by the government and private lenders lowering underwriting standards during the runup to the financial crisis, with the naïve and foolhardy goal of putting people in homes they could not afford. This philosophy and policy caused home values to plummet and sparked a global recession while hurting working Americans the most.

The Biden Administration is taking us down the same path through its actions at the FHFA.

It's obvious that the best way to increase homeownership is to grow the economy and create jobs – something that won't happen so long as inflation and an excessive level of government spending anchor American taxpayers and businesses.

- Has Bank of America lowered underwriting standards alongside the government in order to promote homeownership? Are products like a no-down payment mortgage placing us on a similar path to the one we took before 2008?

Citi Responses to Questions for the Record

House Financial Services Committee

Full Committee Hearing, entitled "Holding Megabanks Accountable: Oversight of America's Largest Consumer Facing Banks"

September 21, 2022

Response in Testimony (Question 1)

In her written testimony provided to the Committee in advance of the hearing on September 21, Citi CEO Jane Fraser included answers to the Committee's questions. Where possible, we have tried to answer outstanding questions below.

Expanding Home Ownership (Question 2)

Citi is helping Americans achieve the dream of homeownership through our mortgage lending and by working to remove some of the barriers that borrowers encounter. We recently announced a special purpose credit program that will grow our lender paid assistance programs, including our HomeRun program, which permits low down payments and removes mortgage insurance requirements for eligible borrowers with low to moderate incomes. These enhancements will expand income eligibility and distribution of lending solutions to serve more diverse consumers within and outside of our bank's physical footprint.

Citi continues to strengthen relationships with homeownership counseling groups, such as HomeFree-USA, and is participating as a member of the Office of the Comptroller of the Currency's Project REACh Homeownership workstream to promote financial inclusion through greater access to credit and capital. We have also expanded our community lending team and its network of correspondent lenders to support Black and Hispanic homeownership, and we continue to invest in our digital mortgage capabilities to better reach all communities, including underserved markets. Recently, Citi committed $200 million of equity to the preservation of affordable and workforce housing projects that will be co-managed by five Black investment managers.

We've also pioneered partnerships with other institutions that help us make an impact beyond the six U.S. cities where we have retail branches. Since 2020, the Citi Foundation has committed $115 million in funding to Community Development Financial Institutions (CDFI) and other community-based change agents and Citi has made $44 million in equity investments and $57 million in revenue-generating opportunities with 11 Minority Depository Institutions.

Mortgage Servicing (Question 3)

Citi exited the direct mortgage servicing business in 2019.

Commitment to Affordable Housing (Question 4)

Citi is committed to the growth and preservation of affordable housing throughout the entire country. Citi has been the number one affordable housing lender in each of the last 12 years. In 2021, Citi financed over 32,000 units with approximately 30,000 (94%) of those units being affordable to families under 80% of area median income. Citi focuses on working with developers who provide affordable housing that benefit the communities in which they are located and that residents can be proud to call home.

Between 2019-21, Citi lent more than $17.8 billion to finance affordable housing. Citi finances affordable housing primarily through single-asset construction and permanent loans on our balance sheet, and also acts as a Freddie Mac and Fannie Mae lender by providing innovative equity investments and lending facilities to finance affordable housing. In Citi's most recent CRA examination, covering 2017 - 19, over 90% of community developing lending and investing was for affordable housing.

Approach to Appraisals (Question 5)

Citi does not use in-house staff appraiser panels. Among the appraisal providers we have used, Citi has contracted with a minority-owned national Appraisal Management Company (AMC) since 2003. For the period of January 2020 to July 2022, this particular AMC has received 26.5% of our total AMC spend. Additionally, we have contracted with a regional AMC that is 50% female owned. This regional AMC receives approximately 60% of our volume in New York and for the period of January 2020 to July 2022, received 12.75% of our total AMC spend.

Citi offers the borrower a process to appeal the final value estimate if a borrower decides to do so. If the borrower believes the appraiser made gross errors, such as incorrect square footage or amenities, the borrower must document this concern in writing. A cover letter is provided with the appraisal notifying the customer of their right to request a reconsideration of value. The Collateral Risk Management (CRM) team captures the number of Reconsideration of Values (ROV) requests, the outcome of the request, and how many resulted in different values. CRM does not utilize borrower demographics when reviewing the appraisal for quality and reasonability of the report. Citi's Fair Lending team recognizes appraisal bias as a fair lending risk and is exploring analysis to further evaluate the potential for disparate treatment when a customer appeals the appraised value of a property.

Small Business Lending and Small Dollar Loans (Questions 7 and 9)

Citi has a mix of client engagement channels for service activity on their accounts. Clients use both our in-branch network as well as our online servicing platforms. As of August 2022, 68.01% of our customers were enrolled in one of our two online banking platforms.

Citi does not offer traditional small-dollar consumer loans. However, we do offer capabilities and products that help fulfill customers' needs to have access to credit to help with debt consolidation, home improvement, refinancing existing loans or to pay for purchases in installments over time. These products are primarily originated through digital channels and examples include:

- Personal Installment Loans offered to customers who are looking for debt consolidation, home improvement or to refinance existing loans;
- Flex Loan - a card product that allows customers to leverage their existing credit line for a loan to help with debt consolidation, home improvement, etc.; and
- Flex Pay – a card product that allows customers to pay for purchases made on their card over time in fixed installments.

Expanding Access to Banking Services (Question 10)

Citi is committed to expanding access to banking services in several ways. Our retail bank serves roughly 70 million customers in the U.S., where we operate 651 retail branches concentrated in the six metropolitan areas of New York, Washington, D.C., Miami, Chicago, San Francisco and Los Angeles. Roughly 25% of our branches are in low-and moderate-income communities, down from 29% as a result of changes in census tracts from data released by Federal Financial Institutions Examination Council's in August 2022. Through investments in our digital capabilities, new and expanded partnerships, and our role as the nation's second largest credit card issuer, we have been able to extend our reach beyond our core, physical footprint to serve communities across the country and deepen customer relationships.

Earlier this year, we launched a first-of-its kind diverse financial institutions group to lead our engagement with minority depository institutions (MDIs) and help them to scale and expand into new markets. We are also increasing access to banking services in communities of color by extending surcharge-free access to Citibank ATMs through our Citi ATM Community Network of 32 community banks, 16 of which are MDIs.

With regard to reliable broadband service, we understand that many communities, especially communities of color, face hurdles in getting broadband access for all their digital needs, including financial services. Citi's Impact Fund – a fund we launched in 2020 to invest in companies that are addressing some of the biggest societal challenges – has invested in Flume Internet, a minority-founded internet service provider that enables high-speed low-cost internet access by leasing unused networks from cities and utilities.

New Models for Underwriting (Question 12)

Citi supports the expansion of credit score models to safely and reliably expand mortgage credit access, but we have advocated that any new requirements should not impose additional costs for lenders or borrowers or subject Citi to new liability for the use of any approved credit score model. As a part of Project REACh, Citi will be launching our first "Credit Invisibles Program" pilot by early 2023 to issue credit cards to people without credit scores. This is our first effort to underwrite and approve unsecured credit cards for open market customers who lack traditional credit scores, utilizing deposit data from a shared industry utility. Additionally, Citi Mortgage offers programs for non-traditional credit borrowers, which allows borrowers with little or no credit to build a non-traditional credit report using rental, utility payments and other installment types of credit.

Equifax's Inaccurate Credit Scores (Questions 13-16)

As we noted in our August 24, 2022, response to the Committee, Citi began notifying adversely impacted customers in September. Citi's efforts are designed to make consumers whole, to the extent possible, whether that involves inviting those denied credit an opportunity to reapply, updating credit bureau inquiries, or refunding any incremental interest paid by customers. There were 2,314 consumers who were declined credit and then sent invitations to reapply. Another 250 customers received an invitation to apply for a credit line increase. A total of 2,568 credit bureau records were updated from hard to soft inquiries. In October, Citi reset 1,364 consumer APR's and is working to apply credits as needed. Citi is also working to make product offerings to impacted consumers who would have qualified for the product offering if Equifax had provided accurate scores, as well as completing any additional remediation.

Consistent with our ongoing regulatory engagement model, we have been in contact with our regulators on this matter. Additional information about Citi's relationship with Equifax was provided in the August 24, 2022 letter.

Approach to Fees (Questions 17-19 and 53)

In early 2022, Citi announced significant changes to its overdraft practices, including plans to eliminate consumer overdraft fees, returned item fees, and overdraft protection transfer fees. These changes went into effect on June 19, 2022, and Citi is now the only top five U.S. bank (based on assets) to completely eliminate these fees for U.S. retail banking consumers. This change did not happen overnight and demonstrates our long-held commitment to a customer-friendly approach to fees. Importantly, Citi is not changing any of the existing, customer-friendly practices related to overdrafts. For example, Citi will not authorize an ATM or point-of-sale debit transactions in cases when funds are not available and will process checks from the lowest dollar amount to the highest to avoid or limit overdrafts. Customers can also enroll in additional protections and notifications including Safety Check, Checking Plus, and Low Balance Alert – through their online account or mobile app.

Citi recognizes the importance of continuing to make progress in expanding access to financial services, particularly in minority communities. That's why providing access to banking and credit in communities of color is one of the pillars of our $1.1. billion in strategic initiatives to help close the racial wealth gap. We were encouraged to see the FDIC's latest national survey on findings on financial inclusion that showed 1.2 million more households were banked in 2021 compared to 2019, and the estimated percentage of unbanked households in the U.S. has fallen to 4.5 percent. It gives us confidence that the work Citi and our competitors in the industry are doing to bring more people into the financial system is having a positive impact. Still, we know there is much more to do and we are committed to doing our part. Given the successful private sector efforts, we would not support governmental entities such as the Fed offering bank accounts and believe it could work contrary to the stated goal by hurting competitiveness and innovation that is necessary to continue to make progress on expanding access to banking.

With respect to interchange fees, interchange revenue is a function of increased sales volume and card use over time and grows as credit cards become a preferred form of payment. Interchange revenue is the primary source of revenue from our non-borrowing customers since most cards we offer, such as value and cashback products, do not charge annual fees. We rely on interchange to fund investments in up-to-date security and fraud protections for consumers and consumer rewards, which are extremely popular with cardholders.

Swipe fees, also known as the Merchant Discount Rate (MDR), are charged by payment processers to execute the card transactions. They include acquirer fees paid to the merchant's acquiring bank, network fees paid to the payment network, and interchange fees paid to the card issuer. Network fees and interchange fees are set by payment networks. Visa and Mastercard cards are among the many options customers have to make payments. The others include cash, debit cards, PayPal, Venmo, and other card networks like American Express and Discover.

Diversity & Citi's Efforts to Close the Racial Wealth Gap (Questions 22-23, 25-28)

In 2020, Citi launched its Action for Racial Equity and since then we have not only met but exceeded our financial commitment of investing $1.1 billion in strategic initiatives to provide greater access to banking and credit in communities of color; increase investment in Black-owned businesses; and expand affordable housing and homeownership among Black Americans. In addition to exceeding our financial goal ahead of schedule, we have made important progress over the past year including:

- **Launching a special purpose credit program:** Citi announced a special purpose credit program that will enhance its HomeRun and lender paid assistance programs. These enhancements will expand income eligibility and distribution of lending solutions to serve more diverse consumers within and beyond our physical footprint and increase lender paid assistance for eligible borrowers.
- **Deepening our collaboration with minority-owned institutions:** As part of our efforts to expand firmwide engagement with diverse financial institutions, we have established two new business units: a Diverse Financial Institutions Group in our Corporate Bank and a Financial Inclusion & Racial Equity Group in our Consumer Bank. Citi's Diverse Financial Institutions Group recently enlisted three MDIs to take part in a $1.23 billion syndicated corporate loan. We also worked exclusively with five Black-owned firms to syndicate a $2.5 billion bond issuance. Proceeds will finance quality affordable housing

for low- to moderate-income populations. Since 2020, Citi has made $44 million in equity investments and $57 million in revenue generating opportunities with 11 MDIs.

- **Expanding our Citi Impact Fund:** We announced plans to scale the Citi Impact Fund to $500 million, which will expand our capacity to invest in Black-founded companies and elevate their work.

In terms of evaluating our progress, last year we committed to conducting a third-party audit of *Action for Racia*l Equity to objectively assess Citi's efforts to address the racial wealth gap in the United States through the design and implementation of the ARE initiative.

You can read more about our commitment and progress at https://www.citigroup.com/citi/racial-equity/.

With respect to diverse talent, in 2018, we set three-year goals to increase at the senior levels of our firm the percentages of women globally and Black talent in the U.S. Last year Citi exceeded those aspirational representation goals and we are expanding our goals to include additional markets and under-represented groups, including Hispanics and Latinos in the U.S, Black, Asian and other minorities in the UK, and members of the LGBTQ+ community across the globe.

To help recruit more racially diverse talent, we have established talent pipelines with historically Black colleges and universities and have expanded the diverse slates of candidates we interview for open roles. To help solve the two-pronged issues of representation and pay equity, we must have more women and minorities in senior, high-paying roles. Last year, we celebrated the promotion of one of the largest and most diverse managing director classes in recent years.

We continue to strengthen our approach to recruiting and attracting a diverse pool of applicants to Citi. We make use of diverse slates in our recruiting. Through the Citi University Partnerships in Innovation & Discovery (CUPID) Program, we are developing a robust pipeline of talent from leading universities. As of November 2022, CUPID has engaged with approximately 4,000 students and early career professionals since we launched the program in 2017, with about one third coming from HBCUs.

CFPB Lawsuit (Question 31 and 32)

Citi is unequivocally opposed to discrimination in any form and fair lending is a top priority for us. Everyone deserves to be treated fairly and equitably when applying. The suit referenced, as we understand it, focuses on alleged legal issues regarding the process the CFPB used to change its examination manual. We will continue to adhere to the rules of our regulators and carry out our own policies and procedures designed to protect against discrimination.

Privacy for Health Benefits (Question 42)

All of Citi's health benefits for employees, including reproductive care benefits, are provided through ERISA-governed welfare benefit plans. They are administered by third-party administrators and are subject to the associated confidentiality rules, including HIPAA. With respect to customers, Citi protects their data in accordance with applicable privacy laws and information security policies, which generally do not permit production to government agencies or unaffiliated third-parties absent legal process.

Central Bank Digital Currencies (Question 44)

Central Bank Digital Currencies (CBDCs) present a range of potential opportunities and risks. The adoption of a wholesale CBDC could enhance the efficiency and resilience of money flows and capital markets, by facilitating faster payments, reducing settlement risks, and improving cross-border transactions. The implementation of a retail CBDC could provide round-the-clock access to central bank money but may result in potentially significant systemic implications and in new operational complexities for consumers and for the implementation of monetary policy.

Fraud Prevention and Detection (Question 46)

Citi continues to deploy multiple strategies to detect and protect against fraudulent activity across all retail payments available to Citi's consumer clients. These strategies include technical security features, such as biometric sign on for Citi Mobile App, one-time passcodes, two-step authentication, Extended Validation SSL Certificates, automated notifications, etc. along with fraud prevention rules that are used to aid with protection of information and mitigation of financial loss. We also are working to build awareness about prevailing frauds and scams with Citi's customers through proactive communication.

Recent technical strategies adopted via fraud prevention rules include the following: evaluate the device (laptop, PC, tablet) which is used to generate the online money movement, decline transactions from known fraudulent devices, additional level of authentication for new devices; and utilize new attributes from EWS for Zelle transactions that allow for more robust risk assessment.

Artificial Intelligence (Question 47)

Last year, we established a dedicated Center of Excellence for Artificial Intelligence and Machine-Learning (AI/ML) to develop best practices and help set standards for AI/ML in our products and services. This group will enhance our internal processes and further strengthen our risk and control functions in line with the AI/ML ethical principles we had already developed. We are committed to the safe use of AI/ML across the bank, under strong governance, so we can stay at the forefront of digital developments and continue innovating at a pace that helps us compete and deliver for our clients.

Earned Wage Access (Question 48)

No.

Compliance with Sanctions (Questions 49, 55)

As a practical matter, Citi is committed to conducting all business with the highest consideration for compliance with all applicable U.S. laws and regulations, as well as those of each jurisdiction where Citi has operations. Additionally, Citi's intention in Russia is to wind down our presence in the country. In August, we announced the wind-down of our consumer and local commercial banking businesses. In October, we informed our multinational clients that we will be ending nearly all institutional banking services by the end of Q1 of 2023. At that point, our only operations in Russia will be those necessary to fulfill our remaining legal and regulatory obligations.

Citi has worked closely with Treasury's Office of Foreign Assets Control, including by requesting specific authorization from OFAC, as necessary, to comply with U.S. sanctions and navigate an increasingly challenging operating environment in Russia. This includes cases where new regulatory actions or decisions – by the U.S. or Russian governments – may impair the advancement of U.S. interests in the region.

We are not aware of any complaints of discrimination against individuals of Iranian heritage or other MENA communities arising from our execution of the sanctions program. We work to follow standardized procedures in our application of the sanctions requirements and have not identified a specific need for modifying those processes at this time.

Caribbean Banking (50, 51)

We appreciate the thoughtful efforts the committee has put forth around ways to expand banking in the Caribbean. We have a defined process to evaluate new Foreign Correspondent Bank (FCB) clients, including with respect to size and risk criteria. We do not currently have plans to expand Foreign Correspondent Banking in the Caribbean.

Anti-Money Laundering Program (Question 52)

Citi has a firmwide AML Program, which includes controls to help prevent and detect suspicious activity. Citi's prevention controls, including Know Your Customer requirements, incorporate numerous factors when determining the overall risk of a client. For example, Citi looks at factors related to geographical risk and client type risk (e.g. clients that process payments on behalf of others) when making a determination about the overall risk rating of a client. Citi implements controls commensurate with these risks, including customer due diligence, tailored due diligence based on products & services offered, and screening and enhanced due diligence, where applicable. Further, Citi uses a set of monitoring tools to watch for money laundering and terrorist financing red flags and typologies identified by industry organizations and regulators.

Approach to Sustainability and Climate Risk Disclosure (Question 54))

In March of 2021, Citi committed to achieving net zero emissions by 2050, which includes our financed emissions. In line with that commitment, we published our initial net zero plan in our 2021 Task Force on Climate-related Financial Disclosures (TCFD) Report https://www.citigroup.com/citi/sustainability/data/taskforce-on-climate-related-financial-disclosures-report-2021.pdf

As part of our $500 billion environmental finance goal, Citi is facilitating a wide array of climate solutions—from renewable energy and clean technology to water conservation and sustainable transportation—to help accelerate the transition to a low-carbon economy.

Citi supports the overall goal to provide consistent, comparable, and reliable decision-useful climate disclosures, which we stated in our comment letter to the Securities and Exchange Commission (SEC) on its draft rule to strengthen climate disclosures by public companies https://www.sec.gov/comments/s7-10-22/s71022-20132291-302823.pdf. We also cited concerns, including with how the proposed rule dealt with Scope 3 disclosures.

Included in Citi's ESRM Policy Framework (linked above) is a deforestation review policy. Environmental justice is also important as we consider low-carbon projects with positive environmental benefits that might have negative impacts on local communities. As of 2020, we formalized environmental justice as a specific risk in our ESRM Policy (linked above).

Special Purpose Credit Programs (Question 58)

Under ECOA and Regulation B, Citi established a Special Purpose Credit Program (SPCP) to expand the eligibility of two existing lending products and solutions designed to increase access to affordable housing. The existing programs receiving the SPCP enhancements are Citi's HomeRun Mortgage Program and Lender Paid Assistance (LPA). HomeRun is a low down payment program created to help make buying a home easier and more affordable, while LPA is a non-repayable, lender credit available toward allowable closing costs.

More specifically, the SPCP Citi announced earlier this year will enhance both programs in the following ways:

- HomeRun will now be offered outside of Citi's assessment area within majority-African American or Majority-Hispanic census tracts. This expansion will bring Citi's HomeRun program into the following markets: Atlanta, Austin, Cambridge, Dallas, Denver, Houston and Philadelphia. Additionally, the program will be offered to a borrower making income less than 120% of the area median family income. Previously, Citi offered this product to customers within Citi's current CRA assessment areas, and was only available to borrowers whose income was less than 80% of the area median family income.
- LPA will now provide closing cost assistance up to $7,500. Previously, the program only covered up to $5,000. Qualifications for this program are the same as for HomeRun and were also expanded.

In 2021, Citi generated $85 million in loan volume through 271 HomeRun Units, and $206 million in total loans with 742 LPA units. With the introduction of the SPCP, we anticipate these numbers to grow in 2022.

Current Economic Environment (Questions 59-61)

Citi economists do not think we are yet in a recession. However, they are predicting that we could be in one by the second half of 2023.

As with any tightening credit environment, increasing mortgage interest rates will translate to fewer Americans being able to afford homeownership. Per the Mortgage Bankers Association, the mortgage origination's market is expected to decrease by almost 50% from 2021. This decrease in demand has led to our firm making the challenging choice of shrinking our mortgage-lending team by less than 100 employees earlier this year. We are doing our best to support each individual by helping them find new employment opportunities within Citi or outside the firm.

We remain confident in the overall credit quality of our mortgage portfolio. The residential loans that we own have been diligently underwritten and are supported by significant homeowner equity.

Does complying with an ESG-focused agenda means sacrificing company returns? (Question 62)

No.

Firearms Policy (Questions 63-72)

As a regulated financial institution, Citi follows OCC guidance and sets policies and practices to assess the totality of risks associated with client relationships, such as credit, interest rate, liquidity, operational, compliance, strategic, and reputation risk. Clients in different industrial sectors have different risk profiles, and our policies and practices in providing financing are tailored to the risks in each sector or financial product.

Since 2003, Citi has had an Environmental and Social Risk Management (ESRM) Policy (https://www.citigroup.com/citi/sustainability/data/Environmental-and-Social-Policy-Framework.pdf) to help identify potential environmental and social risks associated with our clients' activities that could lead to credit or reputational risks to Citi and assess whether those risks are appropriately mitigated and managed by the client in line with responsible industry practice for their respective industries. The ESRM Policy applies globally across sectors with potential environmental and social risks.

Included in Citi's ESRM Policy Framework is the policy that deals with Commercial Firearms retailers and manufacturers in the corporate or small business sectors. The policy does not apply to individuals or their use of Citi credit cards. Citi did not advocate for or against the International Organization for Standardization (ISO) adoption of a new merchant category code (MCC) for firearms retailers as that is a decision for the network providers and not the issuers. MCCs indicate a type of store, not what a consumer bought. As was stated at the hearing, Citi does not intend to use the code to restrict or limit any purchases of firearm sales by our credit card customers.

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[2] Washington Post, *A tool meant to help minorities buy homes is instead speeding up gentrification in D.C.* (Aug. 9, 2019).

[3] Freddie Mac, *Racial and Ethnic Valuation Gaps In Home Purchase Appraisals* (Sept. 20, 2021).

[4] Bank of America, *Bank of America Announces Small Business Down Payment Grant Program to Drive Women and Minority Business Growth* (Aug. 30, 2022).

[5] Brookings, *Will Opportunity Zones help distressed residents or be a tax cut for gentrification?* (Feb. 26, 2018).

[6] NCRC, *Relationships Matter: Small Business and Bank Branch Locations* (Accessed Sep. 15, 2022).

[7] Written Testimony of Jamie Dimon before the House Financial Services Committee (Sep. 21, 2022).

[8] NPR, *After The Banks Leave* (Apr. 15, 2021).

[9] The Hill, *The Durbin amendment is a disaster for banks — don't expand it to credit cards* (Aug. 10, 2021).

[10] MSR News Online, *Under fire for profiling Black customer, U.S. Bank issues public apology* (Dec. 10, 2021).

[11] Bloomberg Law, *Citi Says it Exceeded Goals for Boosting Management Diversity* (Feb. 16, 2022).

[12] Department of Justice, *Justice Department Reaches Settlement with Bank of America to Resolve Claims of Disability Discrimination and Compensate Victims* (Jul. 23, 2020).

[13] Good Jobs First, *Violation Tracker* (Accessed Sep. 19, 2022).

[14] CFPB, Bank of America, N.A. (Accessed Sep. 15, 2022).

[15] Good Jobs First, Violation Tracker (Accessed Sep. 19, 2022).

[16] Written Testimony of William S. Demchak before the House Financial Services Committee (Sep. 21, 2022).

[17] Written Testimony of Andy Cecere before the House Financial Services Committee (Sep. 21, 2022).

[18] NCRC, U.S. Bancorp, NCRC, CRC Announce $100 Billion Community Benefits Plan (May 2022).

[19] U.S. Department of Labor, "JP Morgan Chase Agrees to Pay $9.8 Million to Resolve Gender Discrimination Allegations" (Nov. 12, 2020).

[20] NCLC, *New FedNow Rules Lack Fraud Protection* (May 19, 2022).

[21] Forbes, *How Earned Wage Access Can Upend Predatory Lending And Build Employee Financial Wellness* (Feb 5, 2021).

[22] USCC, *China's Banking Sector Risks and Implications for the United States* (May 2020)

BANK OF AMERICA

November 21, 2022

The Honorable Maxine Waters
Chairwoman
U.S. House Committee on Financial Services
United States House of Representatives
2129 Rayburn House Office Building
Washington, DC 20515

Dear Chairwoman Waters:

Thank you for the questions for the record from the September 21, 2022 hearing entitled "Holding Megabanks Accountable: Oversight of America's Largest Consumer Facing Banks." Please find enclosed Bank of America's written responses to the questions provided.

Sincerely,

/s/ James Carlisle
Senior Vice President
Public Policy Federal Government Relations

cc: The Honorable Patrick McHenry, Ranking Member

House Financial Services Full Committee Hearing

"Holding Megabanks Accountable: Oversight of America's Largest Consumer Facing Banks"
September 21, 2022

Rep. Chuy García

- Over 7 million people in the U.S. are unbanked. These people are disproportionately Latino, Black, and low-income. Research by the Consumer Financial Protection Bureau (CFPB) found that banks rely heavily on overdraft and non-sufficient funds (NSF) fees for revenue, resulting in large fees for consumers and posing serious risks to them. Given the large unbanked population and the risk bank fees pose to consumers, do you believe the Federal Reserve Board should offer everyone in the U.S. a free bank account that they can use to make normal transactions, free from fees?

Answer: Bank of America and other financial institutions currently offer low- and no-fee solutions and we have the regulatory and operations infrastructure in place to service the accounts (*e.g.* AML/KYC, fraud screening, dispute resolution). As such, we do not think it is necessary for the FRB to supplement with a free account.

According to the *2021 FDIC Survey of Household Use of Banking and Financial Services*, there are roughly 5.9 million unbanked households. With our current footprint and affordable consumer product solutions, BofA is well positioned to assist the unbanked and underbanked populations for financial inclusion and economic mobility.

Bank of America's *Essential Solutions* Suite offers affordable financial products and services including SafeBalance® Banking, Balance Assist, Balance Connect, Secured Card and Affordable home loans, Keep the Change, and Better Money Habits.

Specific to providing banking access, Bank of America's SafeBalance® Banking is one of the first products to be officially certified for "Bank On" national requirements. This account is designed to help keep clients from spending more than they have – and does not charge overdraft fees. This product also offers clients a low, predictable monthly maintenance fee of $4.95. The monthly maintenance fee is waived for eligible students under the age of 25 and Preferred Rewards clients as well as minors under 18. SafeBalance comprises almost half of the Bank's total checking sales YTD with growth of ~40% YoY. BofA has over 4MM SafeBalance accounts with an average balance of ~$1,400 vs. total checking portfolio of ~$11,000.

Bank of America also uses our financial center footprint to serve the low- and moderate-income communities and the unbanked through programs such as Operation Hope Inside and Banking Sustainably.

- Operation Hope Inside: Initiative offering complimentary credit and money management resources to those facing financial challenges via Coaches, who are based in financial centers

- Banking Sustainability Initiative: Designed specifically for clients who are new to banking — to help them build responsible banking behaviors — this program combines product offerings, financial education, and the expertise of our Community Banking employees to help these clients on a path to financial resiliency and health.

In addition, Bank of America has continued to be an industry leader in improving overdraft practices and policies to help clients manage their deposit accounts, avoid fees, and make responsible financial decisions. In fact, since 2009 Bank of America has made significant changes to our overdraft services and solutions, reducing clients' reliance on overdraft, and providing resources to help them manage their deposit accounts and overall finances responsibly. We lead the industry in helping clients avoid overdrafts and, in doing so, have significantly reduced the vast majority of fees related to overdraft.

Over the last decade, Bank of America has invested heavily in supporting our clients' financial health through industry leading policy changes as well as the development of low and no cost solutions to assist clients with account management and short-term liquidity needs. In 2009, The Federal Reserve Board strengthened consumer protections, under Regulation E, by requiring financial institutions to obtain a customer's one-time "opt-in" as affirmative consent before charging overdraft fees on debit card transactions at point of sale. In 2010, we fundamentally set ourselves apart in the industry by being the only large or regional bank to forgo the client opt-in option and prevent clients from overdrafting at the point of sale. In addition to this decision, we were also first in the industry to launch specific solutions designed to help clients reduce overdrafts, including Automated Alerts in 2011, the SafeBalance no Overdraft Account in 2014, and Balance Assist in 2021. The Bank's proactive efforts have already reduced overdraft-related fees by tens of billions of dollars.

Key milestones along this journey have included:

- 2010 – Eliminated overdraft fees for consumer clients when using debit cards at the point of sale
- 2011 – Introduced courtesy low balance alerts
- 2014 – Launched the SafeBalance "no overdraft fee" account
- 2017 – Eliminated the extended overdrawn balance charge
- 2020 – Created Balance Assist, a low-cost solution to manage short-term liquidity needs
- 2021 – Launched Balance Connect for overdraft protection, letting clients link to up to five accounts to avoid overdrafts
- Feb 2022 – Eliminated non-sufficient funds fees
- Feb 2022 – Removed ability for clients to overdraw their accounts at the ATM
- May 2022 – Reduced overdraft fees from \$35 to \$10
- May 2022 – Eliminated Balance Connect for overdraft protection transfer fee (formerly \$12)

In addition to the numerous overdraft policy and fee changes we have made, in March 2022, Bank of America was one of the first in the industry to eliminate the Returned Deposit Item Fee (formerly \$12). Our overdraft fee and policy changes over the last decade, coupled with the launch of industry-leading solutions that can help clients avoid overdraft fees, have led to overdraft fee revenues reduced by 97% from 2009 levels. We remain committed to taking actions that will further bring down overdraft levels in the future and continue to empower clients to drive positive changes to behavior pertaining to overdraft.

- In making a commitment to achieve net zero financed emissions by 2050, you're committing to evaluating the carbon footprint of every company you finance. But there's no standardized, mandatory methodology for measuring or reporting emissions, even by public companies. The Securities and Exchange Commission (SEC) is considering an update to its climate disclosure rules, including potentially making such disclosures comparable and mandatory.
  - Do you support mandatory disclosure of emissions by public companies?
    - If yes: How would mandatory disclosure make it easier for you to meet your net zero goals? Are you planning to submit information to the SEC to that effect?
    - If not: How can we trust that you will be able to accurately report your level of financed emissions in a way that's comparable across banks? Do you consider this data to be of material value to your investors?

Answer: We support the reporting of Scope 1 and Scope 2 emissions and, where material (i.e., consistent with the traditional notion of materiality set forth by the U.S. Supreme Court and historical guidance of the Commission) or part of a registrant's emissions reduction targets, Scope 3 emissions, with relevant safe harbors. We have been reporting Scope 1 and 2 GHG emissions since 2008 and were the first U.S. bank to announce a Scope 1 and 2 GHG emissions reduction goal with Environmental Protection Agency (EPA) Climate Leaders. We began publicly disclosing our material categories of Scope 3 GHG emissions in 2010, except for financed emissions, and over the past decade have set targets to manage and reduce the environmental impacts of our activity across all GHG emissions scopes.

We believe organizations across markets and geographies will greatly benefit from common measurement tools and disclosure practices, which we believe will help accelerate the transition of the global economy towards lower (and ultimately net zero) carbon emissions. Various stakeholders, including asset owners and asset managers, will benefit from consistent, standardized disclosures addressing climate-related risks and opportunities to help them make decisions on where best to deploy capital in alignment with investor goals. A uniform approach to, and related disclosure of, data standards and metrics is critical to achieving this objective. We have submitted comments to the SEC to this effect.

- Bank of America has been accused of discriminating against individuals of Iranian heritage, including in letters from the National Iranian American Council in 2014, 2018 and again in 2019. However, BOA has failed to alter its underlying policies, which it claims are part of its "due diligence" efforts to comply with US sanctions. Now, a class action lawsuit is proceeding against BOA over its treatment of Iranian customers. Mr. Moynihan, why has your bank failed to respond to these complaints in a sincere manner and altered its underlying policies to limit de-risking toward Iranians? Is a change to federal regulations needed in order to provide assurances that you won't be penalized for servicing customers resident in the United States?

Answer: We reject the allegations that we have engaged in discriminatory practices against individuals of Iranian heritage. The Bank takes such complaints seriously and addressed the National Iranian American Council's (NIAC's) letters in years past. The Bank will not comment with respect to the class action lawsuit as the matter is active.

The U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) prohibits all U.S. Persons such as Bank of America from exporting services to Iran.[1] It also prohibits all U.S. financial institutions from servicing accounts of persons ordinarily resident in Iran unless located outside of Iran.[2] OFAC confirms that by "operating an account for an individual or company in Iran, the bank would be exporting services to that person or entity in violation of the Iranian Transactions Regulations."[3] Moreover, as a U.S. financial institution, Bank of America is required to maintain risk-based procedures for conducting ongoing customer due diligence under the Bank Secrecy Act. The Bank continually verifies that its operation of accounts remains in compliance with U.S. sanctions and other regulatory requirements. To satisfy these compliance obligations, the Bank may request information from customers to ensure records remain current and to confirm that the Bank is not providing services to anyone located in Iran, which is prohibited by the Iranian Transactions and Sanctions Regulations. The Bank understands that NIAC has petitioned OFAC to change the regulations or grant a license that permits U.S. Persons to operate accounts of persons in Iran.[4] Bank of America would consider and abide by any regulatory changes or OFAC guidance as appropriate.

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[1] 31 CFR 560.204.

[2] 31 CFR 560.320; 560.427.

[3] OFAC FAQ 37.

[4] *See, e.g.*, https://www.niacouncil.org/press_room/niac-letter-ofac-iranian-american-bank-account-closures/#ofacletter

Rep Al Green

These questions are directed to Jamie Dimon, Brian Moynihan, Jane Fraser, Charles Scharf, Andy Cecere, William Demchak, and William Rogers, Jr. I am interested in the details of your Special Purchase Credit Program. I understand that bank regulators are encouraging major lenders to focus this program toward minority communities. Please provide specific information including the following:

1. Terms of the mortgage;
   - Down payment:
   - Closing costs:

   Principal reduction:

   Answer: The Community Affordable Loan Solution is a 30-year fixed rate mortgage product, which requires no down payment from the borrower for single-family residences. Two to four unit properties require a 5% down payment. The Bank pays all customary buyer non-recurring closing costs, and the borrower is responsible for any discount points, prepaids, impound accounts and any other non-customary cost. The Bank makes a down payment on behalf of the client ($10,000 for Charlotte, Dallas & Detroit; $15,000 for Los Angeles and Miami) that provides an immediate equity position. The down payment grant funds do not require any repayment and are fully funded at the time of closing.

2. Underwriting criteria
   - Credit score:
   - Alternative credit:
   - Debt-to-income:
   - Housing debt-to-income:
   - Other criteria:

   Answer: Under the Special Purchase Credit Program, a borrower's credit report is reviewed; however clients do need to meet credit history requirements, and there is no minimum credit score. The Bank does accept non-traditional credit if the client does not have traditional credit history. Income is verified, and clients need to meet debt-to-income ratio requirements. Reserves are required for a two- to four-unit purchase or for clients who do not have rental history.

3. Interest rate
   - Fixed rate:
   - Loan term:
   - Credit score based:
   - Other criteria:

   Answer: The interest rate is fixed and the loan term is 30 years. The note rate can vary by FICO credit score to account for credit risk. Borrowers with higher credit scores can receive lower note rates relative to borrowers with lower credit scores, but note rate can also vary by the geographic market in which the property is located when needed to support CRA-lending goals. There are no price differences based on loan-to-value, property type or any other criteria.

4. Eligibility
    - Maximum mortgage amount:
    - Maximum income:

Answer: Maximum mortgage loan amount aligns to Federal Housing Finance Agency (FHFA) Conforming Loan limits, with allowance for High Cost Area Limits in Los Angeles. The borrower's income must be less-than-or equal-to 150% of the Area Median Income (AMI) for the Metropolitan Division as defined by the Federal Financial Institutions Examination Council (FFIEC).

5. Where is it available
    - What communities:
      Census tracts:

Answer: The program is currently available in the Metropolitan Divisions of Charlotte-Concord-Gastonia, NC/SC; Dallas-Plano-Irving, TX; Detroit-Dearborn-Livonia, MI; Los Angeles-Long Beach-Glendale, CA; and Miami-Miami Beach-Kendall, FL. The program applies to properties located in census tracts that are ≥ 50% African American and/or Hispanic- Latino.

6. Type of property:
    - Single family:
    - Condos:
    - Multi-family:
    - Purchase and rehab:

Answer: The property must be an owner occupied, primary residence, and can be single family, condos, or two to four unit residential properties. Commercial-zoned properties are not permitted.

7. Total mortgage commitment
    - Total mortgage amount:
    - How long the program will be available:

Answer: We do not have a maximum expectation on how many first-time homebuyers the program will benefit. We will monitor the program to ensure that it is meeting the homeownership needs of the clients and communities we serve.

As required within Reg B, our Written Plan for the program will be evaluated in 12-18 months to ensure that the program is operating as designed. After such time, we will determine whether there are opportunities for a broader roll out.

8. Housing Counseling
    - Required by a HUD approved counselor:
    - Counselors identified:
    - Counseling requirements:

Answer: The housing counseling requirement must be completed by a HUD approved counselor. The Bank is partnering with approximately 35 local, non-profit agencies across the five markets to deliver the homebuyer education and counseling, which is structured to meet potential homebuyers where they are in their respective journeys. Counseling is structured to ensure that homebuyers can demonstrate an ability to meet their current and future obligations, create a budget that provides a roadmap to sustaining homeownership and are prepared to document their income, assets and on time payment history.

9. Future Expansion:

Answer: Our current focus is on these five markets. During the early launch, we will monitor the program to ensure that we are meeting the homeownership needs of the clients and communities we serve. We will assess a broader rollout in the future/after the 12-18 evaluation period.

10. Reporting requirements:

Answer: All of our lending, including this program, will be reported in our annual Loan Application Registry (LAR) as required by HMDA.

Rep. Alex Mooney

Questions for all witnesses:

1. What role does your institution play in determining which merchant category code (MCC) a merchant falls under?

Answer: Bank of America, as a merchant acquirer for card-based transactions on multiple payment card networks, complies with network participation rules regarding the assignment of merchant category codes for card-based transactions on the respective network. The Bank plays no role in establishing the codes themselves; that is done through the ISO organization. During our underwriting and onboarding process, based on information supplied by the merchant and our independent processes we assign the MCC code to the business that best fits its activity.

2. Activists successfully pressured the International Organization for Standardization (ISO) to adopt this new MCC for firearm retailers. Do you believe it was appropriate for the ISO to reverse course and adopt a new MCC it previously rejected and payment networks reportedly did not support based on public pressure?

Answer: Bank of America will continue to follow any laws, rule, and regulations, or network participation rules related to the use of MCCs.

3. Does your institution plan to go back and recode businesses and past purchases that may now most closely fall under the new MCC?

Answer: The Bank will comply with applicable law, rules and regulations, or network participation rules that govern look-back or forward-based approaches to consumer transactions.

4. Do you have a policy that would require any business in the firearm industry to meet criteria that goes above and beyond Federal, State, or local law or regulation? Yes or No? If yes, please describe policy and why you have.

Answer: There are certain business activities that have increased investor, client, employee, and regulator scrutiny. These transactions are evaluated through our risk framework, as are all transaction and client decisions, in the ordinary course of business. This process is client specific, deal-specific and subject to rigorous governance review. This process considers portfolio-level credit, operational, reputational and other risks. As part of that operating model, we have determined that we are currently unable to engage in certain activities based on the appropriate application of our risk framework and enhanced due diligence standards.

5. Does your bank lend to companies that manufacture or sell modern sporting rifles, so long as they are lawful under federal, state, and local law and compliant with federal, state, and local regulations? Yes or No? If yes, please explain. If no, has it ever?

Answer: *See* Answer to Q4 above.

6. Does your bank lend to companies that manufacture or sell long guns to non-prohibited individuals ages 18 to 21, so long as it is lawful under federal, state, and local law and compliant with federal, state, and local regulations? Yes or No? If yes, please explain. If no, has it ever?

Answer: *See* Answer to Q4 above.

7. Does your bank lend to companies that manufacture or sell magazines, regardless of their capacity, so long as they are lawful under federal, state, and local law and compliant with federal, state, and local regulations? If yes, please explain. If no, has it ever?

Answer: *See* Answer to Q4 above.

8. Activists expect this new MCC to be used to help flag "suspicious" gun purchases. What in your mind constitutes a "suspicious" purchase? Do you believe this MCC will provide helpful information in combating gun-related crimes, or do you believe you already have sufficient information to make these determinations?

Answer: MCC codes are used primarily in our risk management activities at the merchant level. The utility of MCC codes is primarily in our merchant underwriting process. They represent a general categorization of the primary activity of the merchant. They do not provide information about specific product sold or the customer of the merchant making the purchase.

9. The implementation of this new MCC may cause gunowners to purchase firearms with cash rather than payment card. Doesn't this make flagging legitimate suspicious transactions more difficult?

Answer: *See* answer to Q8 above.

10. What can you say to West Virginians to ensure them that this decision will not be used to restrict their Second Amendment rights?

Answer: *See* Answer to Q8 above.

Question for Mr. Brian Moynihan (Bank of America) (Rep. Mooney Cont.)

A lawsuit from Ambac against Bank of America is advancing to trial nearly 12 years after the suit was filed. This episode is a good reminder of the harm caused by the government and private lenders lowering underwriting standards during the runup to the financial crisis, with the naïve and foolhardy goal of putting people in homes they could not afford. This philosophy and policy caused home values to plummet and sparked a global recession while hurting working Americans the most.

The Biden Administration is taking us down the same path through its actions at the FHFA.

It's obvious that the best way to increase homeownership is to grow the economy and create jobs – something that won't happen so long as inflation and an excessive level of government spending anchor American taxpayers and businesses.

1. Has Bank of America lowered underwriting standards alongside the government in order to promote homeownership? Are products like a no-down payment mortgage placing us on a similar path to the one we took before 2008?

Answer: Bank of America's home loans re underwritten with rigor to meet the needs of our clients and ensure performance throughout various markets and economic cycles. Our underwriting discipline, coupled with the client's readiness, work together to provide the necessary framework for prudent credit evaluation and stable performance.

Bank of America's primary considerations in granting credit are the applicant's ability, stability and willingness to repay debt. Key underwriting criteria include, but are not limited to:

- Capacity (Ability to Repay) – income and employment history coupled with other debt obligations
- Character (Credit Profiles) – review of how well the applicant manages current and prior debts
- Capital (Reserves) – amount of assets available as reserves that can be leveraged as a secondary source of repayment
- Collateral (Valuation) – the adequacy of the subject property for security of the loan
- Conditions (External and Internal) – e.g., economic and government regulations, natural disasters, total credit exposure to Bank of America, etc.

Generally, Bank of America underwrites loans in accordance with Dodd-Frank Qualified Mortgage (QM) rule requirements. The final rule provides creditors a safe harbor for QM which is a covered transaction meeting certain characteristics, which are saleable to the Government-Sponsored Enterprises (GSEs). Bank of America also offers certain products that do not qualify as QM, but do meet Ability-to-Repay (ATR) requirements.

As part of our public policy commitment, Bank of America mortgage business does not offer:

- Subprime or high-cost mortgage loans as defined by the Home Ownership and Equity Protection Act (HOEPA).
- Non-Traditional mortgages that may result in negative amortization
- Programs that eliminate the need to verify the applicant's qualifying income with the exception of streamlined rate/term refinance programs or programs that permit reduced income documentation with confirmation of substantial liquid assets available through Global Wealth and Investment Management
- Collateral-dependent loans based on the equity in the security property rather than on the applicant's ability to repay obligations

Bank of America will only originate mortgage loans that comply with Dodd-Frank amendments to Regulation Z ATR requirements. The ATR rule requires creditors to make reasonable, good faith determinations based on reliable third-party records that the consumer has the ability to repay a closed-end consumer credit transaction secured by a dwelling. Bank of America's vigorous verification and evaluation of income supports affordability.

Rep. Ralph Norman

Question for each CEO/bank:

1. Yes or No: Are we in a recession?

Answer: Our Research analysts forecast 2022 fourth quarter GDP as 0.5% (QoQ, %SAAR), followed by contraction starting in first quarter 2023 (1.5%), second quarter (1.5%) third quarter (1.5%) and turning positive in fourth quarter 1.0%.

2. These are the highest mortgage rates (above 6%) since 2008 and when Biden took office, they were under 3%.
   a. What concerns are you each seeing in these trends?

Answer: From a consumer perspective, higher mortgage rates negatively impact housing affordability especially amongst low- to middle-income and first-time home buyers. From a mortgage servicing perspective, higher mortgage rates make it harder to offer loan modifications to borrowers experiencing difficulties paying their mortgage. From a housing availability perspective, to the extent that mortgage rates discourage builders this could already exacerbate housing shortage issues especially in low- to middle-income housing. And from a mortgage investor perspective, higher mortgage rates can negatively impact the value of existing mortgage-backed securities.

3. Since it's getting more unaffordable to buy a home, are we going to see Biden following the same path as George W. Bush in allowing for subprime mortgages putting people in homes they cannot afford?
   a. For example, litigation we've seen from Ambac over junk mortgages during the financial crisis is a good reminder of the harm caused by selling homes to people who cannot afford them. Are yalls standards strong enough to protect against mass defaults as interest rates rise? Are yall confident in your mortgage portfolio?
   b. We want to ensure the market can correct itself before too much – if any government – intervention in this space again.

Answer: Bank of America's home loans are underwritten with rigor to meet the needs of our clients and ensure performance throughout various markets and economic cycles. Our underwriting discipline, coupled with the client's readiness, work together to provide the necessary framework for prudent credit evaluation and stable performance.

Bank of America's primary considerations in granting credit are the applicant's ability, stability and willingness to repay debt. Key underwriting criteria include, but are not limited to:

- Capacity (Ability to Repay) – income and employment history coupled with other debt obligations
- Character (Credit Profiles) – review of how well the applicant manages current and prior debts
- Capital (Reserves) – amount of assets available as reserves that can be leveraged as a secondary source of repayment
- Collateral (Valuation) – the adequacy of the subject property for security of the loan

- Conditions (External and Internal) – e.g., economic and government regulations, natural disasters, total credit exposure to Bank of America, etc.

Generally, Bank of America underwrites loans in accordance with Dodd-Frank Qualified Mortgage (QM) rule requirements. The final rule provides creditors a safe harbor for QM which is a covered transaction meeting certain characteristics, which are saleable to the Government-Sponsored Enterprises (GSEs). Bank of America also offers certain products that do not qualify as QM, but do meet Ability-to-Repay (ATR) requirements.

As part of our public policy commitment, Bank of America mortgage business does not offer:

- Subprime or high-cost mortgage loans as defined by the Home Ownership and Equity Protection Act (HOEPA).
- Non-Traditional mortgages that may result in negative amortization
- Programs that eliminate the need to verify the applicant's qualifying income with the exception of streamlined rate/term refinance programs or programs that permit reduced income documentation with confirmation of substantial liquid assets available through Global Wealth and Investment Management
- Collateral-dependent loans based on the equity in the security property rather than on the applicant's ability to repay obligations

Bank of America will only originate mortgage loans that comply with Dodd-Frank amendments to Regulation Z ATR requirements. The ATR rule requires creditors to make reasonable, good faith determination based on reliable third-party records that the consumer has the ability to repay a closed-end consumer credit transaction secured by a dwelling. Bank of America's vigorous verification and evaluation of income ensures affordability.

4. You all mentioned during the hearing that ESG compliance will soon cost into the hundreds of millions of dollars in the years to come.
    a. Yes or No: Would you agree that complying with an ESG-focused agenda means sacrificing company returns?

Answer: No. We operate according to the principle of Responsible Growth. Embedded in that principle is that we have to deliver great returns for shareholders and address important priorities in the communities we operate. There is extensive public disclosure and discussion of our approach to Responsible Growth and to shareholder returns in our Annual Report, in particular the annual shareholder letter from the CEO. That disclosure is available at: https://investor.bankofamerica.com/annual-reports-and-proxy-statements

Rep. Roger Williams

Loosening underwriting standards and putting people in homes they cannot afford is a disastrous policy that blew up the entire economy 14 years ago. I am concerned the Biden Administration is leading us down a similar path. The cascade of compromised underwriting standards started with Fannie Mae and Freddie Mac and ended with private financial institutions.

Earlier this month, a trial started between Ambac and Bank of America that serves as a reminder of the financial harm caused by junk mortgages and other risky lending. If we want to increase homeownership, we need to focus on pro-growth policies, not attempt social engineering from the government and private entities.

Has Bank of America sustained robust underwriting standards over the past months and years? Are you worried that rising interest rates and other economic headwinds could be signaling another housing crisis?

Answer: Bank of America's home loans are underwritten with rigor to meet the needs of our clients and ensure performance throughout various markets and economic cycles. Our underwriting discipline, coupled with the client's readiness, work together to provide the necessary framework for prudent credit evaluation and stable performance.

Bank of America's primary considerations in granting credit are the applicant's ability, stability and willingness to repay debt. Key underwriting criteria include, but are not limited to:

- Capacity (Ability to Repay) – income and employment history coupled with other debt obligations
- Character (Credit Profiles) – review of how well the applicant manages current and prior debts
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Generally, Bank of America underwrites loans in accordance with Dodd-Frank Qualified Mortgage (QM) rule requirements. The final rule provides creditors a safe harbor for QM which is a covered transaction meeting certain characteristics, which are saleable to the Government-Sponsored Enterprises (GSEs). Bank of America also offers certain products that do not qualify as QM, but do meet Ability-to-Repay (ATR) requirements.

As part of our public policy commitment, Bank of America mortgage business does not offer:

- Subprime or high-cost mortgage loans as defined by the Home Ownership and Equity Protection Act (HOEPA).
- Non-Traditional mortgages that may result in negative amortization

- Programs that eliminate the need to verify the applicant's qualifying income with the exception of streamlined rate/term refinance programs or programs that permit reduced income documentation with confirmation of substantial liquid assets available through Global Wealth and Investment Management
- Collateral-dependent loans based on the equity in the security property rather than on the applicant's ability to repay obligations

Bank of America will only originate mortgage loans that comply with Dodd-Frank amendments to Regulation Z ATR requirements. The ATR rule requires creditors to make reasonable, good faith determination based on reliable third-party records that the consumer has the ability to repay a closed-end consumer credit transaction secured by a dwelling. Bank of America's vigorous verification and evaluation of income ensures affordability.

<u>Rep. William Timmons</u>

By June 2008, Fannie Mae and Freddie Mac, which are government-backed housing lenders, had acquired 16.5 million subprime or otherwise risky mortgages. The principal amount of $2.5 trillion created an unprecedented housing bubble. When the bubble burst, it caused the 2008 financial collapse.

For many of us, this was no surprise. Starting under the Clinton Administration, the federal government continuously compromised underwriting factors used to determine mortgage creditworthiness with the goal of "universal homeownership."

Who does it help to put people in homes they cannot afford? These same Americans bore the brunt of the financial crisis when it was all said and done.

I see some of those same ominous moves from the Biden Administration. Instead of trying to change the rules of the game, policymakers should be focused on stopping government spending that is fueling inflation. A growing and healthy U.S. economy is the right way to ensure more Americans can enjoy sustainable home ownership.

Bank of America's 12-year-old fight with bond guarantor Ambac regarding junk mortgages made by Countrywide Bank, which Bank of America acquired in the wake of the financial crisis, is a good reminder of the harm caused by well-meaning but naïve housing policies. Banks and other private lenders often loosen underwriting factors when the government does – they need to compete. Have underwriting standards at Bank of America remained robust enough that rising interest payments will not trigger widespread foreclosures?

<u>Answer</u>: Yes. Bank of America's home loans are underwritten with rigor to meet the needs of our clients and ensure performance throughout various markets and economic cycles. Our underwriting discipline, coupled with the client's readiness, work together to provide the necessary framework for prudent credit evaluation and stable performance.
Bank of America's primary considerations in granting credit are the applicant's ability, stability and willingness to repay debt. Key underwriting criteria include, but are not limited to:

- Capacity (Ability to Repay) – income and employment history coupled with other debt obligations
- Character (Credit Profiles) – review of how well the applicant manages current and prior debts
- Capital (Reserves) – amount of assets available as reserves that can be leveraged as a secondary source of repayment
- Collateral (Valuation) – the adequacy of the subject property for security of the loan
- Conditions (External and Internal) – e.g., economic and government regulations, natural disasters, total credit exposure to Bank of America, etc.

Generally, Bank of America underwrites loans in accordance with Dodd-Frank Qualified Mortgage (QM) rule requirements. The final rule provides creditors a safe harbor for QM which is a covered transaction meeting certain characteristics, which are saleable to the Government-Sponsored Enterprises (GSEs). Bank of America also offers certain products that do not qualify as QM, but do meet Ability-to-Repay (ATR) requirements.

As part of our public policy commitment, Bank of America mortgage business does not offer:

- Subprime or high-cost mortgage loans as defined by the Home Ownership and Equity Protection Act (HOEPA).
- Non-Traditional mortgages that may result in negative amortization
- Programs that eliminate the need to verify the applicant's qualifying income with the exception of streamlined rate/term refinance programs or programs that permit reduced income documentation with confirmation of substantial liquid assets available through Global Wealth and Investment Management
- Collateral-dependent loans based on the equity in the security property rather than on the applicant's ability to repay obligations

Bank of America will only originate mortgage loans that comply with Dodd-Frank amendments to Regulation Z ATR requirements. The ATR rule requires creditors to make reasonable, good faith determination based on reliable third-party records that the consumer has the ability to repay a closed-end consumer credit transaction secured by a dwelling. Bank of America's vigorous verification and evaluation of income ensures affordability.

Chairwoman Maxine Waters

1) **Mr. Cecere, Mr. Demchak, Mr. Dimon, Ms. Fraser, Mr. Moynihan, Mr. Rogers, Mr. Scharf**, I expressed disappointment at the end of the hearing on September 21st that you were not responsive in your written testimony to some of the questions that were informally provided to your representatives on July 1st, well in advance of the hearing, and included in the formal invitation letter you later received. I ask that you fully respond in your written response to each of those unanswered questions. Specifically:

- **Mr. Moynihan**, please provide a detailed response to questions #2, #3, #9, #10, #15, #21

- (2) Mortgage lending, including originations broadly, originations for homes valued at less than $100,000, refinancing, and related denial rates to borrowers of color;

  Answer: In 2021, the Bank originated 141k first mortgages, and 31k Home Equity Lines of Credit (HELOC).
    - 33% were to Persons of Color (POC)/minority borrowers.*
    - 4% of first mortgages were <$100k.*
    - 67% were refinances

    * For first mortgages, the total decline rate was 8%, and the Persons-of-Color (POC) decline rate was 10%.

  As of July 2022, the Bank services approximately 1.9 million first mortgage and HELOC accounts representing $315 billion in outstanding balances.

- (3) Forbearance and loan modifications offered, provided, or denied to customers experiencing hardship during the pandemic and foreclosures;

  Answer: The Bank assisted clients with 226k mortgage forbearances or deferrals since the start of the COVID pandemic.
    - Of the 226k loans, 219k clients have exited forbearance – with 208k of those returning to current payment status or paying off/refinancing.
    - As of end of June 2022, there are 7k loans remaining in active plans.
    - 11k clients are in delinquent status after exiting.
    - 3k of the delinquent accounts are being evaluated for loss mitigation options
    - 8k accounts are in process of being contacted.

- (9) Any pending or recent merger or acquisitions involving your bank, including a description of your engagement with affected workers, customers, and communities;

  Answer: None.

- (10) Your bank's approach to offering fair and affordable products and services, including to address continuing disparities in homeownership, small business ownership, and wealth building for people of color, as well as serving people making at or below 80% of the area median income located in a variety of neighborhoods, individuals that do not have access to the Internet, and consumers seeking financing to help them access safe abortion care;

  Answer: Bank of America is committed to ensuring access to credit and sustainable homeownership across the U.S. We have developed many programs over the years to ensure underserved communities have financial education, credit counseling, and a path to homeownership. We have developed affordable products and programs that provide down payment and closing cost assistance to expand access to homeownership. We also accept alternative credit documentations such as evidence of on-time rent and utilities payments to help people achieve the American Dream of owning a home.

- (15) Your compensation, benefits, and clawback policies, including the minimum wage you pay employees (including contract employees), how compensation policies are designed to promote accountability of company executives, how you ensure equal access to health care, including comprehensive reproductive health care for all employees (including contract employees), whether you are compensating employees seeking abortion care (such as paying for out-of-state travel when needed), and how you will guarantee every employee has equal access to this compensation and confidentiality, and how the compensation of the CEO and other C-suite executives compares to the median compensation of an employee at your bank.

  Answer:

  Competitive wages and benefits

  Recognizing and rewarding performance is a priority for us. We want teammates who are invested in our company and our clients, and we dedicate our time and resources to help them build long careers with us. That begins with providing a competitive starting wage and benefits. In June, we raised our U.S. minimum hourly wage to $22, on the path to our commitment of $25 by 2025. This means that any employee who starts work for our company makes at least ~$46,000 per year as well as some of the most comprehensive benefits available.

  In June, we also increased annual salaries for all U.S. employees who currently receive annual total compensation below $100,000, and have been employed with the company since 2021 or earlier. The percentage increase for eligible employees ranged from 3% to 7%, increasing with years of service. We also delivered special compensation awards, over and above all other forms of compensation, to teammates for our performance in 2021, the fifth year we have done so. For 2021, we increased the value of the award to $1 billion, totaling nearly $3.3 billion in special compensation awards since 2017. Roughly 97% of our teammates received an award this year (all but the top 3% earners), with the vast majority receiving it in the form of Bank of America stock to help them share in our long-term success.

Compensation policies

We also continue to invest in our teammates through a progressive compensation model. Each year, teammates with lower salaries, on average, receive higher compensation increases as a percentage of salary when compared to employees with higher salaries.

We continue to provide higher company subsidies for medical premiums for teammates with lower salaries. In 2022, for the tenth consecutive year, there was no increase in medical premiums for teammates earning less than $50,000 per year. For all other teammates, the average increase in medical premiums has been less than trend growth in medical cost in the marketplace.

Minimum Wage: The Bank minimum hourly wage for U.S. teammates is currently $22/hour (~$46,000 per year) building to $25/hour ($52,000 per year) by 2025. Average hourly rate is $28.85/hour. Contractor minimum is currently $15/hour.

Pay Philosophy: Our compensation philosophy is to pay for performance over the long term, as well as on an annual basis. Our performance considerations include both financial and non-financial measures—including a conduct review process assessing the manner in which results are achieved. Our executive compensation program provides a mix of salary, incentives, and benefits paid over time to align executive officer and shareholder interests. A majority of total variable compensation granted to named executive officers is in deferred equity-based awards, further encouraging long-term focus on generating sustainable growth.

Our plans provide for clawback features to all executive variable pay that can result in awards being cancelled or prior payments being clawed back in the event of certain detrimental conduct or financial losses. These features were designed to encourage appropriate behavior and manage risk in our compensation program.

CEO pay ratio (as disclosed in the 2022 Proxy Statement): Our CEO's annual total compensation* was $23,739,465, median employee annual total compensation was $102,497, and CEO to median employee pay ratio 232:1. For comparison: the 2021 ratio was 274:1 (as disclosed in the 2021 Proxy Statement).

Shareholder "Say on Pay": The Bank provides shareholders with an annual opportunity to cast an advisory "Say on Pay" vote. At our 2021 annual meeting of shareholders, out of approximately 8.6 billion shares outstanding and entitled to vote, over 94% of the approximately 6 billion votes cast favored our "Say on Pay" proposal. This represents the 11th consecutive year of "Say on Pay" approval of 92% or higher.

Healthcare: A number of reproductive healthcare services, as well as other medical procedures such as organ transplants, are eligible for travel expense reimbursement for employees and their dependents who are enrolled in our U.S. self-insured health plans, within appropriate legal guidelines. Covered medical expenses are administered by our third-party health plan administrators and are subject to HIPAA's privacy protections. We take employee privacy protection seriously, and we have measures in place to maintain the privacy and confidentiality of employee and beneficiary information as is required by law.

(21) your bank's approach to mitigating various risks, including climate risk and reputational risk to the bank, with respect to any products, services, or investments your bank provides to jurisdictions prohibiting safe abortion care, gun manufacturers, private prisons, and the fossil fuel industry, as well as individuals and groups that support any form of human trafficking, terrorism, and the attempted insurrection on January 6, 2021.

Answer: At Bank of America, managing risk well is embedded as a core tenet of Responsible Growth. Everyone has a role to play in managing risk. Employees are responsible for understanding our processes end-to-end and ensuring controls are in place to manage and mitigate risk.

The topics listed are all generally covered by, and subject to, our enterprise-wide Risk Framework, which serves as the foundation for consistent and effective management of risks. Environmental, social and governance (ESG) principles help define how we deliver Responsible Growth. The Environmental and Social Risk Policy Framework outlines the approach for how we identify, measure, monitor and control risks related to environmental and social issues. It demonstrates our commitment to managing risk and Responsible Growth by providing structure and transparency to our policies, procedures and standards.

There is extensive public disclosure and discussion of our approach to Responsible Growth in our Annual Report, in particular the annual shareholder letter from the CEO. That disclosure is available at: https://investor.bankofamerica.com/annual-reports-and-proxy-statements

For additional details on Responsible Growth, please see: https://about.bankofamerica.com/en/our-company/responsible-growth

The Environmental and Social Risk Policy Framework is available at: https://about.bankofamerica.com/en/our-company/environmental-social-risk-policy-framework

Housing, Mortgage Lending, and Servicing (Chair Waters cont.)

2) **For all witnesses,** research demonstrates that a lack of access to small-dollar mortgage loans is a key barrier to homeownership for many families with low and moderate incomes. According to the Urban Institute,[5] potential buyers of low-cost homes, which require smaller-size mortgage loans, face higher denial rates than buyers who need larger loans, in both the government and conventional channels.
   a) What programs or approaches are your banks considering to improve access to small-dollar mortgages for low-income borrowers and other underserved borrowers?
   b) Has your bank considered developing a special purpose credit program to ensure that more small-dollar mortgages are available for borrowers that need this financing to buy a low-cost home?
   c) One of the proposals noticed at the September 21st hearing would give lenders credit on their CRA exams for originating mortgages under $100,000. Would this be an incentive for your bank to make more loans of that size? What else should Congress consider in order to encourage more lenders to originate small-dollar mortgage loans?
   d) What steps can your bank take to, either directly or perhaps in partnership with CDFIs and MDIs, support the origination of small-dollar business loans for Millennials and other young entrepreneurs?

Answer: The Bank recently announced our special purpose credit program - Community Affordable Loan Solution. Our mortgage products do not have a minimum loan amount.

The Bank values its CDFI partnerships and believes that funding CDFIs enables the flow of capital to those who might be unable to be serve through direct lending programs. The Bank has a multi-pronged approach to supporting the needs of young entrepreneurs at every stage of their businesses' development.

- First, the Bank remains the largest investor in CDFIs in the U.S., providing over $2B in capital – loans, deposits, and equity investments. The CDFIs, in turn, supply affordable, responsible loans and technical assistance to low-income and other underserved clients and communities.
- Second, we have committed $100 million in capital to connect women small business owners to affordable loans through a partnership with the Tory Burch Foundation. Since the program's launch, more than 4,300 women entrepreneurs have received more than $75 million in loans through CDFIs to help them grow and refine their businesses.
- Third, the updated Bank of America Access to Capital Directory provides women-owned businesses with resources to understand the capital landscape. In 2021, the Bank increased its target for equity investment in minority-focused funds to $350M, including capital to under-represented minority and women entrepreneurs.
- Fourth, in August 2022, the Bank launched a new Access to Capital program (a Special Purpose Grant Program) for minority- and women-owned small businesses. The Program would provide down payment assistance for our SBA 7a and 504 owner-occupied Realtor loans up to 25k or 5%, whichever is less. The program will also provide access to a Secured Business Advantage Credit Line (BACL) which is a fully secured BACL product

[1] Urban Institute, *Making FHA Small-Dollar Mortgages More Accessible Could Make Homeownership More Equitable* (Apr. 22, 2021).

that extends risk criteria to include clients that have 6 months or greater in business and 50k in revenue.

- Fifth, the Bank has launched a CDFI Ambassador Program. Through this program, the Bank will designate a CDFI point person in every market. This person will ensure that all small business clients have the opportunity to get access to capital either through the Bank or a CDFI through all stages of the business' life cycle. The program will track and measure small business clients that have been referred to CDFIs as the ambassador will have committed coverage of small business teammates aligned to CDFIs in every market nationally.

3) **For all witnesses,** during the pandemic, millions of homeowners have fallen behind on their mortgage payments and other housing costs. This is especially true for Black and Latinx homeowners who have been twice as likely during this time to be behind on their mortgage payments. In order to protect families and prevent a repeat foreclosure crisis, Congress passed a $10 billion Homeowner Assistance Fund (HAF) in the American Rescue Plan Act, which this Committee worked hard to secure. Today, nearly every State and tribal government has received funding from the Treasury and has opened their applications to homeowners.

a) Please provide how many of your customers have received loss mitigation, listing the number of customers who received each type of treatment (e.g. forbearance, deferment, modification) your bank provided.
b) How many customers who received forbearance have remained delinquent once they exited a forbearance period and what is your bank doing to assist them?
c) Is your bank connecting borrowers with their state administered HAF program before initiating any foreclosure processes? If so, please provide the volume of payments you have received, the number of customers served, and how many of your customers have applied for HAF assistance.
d) What else is your bank doing to prevent foreclosures and connect borrowers to HAF programs in their state?

Answer: The Bank assisted clients with 226k mortgage forbearances or deferrals since the start of the COVID pandemic.

- Of the 226k loans, 219k clients have exited forbearance – with 208k of those returning to current payment status or paying off/refinancing.
- As of end of June 2022, there are 7k loans remaining in active plans.
- 11k clients are in delinquent status after exiting.
    - 3k of the delinquent accounts are being evaluated for loss mitigation options
    - 8k accounts are in process of being contacted.

Bank of America contracted with Homeownership Preservation Foundation (HPF), a National HUD Certified Financial Counseling Organization, to offer free financial counseling to homeowners with completed forbearance plans who are more than 30 days past due and with whom the Bank has been unable to make contact.

- Over the course of the program, HPF achieved 33% right-person contact (RPC). Of the target population, 79% are current, paid off or in active loss mitigation.

The Homeowner Assistance Fund (HAF) is a new federal program that launched April 2021 to help households catch up on their overdue bills and remain in their homes. Customers apply for this assistance directly with their state. The states decision each application and decide how much an applicant may receive up to $50,000.

We are currently set up with 49 states and are receiving applications from 41 of them. We have received 1,378 requests from states regarding the Homeowner Assistance Funds program.

4) **For all witnesses**, research has shown that banks' CRA lending has contributed to neighborhood gentrification and the displacement of long-time residents, who are often lower-income households and people of color, by financing housing for higher-income renters and higher income homebuyers moving into gentrifying areas.[6]
   a) Does your bank invest in the development or preservation of affordable housing, and if so, how? Please include what share of households are served by these investments in terms of their level of area median income (AMI).
   b) As a share of your CRA investments, how much does your bank invest each year in affordable housing? Please include what share of households are served by these investments in terms of their AMI level.
   c) What steps does your bank take to ensure that the financing you provide does not lead to the displacement of a community's residents, especially low-income families and people of color?

Answer: Bank of America's Community Development Bank (CDB) provides both construction loans and tax credit equity financing, as well as permanent financing options and other real estate development solutions to create and preserve affordable housing communities across the country. Most recently, in 2021 CDB-financed developments created or preserved over 13,000 units, of which 11,600 (more than 89%) were affordable. Of the 11,600 units, tenants ranged from low-income earners with incomes at or below 80% AMI, to extremely low-income earners with incomes as low as 20% AMI. Global Corporate and Investment Banking also helped create or preserve over 3,200 units for residents at or below 60% of AMI for a total of 14,800 affordable housing units.

Bank of America's CRA-qualified investments for 2021 includes $2.3B in affordable housing investments provided by the CDB group and over $400mm provided by Global Corporate and Investment Banking for a total of over $2.7B. CDB financing created or preserved over 11,600 affordable housing units that targeted families earning at or below 80% AMI and Global Corporate and Investment Banking helped to create and preserve over 3,200 units at or below 60% of AMI for a total of 14,800 units. In addition to equity investments, CDB committed $3.8B in CRA-qualified affordable housing lending. While demonstrating 5 consecutive years of growth, CDB has created or preserved over 65,500 units, of which 91% will house low-to-moderate income families.

The majority of CDB financed developments include services which help the residents access resources to support economic mobility and racial equity. Our communities have federal and

[2] Washington Post, *A tool meant to help minorities buy homes is instead speeding up gentrification in D.C.* (Aug. 9, 2019).

state regulatory rent restriction agreements requiring the units to stay low-income in many cases up to 55 years. Additionally, owners often elect to enter another long-term regulatory rent restriction agreement prior to the expiration of the original regulatory rent agreement as part of a rehab strategy, therefore continuing the low-income restriction for another period up to as long as 55 years. We do not track ethnicity as part of our underwriting or portfolio management. That said, according to HUD's Low Income Housing Tax Credit (LIHTC) Tenant Report released in April 2021: in 2018, 38.4 % of LIHTC tenants were White, 27.5% were Black and 10.8% Hispanic tenants. Note: 14.7% of LIHTC properties did not report race and ethnicity. Additional geographic detail can be extracted from the data.[7]

5) **For all witnesses,** a recent study by Freddie Mac[8] showed that 12.5% and 15.4% of homes appraised in majority-Black and majority-Latinx communities, respectively, are valued below the contract purchase price. Those figures compare to 7.4% of homes in majority-White neighborhoods. Disparities in home valuation, including appraisals, contribute to borrowers of color being denied mortgage lending and locks them out of homeownership and wealth-building opportunities.

a) What share of your in-house appraiser panels are made up of appraisers of color and female appraisers?
b) Does your bank contract with any or women-owned Appraisal Management Companies (AMCs) or those owned by people of color? If so, what share of your appraisal business goes to AMCs are owned by women or people of color?
c) Your bank is responsible for setting the stage for consumers by establishing appraisal fair lending compliance standards and reconsideration of value policies (ROV) that allow consumers to contest appraisals. What is your current ROV policy and how do you make borrowers aware of this policy? Does your bank track ROV-related data, such as the number of ROV requests that are granted annually, which borrowers are requesting them, how many resulted in corrected home valuations, and what the average appraisal gap is? If so, please share what type of data is collected.
d) What processes do your banks have in place for reporting appraiser malpractice, possible appraisal discrimination, or fair lending compliance issues with AMCs?
e) Does your bank currently rely on Automated Valuation Models (AVMs) to conduct home valuations or fair lending compliance, and are you supportive of federal regulations that seek to require affirmative non-discrimination requirements in the development and maintenance of AVMs?

Answer: The Bank currently does not fulfill appraisals with an in-house panel of appraisers. We fulfill appraisals utilizing three national Appraisal Management Company (AMC) vendors.

We allow Reconsiderations of Value (ROVs) on any appraisal. The Bank makes borrowers aware of this option in both the Appraisal Cover Letter sent to consumers with a copy of the appraisal and in our consumer education module, Better Money Habits. There is no limit to the number of ROVs a client may request and we track all outcomes of the ROV review, including where the opinion of value was revised and by how much.

[3] https://www.huduser.gov/portal/datasets/lihtc/tenant.html
[4] Freddie Mac, *Racial and Ethnic Valuation Gaps In Home Purchase Appraisals* (Sept. 20, 2021).

We maintain robust practices to report malpractice and possible discrimination to the appropriate regulatory bodies (generally state licensing boards)

We utilize AVMs as part of evaluations to support the credit decision on certain lending transactions and as a tool to differentiate higher risk appraisals for additional review. Our understanding is that interagency guidance regarding AVMs is a requirement of the Dodd Frank legislation and a proposed rule is forthcoming.

Small Business Lending and Support

6) **Mr. Moynihan**, in a press release from last month, your bank announced a new program for women-owned businesses and businesses owned by people of color applying for Small Business Administration (SBA) 504 and 7(a) commercial real estate loans.[9] The press release also stated that the commercial real estate properties must be located in certain Opportunity Zones. A 2018 article from Brookings questioned whether Opportunity Zones would spur targeted investment for underserved communities or act as an incentive for gentrification.[10]

a) Why did Bank of America decide to focus on properties located in Opportunity Zones?

b) How will you ensure that your bank's new program to support small businesses will support, and not harm, local communities?

Answer: The Small Business Down Payment Grant Program is a new credit program providing down payment grants on SBA 504 and 7(a) commercial real estate loans for women and minority business owners. It is designed to extend credit to historically disadvantaged borrowers and provide support to make purchasing commercial real estate more affordable. Eligible businesses must be at least 51% women-or minority-owned. Other criteria include income and property location, among other qualifiers. The program is currently available for business owners in select Opportunity Zone neighborhoods in Atlanta, Chicago, Charlotte, Dallas, and Los Angeles. This program was developed in partnership with Bank of America Home Loans to help enable business owners to not only purchase the building they are leasing or renting for their business to create generational wealth, but also to enable those business owners to purchase a home and live in the community where they work. Opportunity Zones were chosen because the program is designed to extend credit to historically disadvantaged small business borrowers and provide support to make purchasing commercial real estate more affordable. Further, Opportunity Zones have been defined by the federal government as economically distressed communities, providing the Bank with an objective and independent perspective on geographies to focus. The Opportunity Zones where this SPCP will be first provided are governed by the IRS.

Many business owners of diverse backgrounds lack the access to capital and technical assistance needed to qualify for commercial loans, which can help secure transferable assets that build equity across generations. We believe that the program requirements aid in mitigating potential gentrification concerns. Additionally, the Bank will monitor the program to ensure that it is

[5] Bank of America, *Bank of America Announces Small Business Down Payment Grant Program to Drive Women and Minority Business Growth* (Aug. 30, 2022).

[6] Brookings, *Will Opportunity Zones help distressed residents or be a tax cut for gentrification?* (Feb. 26, 2018).

operating as intended and will make adjustments accordingly where applicable. In addition, as part of the Small Business program, Bank of America Small Business specialists will team up with local small business-centric non-profit partners to provide financial education services.

7) **For all witnesses**, while many banks are migrating many of their banking products and services online, according to research[11] from the National Community Reinvestment Coalition, many small businesses continue to rely on local bank branches for access to a loan. In fact, the research shows that among the most important predictors of the amount of small business lending by large banks in metropolitan areas are the number of branch locations and county level GDP. Please describe how small business owners typically engage with your bank?
   a) Do most of your small business customers engage online or via digital channels, or are they coming into a bank branch to apply for credit and to access other services?
   b) What is your bank doing to ensure that branches are located and accessible in communities where local residents as well as small business owners are seeking credit?

Answer: Bank of America is focused on serving our Small Business clients in the manner that best meets their needs – whether in person, in a financial center, at their place of business, or through our various digital capabilities. In the last 12 months alone, our 2,000+ small business specialists have contacted their clients over 2MM times (+3% y/y) with 600k face-to-face meetings (+21% y/y) and 1.5MM phone calls (+2.4% y/y).

As of 9/30/22, 53% of our Small Business clients transact with us through multiple channels – financial center, digital, phone or ATM. Small Business clients are 87% digitally active, and 27% of our sales come from digital up 30% y/y through September 2022. Further, Small Business clients continue to visit financial centers. On a monthly basis, nearly 35% of Small Business clients use a financial center.

The Bank is continually assessing our branch network to meet the needs of our communities. This work starts with our client behavior and density. The financial center network provides financial center access to 240 million people across 200+ markets which equates to over 76% of the U.S. population. And, given the investment in our digital and online capabilities, our clients (or prospective clients) can easily access credit outside of our traditional brick and mortar branches. In short, our combined high-tech, high-touch approach is a client-centric service model delivering the highest levels of service and helping Small Business clients grow their business.

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[7] NCRC, *Relationships Matter: Small Business and Bank Branch Locations* (Accessed Sep. 15, 2022).

Small Dollar Loans

9) **To all witnesses**, please list and describe any small-dollar consumer loan you offer, including how many consumers use those products, the current APR on those loans, the eligibility criteria, the general terms and conditions, and the maximum amount that a customer can borrow with these products?

Answer: Our program Balance Assist is an affordable small dollar loan program designed to help clients manage their short-term liquidity needs. To date, ~300k clients have used a Balance Assist loan.

- The following are key terms and conditions:
  - Clients can borrow up to $500 (in increments of $100) for a $5 flat fee regardless of the amount borrowed.
  - The majority of clients borrow the full $500, which translates into an APR of 5.99%.
  - Repayments are made in three equal monthly installments over a 90-day period.

- The following are key eligibility criteria:
  - Bank of America checking client for at least 12 months
  - Positive balances in all checking accounts
  - Regular monthly deposits for the prior 3 months prior to application
  - Max of 6 Balance Assist loans in a rolling 12-month period
  - No other open Balance Assist loans
  - Credit bureau criteria considered if all other eligibility criteria are met

Banking Deserts

10) **For all witnesses**, throughout the COVID-19 pandemic, there has been a greater shift to online banking. However, for communities living in rural areas, when physical bank branches close permanently, some customers may lack internet access, or the knowledge of how to navigate online banking, and are forced to turn to expensive alternatives like cash-checking stores or payday lenders.[12] How does your bank interact with clients in rural communities?
    1) How does your bank interact with clients in rural communities?
    2) How do you productively engage with communities that lack reliable broadband internet service?

Answer: The Bank maintains physical, digital, and telephonic platforms. Clients who do not live near a branch may interact with the Bank via alternate channels, including our digital and online platforms and our contact centers. If rural communities lack access to a physical location and if there is inadequate digital infrastructure, the communities can gain access to our products and services by phone via our contact centers.

[8] NPR, *After The Banks Leave* (Apr. 15, 2021).

In urban, low-income communities where the cost of internet access may be a barrier, our physical network remains a convenient channel through which the Bank can provide our products and services.

Credit Reporting and Underwriting Practices

12) For all witnesses, in 2021, Fannie Mae began to incorporate positive rental payment history into its automated underwriting systems, followed by Freddie Mac in 2022. Similarly, according to a recent report from HUD, the Federal Housing Administration (FHA) is working to incorporate positive rental payment history into its automated underwriting policies and processes (AUS). HUD elaborated that doing so could help renters with a strong record of on-time rent payments get credit when seeking to qualify for an FHA-insured mortgage.

a) Does your bank already consider positive rental payment history in the mortgage underwriting process?
b) Please provide a list of other forms of alternative data or credit information that are not typically included on a consumer's credit report, that your bank uses to determine a consumer's creditworthiness for the purposes of underwriting a mortgage.
c) Does the incorporation of alternative data into federal automated underwriting systems, like that of Fannie Mae and Freddie Mac, or FHA, help facilitate the inclusion of rental payment data in the mortgage underwriting process?
d) If you do not currently consider alternative data like positive rental payment history, what are the challenges and barriers to doing so?

Answer: Bank of America allows an applicant's credit history to be developed through nontraditional (or alternative) means. The fact that an applicant has little or no measurable credit reflected in the records of the major credit bureau repositories does not necessarily mean that the applicant is high risk (though it may mean that the applicant has credit that is not generally reported to the credit bureaus). The following are some examples of the types of alternative credit references that may be used for establishing and evaluating a nontraditional credit history:

- Rental housing payments
- Traditional credit references with at least a 12-month history that are shown on the credit report may also be considered.
- Utility company reference, including gas, electricity, water, telephone service, cable television (TV) and internet service
- Insurance coverage, including medical, auto, life or renter's insurance

Equifax's Inaccurate Credit Scores

15) For all witnesses, what systems does your bank have in place to ensure third-party information you receive, such as the credit scores Equifax provides to your bank, is accurate before you utilize the information?

Answer: Bank of America's use of Equifax credit bureau data is limited to our mortgage product and is one part of a tri-merge credit report. A tri-merge credit report combines the credit information collected from the three national credit bureaus of Experian, Equifax, and TransUnion into a single report. The Bank uses trend analysis and FICO shift evaluations (statistical deviation) to identify potential issues or discrepancies that need to be addressed with the appropriate credit bureau. Tradeline information from the credit report is provided to the customer, who has the opportunity to review and verify before deciding to proceed with the application.

16) For all witnesses, do you have a contractual relationship with Equifax?

a) What are the terms of your bank's agreement with Equifax?
b) Does your contract include language around liability for the provision and accuracy of Equifax's scores?
c) What does your contract say about liability when the scores your bank received from Equifax are inaccurate?

Answer: As noted, Bank of America utilizes a tri-merge credit report that combines the credit information collected from the three national credit bureaus into a single report. Equifax does not provide their data directly to Bank of America. Rather the data is provided to a vendor who prepares the final report for use by mortgage lenders, including Bank of America.

Swipe Fees

19) All witnesses, do you hear complaints from small businesses about the swipe fees that they are charged? If so, what should policymakers do to address the concerns of small business owners?

Answer: Overall, our small business customers have a very high level of satisfaction with our payment products. This is confirmed by both internal and external surveys. "Swipe" or interchange fees are only one component of the cost of card acceptance for small businesses. In the case of credit cards, those fees are set by the card brand networks, and in the case of debit cards, those fees are set by the Federal Reserve under the Dodd-Frank legislation. In our merchant acquiring business, we offer clear, transparent pricing which is highly competitive in the marketplace. When we receive a complaint from a customer, of whatever nature, we take it very seriously and have a robust complaint monitoring and remediation process.

Policymakers should encourage transparency around payments and an understanding of credit card payments, in particular, for all participants. This includes the fees involved (e.g., swipe fees) and also the benefits (e.g., rewards to consumers from card issuers, transaction security, management of disputes between buyers and sellers, access to lines of credit). With respect to debit card interchange, policymakers should encourage the Federal Reserve to assure compliance with the Small Issuer Exemption to avoid exploitation by issuers for whom the provision was not intended. When circumvention of the Small Issuer Exemption under Regulation II occurs, businesses pay higher interchange fees.

Diversity and Inclusion

22) All witnesses, the committee has considered various legislative solutions to support greater diversity and inclusion, including mandating the consideration of diverse candidates for all roles or senior roles. Has your bank committed to such a policy?

a) Research indicates that considering diverse candidates alone may not lead to more diverse hires; instead, two or more diverse candidates should be considered, and the interviewing slate should also be composed of diverse staff. Is this an approach your bank has considered and/or deployed? If so, can you share what progress you have witnessed using this approach?

Answer: For over a decade, our company has had a practice of utilizing diverse slates in order to grow diversity at senior levels of the company. The use of diverse slates at senior levels, among other broad-based diversity practices, has helped to drive our strong progress against our aspirational goal where our employee population mirrors the clients and communities we serve. The management team is now 55% diverse, including 32% women. Since 2015, our representation of teammates of color in the top three management levels increased +60%. We've seen improvements in the representation of Asian, Black/African American and Hispanic-Latino teammates across key categories such as management levels 1–3, managers, executive/senior level and mid-level. For more information, please see our Annual Report.

Commitments to Racial Equity and Support of MDIs and CDFIs

26) For all witnesses, do you have a diverse and inclusive community advisory board that you meet with periodically, such as every quarter, to consult with them when your bank makes decisions regarding which communities you might open or close a bank branch, or to guide the bank's efforts to comply with the Community Reinvestment Act? If not, will you consider establishing one?

Answer: Yes. Since 2005, we have relied on our National Community Advisory Council (NCAC) – a forum made up of senior leaders from social justice, consumer advocacy, community development, environmental, and research organizations – from whom we solicit independent external perspectives, guidance, and feedback.

The NCAC meets at least twice annually and has been meeting with greater frequency during the pandemic. Our CEO and senior management joins these meetings regularly to hear directly from our NCAC advisors who advise on critical issues affecting our clients, employees, and communities.

Over the years, these advisors have been valuable voices helping us deliver on our commitment to responsible growth. This ongoing and candid dialogue has informed our practices, policies, products and services in numerous areas including (but not limited to) those listed below:

- Consumers' reliance on overdrafts (e.g., eliminating OD fee on debit card transactions, offering no-overdraft-fee account, offering flat-priced $5 small dollar loan).
- Retail activities (including our evolving digital offerings, financial center footprint, adoption of emerging technologies among underserved populations).
- Workforce and jobs issues (e.g., our Pathway's initiative designed to hire thousands of teammates from low- to moderate-income communities).
- Environmental commitments (e.g., our approach to achieve our Net Zero Goal).
- Sustainable finance (e.g., our leading $2 billion portfolio of loans, deposits, and investments in Community Development Financial Institutions (CDFIs).
- Racial equality & economic opportunity (e.g., our $1.25 billion, five-year commitment including hiring and retention, compensation, benefits, and our employee networks).

27) For all witnesses, will you commit to commissioning an independent racial equity audit that covers *all* of your bank's operations -- including employment, contracting, investments, and the financial products and services you provide -- and make those findings public?

Answer: We believe that our shareholders, employees, customers, and communities are well-served by our regular and transparent pursuit of engagement and progress on racial equality, civil rights, and nondiscrimination. We believe this comprehensive, ongoing approach provides significant transparency and engagement and deeper insights than a necessarily limited moment-in-time audit. We regularly engage with stakeholders on our approach, including with our shareholders who voted against proposals to commission racial equity audits in 2021 and 2022.

Investigating Discriminatory Practices

31) For all witnesses, yes or no, do you believe that racial discrimination occurs in the financial sector?

a) Yes, or no, do you believe that any discrimination that occurs at your bank or any bank is unfair to affected individuals?

Answer: Bank of America has made anti-discrimination a cornerstone of its culture, and the Bank has policies, procedures, controls, and feedback channels to prevent racial discrimination in the provision of its products and services. If allegations of racial discrimination are made, they are investigated and appropriate actions and remedies are taken.

32) For all witnesses, do you endorse the lawsuit the American Bankers Association and other organizations filed to challenge the Consumer Financial Protection Bureau's efforts to combat unfair discriminatory practices? Why or why not?

Answer: Bank of America opposes unlawful discrimination on any prohibited basis. The Bank supports additional clarity by policymakers, via statutes and formal rulemaking, regarding anti-discrimination requirements in consumer products and services outside of credit. We are not involved in the lawsuit referenced, and would refer the Committee to the ABA, Chamber, or CBA for questions about the law suit.

33) Mr. Moynihan, the Department of Justice and the U.S. Attorney's Office for the Eastern District of New York filed a civil complaint alleging that since 2010, Bank of America "maintained a policy of denying mortgage and home equity loans to adults with disabilities who were under legal guardianships or conservatorships."[13] Please describe your bank's current anti-discrimination policies?

a) Have any of those policies changed? If so, please describe those changes.
b) Going forward from this settlement, how do you ensure that all of Bank of America's policies are in full compliance with the Fair Housing Act?

Answer: Bank of America denied that the policies identified in the lawsuit – which were intended to protect vulnerable consumers from abuse by caregivers, trustees, guardians, etc. – constituted unlawful discrimination. Nevertheless, we eliminated those policies. The Bank continually reviews its policies and procedures to ensure compliance with the Fair Housing Act and all other applicable legal requirements.

34) Mr. Moynihan, following a report by Reveal News in 2018 which found evidence of modern-day redlining, bank examiners from the Office of the Comptroller of the Currency (OCC) found that Bank of America was offering fewer loans to homebuyers of color in Philadelphia compared to White homebuyers. Is your bank offering fewer loans to homebuyers of color in Philadelphia compared to White homebuyers?

a) What steps has Bank of America taken to atone for past discriminatory practices and affirmatively advance equitable lending to all qualified borrowers?

Answer: Bank of America is committed to ensuring access to credit and sustainable homeownership in Philadelphia and across the U.S. We have developed many programs over the years to ensure underserved communities have financial education, credit counseling, and a path to homeownership. We have also developed affordable products and programs that provide down payment and closing cost assistance to expand access to homeownership. We also accept alternative credit documentations such as evidence of on-time rent and utilities payments to help people achieve the American Dream of owning a home. In Philadelphia, in particular, our performance has been very strong.

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[9] Department of Justice, *Justice Department Reaches Settlement with Bank of America to Resolve Claims of Disability Discrimination and Compensate Victims* (Jul. 23, 2020).

Enforcement Actions and Repeat Offenders

35) **Mr. Moynihan**, in May of this year, the CFPB finalized an enforcement action[14] against your bank for unlawfully freezing customer accounts, charging garnishment fees, garnishing funds, and sending payments to creditors based on out-of-state garnishment court orders that should have been processed under the laws and protections of the states where the consumers lived. You also violated the law by inserting unfair language into customer contracts that limited their rights to challenge garnishments. How many customer accounts were frozen, charged fees and garnished of funds?

a) What steps has your bank taken to remediate harmed consumers?
b) In July, the CFPB and the OCC finalized another enforcement action against Bank of America, this time for unfairly and unlawfully freezing people's access to unemployment benefit funds, and giving them little recourse when there was, in fact, no fraud. How are you remediating harmed consumers?
c) When banks repeatedly break the law, should they continue to pay fines or would regulators be justified in imposing stronger penalties, such as the asset cap imposed on Wells Fargo by the Fed?

Answer: Bank of America is required to process lawful garnishment orders directed at its customers, and the Bank has committed to providing redress in the approximately 3,700 instances that the CFPB found the Bank's execution of those orders was in error out of more than 1 million orders processed during that time. The Bank is working with the CFPB to implement its Consent Order requirements, including the remediation requirements.

The orders require the Bank to identify and remediate instances where legitimate cardholders were inadvertently affected by our fraud prevention measures. Eligible cardholders will receive a direct payment and an opportunity to have their individual circumstances considered further by a third party administrator. The Bank began related work in 2020 and will now complete our work under the agreements.

Regulators have adequate power to impose penalties commensurate with findings.

[10] Good Jobs First, *Violation Tracker* (Accessed Sep. 19, 2022).

Abortion Access

42) For all witnesses, since the Supreme Court's ruling in *Dobbs v. Jackson Women's Health Organization*, several states have made accessing abortion services illegal. Data collected by credit card issuers and banks have the potential to serve as incriminating evidence against those seeking reproductive health care. What steps do you plan to take to protect the privacy of your customers and employees seeking reproductive health care?

a) How will you ensure that employees do not face retaliation or discrimination in the workplace based on their personal healthcare decisions?

Answer: We take employee and customer privacy protection seriously, and we have measures in place to maintain the privacy and confidentiality of client and employee information as is required by law. Furthermore, discrimination, harassment, and retaliation are unacceptable and contrary to the company's values, and are prohibited by our Code of Conduct. We do not discriminate nor retaliate against employees based on their medical conditions or medical treatments.

Criminal Justice

43) Mr. Dimon and Mr. Moynihan, In 2020, the FDIC issued a new rule to narrow the crimes that are subject to Section 19 of the Federal Deposit Insurance Act which limited employment opportunities or required employers to obtain written consent for a potential employee to work for the bank. What steps are you taking to recruit, hire and promote justice-involved individuals?

Answer: We recruit broadly without regard to criminal record and conduct background checks only after extending an offer. In the event of FDIC Section 19-covered offenses, as long as the offense meets the de minimis standards established by the FDIC, including in the most recent regulations, the person continues in the hiring process without further review. Further, the Bank has started sponsoring applications for FDIC consent for certain applicants or employees who are determined to have Section 19-covered offenses that otherwise would be disqualifying.

In addition to our own hiring efforts, since 2012, the Bank of America Charitable Foundation has provided over $60MM in grants to nonprofit organizations supporting second chance and social justice efforts. The Foundation's second chance portfolio includes grants given to organizations supporting formerly incarcerated and court-involved individuals and families.

Digital Assets, including Cryptocurrency

44) For all witnesses, what is your bank's current position on central bank digital currencies (CBDCs), and how might your daily operations be impacted if the Fed started to issue a CBDC?

a) In your view, which technical design choices will ensure that a future CBDCs furthers financial inclusion, and does not hinder it?
b) Which design choices are likely to create challenges to increasing financial inclusion?

Answer: Many have raised risks and shortcomings associated with the implementation of a CBDC, including cannibalization of bank deposits, negative impacts to lending and the cost of credit, and concentrated cyber risk. These analyses have also highlighted that the benefits attributed to CBDCs are often mutually exclusive (e.g. financial inclusion and reducing deposits in the retail banking system; consumer privacy and AML/CFT concerns), depending on the design, and can be achieved through other means without introducing risk to the system.

Operational impacts to Bank of America would be dependent upon the design of a CBDC, the network over which it is transferred, and the Bank's level of participation in supporting that network. Some designs would have limited operational impact, while others would require significant cost to implement and operate.

The design most likely to align with the goals of financial inclusion is a retail, intermediated, tokenized CBDC. However, we should consider that FDIC studies suggest that the majority of unbanked adults (a relatively small and declining figure) either do not want a bank account[15] (e.g. privacy concerns) or don't believe they qualify (due to balance requirements, personal identification, etc.). A CBDC, even as described above, would not address all of these issues without sacrificing regulatory requirements (e.g. KYC/AML). In addition to failing to address the primary challenges to financial inclusion, a CBDC does not reduce the cost of or improve requirements for transactional banking (e.g., requires digital access and digital familiarity in line with current banking offerings, unknown costs associated with participation). Finally, the introduction of a CBDC does not provide a solution to the borrowing needs of the unbanked. Relatively recent efforts across the financial services industry have resulted in a downward trend in the rate of unbanked households to 4.5%, the lowest since the FDIC surveys began.[16] With the introduction of low-cost products and services and digital access to banking, increasing participation in the U.S. financial system has shifted from an access and availability issue to consumer choice as to whether to participate. Therefore, the introduction of a new currency in the form of CBDC would have limited impact on financial inclusion, especially when compared to continued inclusion efforts across the financial services industry.

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[11] 2021 FDIC Survey: https://www.fdic.gov/analysis/household-survey/2021report.pdf
[12] *Id.*

Fintech and AI

45) Mr. Demchak and Mr. Moynihan, PNC Bank and Bank of America were some of the first banks to send Zelle payments over the Real Time Payments network. Starting next year, the Federal Reserve is set to release FedNow. In your view, how will small banks, big banks, and fintechs interact in the payments landscape where the FedNow service is launched?

a) What kind of impact will the transition to real-time payment systems have on local banks in rural and underserved communities?
b) Has your bank taken steps to elicit and incorporate the views of consumers in those communities into conversations between fintech companies and large banking institutions?

Answer: The launch of FedNow will add a second faster payment system in the U.S. to the currently available Real Time Payments (RTP) network from The Clearing House. These systems allow funds to be exchanged in real time, 24/7/365, giving consumers and businesses additional options when sending and receiving payments. They also introduce the ability to exchange richer information along with those payments (e.g., invoices and receipts). Currently there are 285 banks live on RTP enabling 61% of DDAs to receive payments, including many smaller and rural banks. This number is increasing on a daily basis. The enablement and transition to real time payments will assure that banks in rural and underserved communities have an uninterrupted flow of customer deposits as the adoption of faster payments increases in the market place.

Both RTP and FedNow are working with platform providers such as Jack Henry, FIS, and Fiserv to offer connectivity for local banks and credit unions across the country that may not have the means to connect directly to these payment networks. Once enabled, these real-time payment systems will allow these smaller banks to offer their clients the ability to send and receive immediate payments across the U.S., an extremely valuable tool for cash and liquidity management.

We consistently seek input and feedback from the individuals and businesses that we serve across a variety of products and services and we work to implement improvements in line with our client-focused approach. In terms of faster payments, our clients have voiced their desire for immediate settlement options, and this is demonstrated in the adoption and utilization of Zelle for real-time person-to-person payments.

46) For all witnesses, the Fed has stated that "financial institutions may place a hold on FedNow payments received where there is reasonable cause to believe that a FedNow payment may be related to fraudulent activity."[17] What technical strategies has your bank adopted or are working to adopt in order to ensure protection of consumer information as our payment systems evolve?

Answer: Over the past five years, we have been working to enable real-time payments while simultaneously ensuring that consumer information remains secure and that fraudulent activity is prevented. This includes providing our clients with education, digital capabilities and notifications about fraud and scam risks in order to reduce the potential for fraudulent activity before a transaction is even executed. This includes, but is not limited to, real-time screening of transactions to stop suspicious transactions and various recipient controls. These internal screening tactics continually evolve based on emerging data and trends to ensure we are minimizing risk to consumers.

47) For all witnesses, emerging artificial intelligence (AI) technologies, including Machine Learning, can potentially offer a broad range of benefits for both financial institutions and regulators. How does your bank utilize regulatory technology in their daily operations?

a) On the other hand, some studies have shown that lending algorithms have unwittingly caused discrimination based on race or even educational attainment. How do you ensure that your bank is not feeding biased data into the algorithms you use, and that AI is not perpetuating discriminatory outcomes for protected classes of borrowers?

Answer: We utilize regulatory technology in our daily operations in some instances to assist teammates with regulatory monitoring, reporting, and compliance. Some use cases include assisting our associates in performing semantic search on emails to assist in regulatory inquiries, mapping regulatory changes to internal tests and audit assessments for quicker turnarounds, scanning and information extraction to improve the know-your-customer process, and improved detection for anti-money laundering activity for Suspicious Activity Report filings.

Regarding the potential for feeding biased data into algorithms, the Bank treats artificial intelligence models the same as other models and ensures compliance with all relevant laws and regulations. We utilize our enterprise-wide risk management, model risk management, and control frameworks to identify and manage risks that pertain to data quality. We regularly assess training data, test prior to deploying data into an algorithm, continuously monitor models for accuracy and the potential for disparate impact, etc. We do not use experiential data (e.g. education level, job type) in models used for account eligibility or establishing terms and conditions, rather, we use credit bureau data and our proprietary account experience data with a close nexus to creditworthiness.

[13] NCLC, *New FedNow Rules Lack Fraud Protection* (May 19, 2022).

48) For all witnesses several non-bank fintech companies offer "earned wage access" products allowing consumers to access wages they have earned but have not yet been paid.[18] Has your bank considered offering "earned wage access" opportunities to its employees or customers?

Answer: As a company that is dedicated to supporting financial health, we are researching earned wage access to determine if there is a construct that would make it a viable and responsible customer liquidity tool.

Sanctions

49) For all witnesses, is it correct that following the unprovoked Russian invasion of Ukraine, your firms have ceased some or all of your operations in Russia and Belarus (including subsidiaries and affiliates)? Can you please elaborate?

a) Where you have continued to engage, can you please describe your firm's efforts to avoid the violation of U.S. sanctions related to Russia and Belarus?
b) Can you please describe how your firms manage the Office of Foreign Assets Control (OFAC) 50-percent rule in determining whether a customer is one with which your firm can do business? (For example, does your firm draw a line at 49.9%? Do you do enhanced due diligence for any ownership above 40%? Does your bank apply different standards in different components/services of the business?)
c) Can you please describe the scrutiny that your firm conducts on third parties, such as firms with Chinese or Indian operations, to ensure that your customers are not engaging in sanctions violations with Russian and Belarusian sanctions targets?

Answer: Bank of America maintains a very small Russian presence, and effectively halted activities through its Russian Branch following Russia's invasion of Ukraine. As a U.S. headquartered corporation with global operations, Bank of America is complying with economic sanctions laws in the jurisdictions in which it operates, including sanctions related to Russia and Belarus administered and enforced by the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC), the European Union, and other sanctions programs imposed by governments in jurisdictions where the Company acts, as applicable (collectively, "Sanctions"). In this regard, Bank of America has implemented a risk-based compliance program reasonably designed to comply with applicable Sanctions requirements.

Bank of America's compliance program requires the Company and its employees, wherever located, to comply with Sanctions requirements and to take necessary steps to prevent the opening of accounts or the execution or facilitation of transactions for, on

[14] Forbes, *How Earned Wage Access Can Upend Predatory Lending And Build Employee Financial Wellness* (Feb 5, 2021).

behalf of, or for the benefit of, a sanctioned individual, entity, country, region or organization in violation of Sanctions.

As part of its compliance program, Bank of America has established standards by which it conducts economic sanctions scanning of both customer and transaction data to ensure that the Company does not transact or facilitate prohibited business with, on behalf of, or for the benefit of individuals or entities who are the target of Sanctions. Generally speaking, and on a risk-based approach, the Company scans customer data against relevant economic sanctions and government lists upon account opening, at the commencement of a servicing relationship, upon changes to existing customer data, as well as upon updates to Sanctions programs. In addition, and on a risk-based approach, BofA screens transactions, including but not limited to wire transfers, vendor payments, company-issued checks, deposits, transfers and settlements of securities or other assets, and international automated clearinghouse transactions, prior to entering or leaving customer accounts or entering or leaving the Company.

Under OFAC's 50-percent rule, any entity owned 50% or more by one or more parties (i.e., in the aggregate) designated by OFAC as a specially designated national (SDN) is also considered an SDN for sanctions purposes. Bank of America gathers beneficial owner information on our customers consistent with applicable AML regulations, including customer due diligence requirements under the Bank Secrecy Act. The Bank screens this beneficial ownership information as part of its sanctions compliance program.).

50) To all witnesses, on September 14, 2022, the Honourable Mia Amor Mottley, QC, MP, the Prime Minister of Barbados, testified in front of the House Financial Services Committee. In her testimony, she shared that over the last decade, the nations and territories of the Caribbean region have been experiencing a steady decline of available cross-border financial services, including correspondent banking services. In some cases, banks had withdrawn completely from individual countries and in other cases, the time to open an account or to process a transaction could be months long.

a) Can you please describe the cross-border financial services that you offer in the Caribbean and how those services have changed over the last 10 years? Over the next year, does your institution expect to expand, contract, or continue existing services in the region? What are the reasons for any changes in activity?
b) Where your institution has pulled back on available services, did international lists (such as the European Union's list of non-cooperative jurisdictions for tax purposes or the U.S. State Department's International Narcotics Control and Strategy Report) factor into those decisions?

Answer: Bank of America provides the following services to our Financial Institutions clients in the Caribbean: USD Clearing, Check clearing, Check Issuance, Trade, Banknotes, and Foreign Exchange. Over the last 10 years, our services have been consistent, maintaining an organic growth, including product cross-sells. The only change was related to check issuance, where some clients are migrating that to wires.

Bank of America regularly reviews our correspondent banking relationships in the region.

Bank of America considers a number of criteria when evaluating whether to modify or terminate client relationships. While there are occasions where we do disengage from a client for risk-related concerns, that is a careful and deliberate process where we can confidently say the action we have taken is for cause and based upon facts.

51) For all witnesses, at the September 14, 2022, hearing entitled, "*When Banks Leave: The Impacts of De-Risking on the Caribbean and Strategies for Ensuring Financial Access*," witnesses discussed the role that volume and profit can play in attracting larger financial institutions to offering cross-border financial services like correspondent banking. Among the proposals made were (a) that the Caribbean region harmonize anti-money laundering law across nations, lowering the cost to correspondent banks wishing to do business in the region, (b) that a "middleman" or "hub" bank be established to merge the volume of transactions from across small nations, perhaps at a government institution like the Eastern Caribbean Central Bank, and (c) that small and medium banks should be encouraged to enter the correspondent banking business.

a) What are your institution's views on the practicality and attractiveness of these concepts in terms of securing or expanding your institution's cross-border financial services offerings in the region?
b) What other proposals might your institution suggest to make the region more attractive to your institution, in terms of offering cross-border financial services to the countries and territories of the Caribbean?

Answer: All three of the concepts noted above offer possible benefits to broader correspondent banking reach in the region.

52) For all witnesses, China ranked 21 of 128 on the recently released Basel AML Index. In 2020, the U.S.-China Economic and Security Review Commission issued a report that detailed concerns with financing, shadow banking, and oversight of the Chinese banking industry.[19] Chinese fintech firm Tencent has been identified as highly deficient in its money laundering controls. Additionally, Chinese firms are regularly named as facilitating evasion of sanctions in support of North Korea's increasingly bellicose government. Your banks do business in China and with firms based there, as well as around the globe. How you manage those relationships with an eye towards the inherent risks, including safety and soundness, anti-money laundering, and sanctions risks, especially in an environment where geopolitical issues involving China, like the security of Taiwan and Ukraine, are in the headlines?

a) Please provide examples of how your bank manages those relationships.
b) What support from government, industry or conducted collaboratively through public-private partnerships have made a difference or could help with mitigating risk?

Answer: Bank of America has developed and implemented a risk-based Anti-Money Laundering program comprising written Anti-Money Laundering policies, procedures, internal controls and systems, which include but are not limited to the following:

- A customer identification program and procedures that include the identification and verification of the identity of beneficial owners of certain entity customers;
- Procedures, processes and systems to collect and refresh customer due diligence information; processes to assess risk at both the program and customer level;
- Procedures, processes and systems to monitor customer transactions and activity;
- Procedures, processes and systems to identify and report suspicious activity; and
- Procedures, processes and systems to produce other required reports and keep required records.

Bank of America educates appropriate employees and related third parties in applicable aspects of Anti-Money Laundering laws, rules and regulations, as well as the Company's processes and methodologies to mitigate the risk of money laundering. The Bank of America Anti-Money Laundering program is subject to independent testing pursuant to a program administered by its Audit Department. Bank of America cooperates fully with law enforcement and regulatory investigations and inquiries. Bank of America does not do business with "shell banks."

Bank of America has also prepared an AML Questionnaire, based on Wolfsberg's publication of the Banker's Almanac AML Questionnaire, with more detailed information about Bank of America's AML compliance program (available at: https://investor.bankofamerica.com/corporate-governance/governance-library/anti-money-laundering).

[15] USCC, *China's Banking Sector Risks and Implications for the United States* (May 2020).

Bank of America greatly appreciates technical advice and information received from FinCEN and OFAC. We also believe that U.S. regulators should continue to be leaders in sharing their expertise with regulators in other countries with less developed sanctions and anti-money laundering regimes and practice.

TRUIST

Via Electronic Transmission

November 21, 2022

The Honorable Maxine Waters
Member of Congress
Chairwoman, Committee on Financial Services
United States House of Representatives
2129 Rayburn House Office Building
Washington, DC 20515

Subject: Response to House Committee on Financial Services Member Questions for the Record from "Holding Megabanks Accountable: Oversight of America's Largest Consumer Facing Banks" Hearing

Dear Chairwoman Waters:

On behalf of Truist Financial Corporation and its banking subsidiary Truist Bank ("Truist"), and Chairman and Chief Executive Officer William H. Rogers Jr., I respond to the questions for the record posed by members of the House Committee on Financial Services following the September 21, 2022, hearing entitled, "Holding Megabanks Accountable: Oversight of America's Largest Consumer Facing Banks." Responses to the questions posed by Representative Garcia, Representative Green, Representative Mooney, Representative Norman, and you are attached in the order presented.

Respectfully submitted,

/s/ MARK OESTERLE

Mark Oesterle
EVP-Deputy General Counsel, Government Relations
Truist Financial Corporation

Letter of Truist Financial Corporation to
United States House of Representatives
Committee on Financial Services
November 21, 2022

Responses to Representative Chuy Garcia

1. ***Over 7 million people in the U.S. are unbanked. These people are disproportionately Latino, Black, and low-income. Research by the Consumer Financial Protection Bureau (CFPB) found that banks rely heavily on overdraft and non-sufficient funds (NSF) fees for revenue, resulting in large fees for consumers and posing serious risks to them. Given the large unbanked population and the risk bank fees pose to consumers, do you believe the Federal Reserve Board should offer everyone in the U.S. a free bank account that they can use to make normal transactions, free from fees?***

To promote financial inclusion, Truist supports private sector innovations that reduce costs for consumers, expand financial access, and limit the financial risk inherent in banking. For example, to attract the un(der)banked and reduce the costs associated with maintaining a bank account, Truist offers as part of its new Truist One Banking product suite a deposit account called the Truist Confidence account. This new product adds to Truist's existing "Bank On" certified demand deposit products and helps more clients access mainstream banking, allows them to avoid high fees from check-cashing services and payday lenders, and creates a pathway to upgrade to Truist One. The Truist Confidence account also has no overdraft fees. Truist believes similar innovations in the banking sector can promote financial inclusion and reduce financial access disparities.

The question of whether the Board of Governors of the Federal Reserve System should be authorized by law to provide direct deposit account services is a matter for Congress to decide as, under current law, the Federal Reserve does not have the authority to provide accounts to individuals. There would be a host of issues for Congress to weigh in considering the risks and benefits of such a significant expansion of the government's role in providing financial services to individual consumers.

Letter of Truist Financial Corporation to
United States House of Representatives
Committee on Financial Services
November 21, 2022

2. ***In making a commitment to achieve net zero financed emissions by 2050, you're committing to evaluating the carbon footprint of every company you finance. But there's no standardized, mandatory methodology for measuring or reporting emissions, even by public companies. The Securities and Exchange Commission (SEC) is considering an update to its climate disclosure rules, including potentially making such disclosures comparable and mandatory.***

   Do you support mandatory disclosure of emissions by public companies?

   a. ***If yes: How would mandatory disclosure make it easier for you to meet your net zero goals? Are you planning to submit information to the SEC to that effect?***

   b. ***If not: How can we trust that you will be able to accurately report your level of financed emissions in a way that's comparable across banks? Do you consider this data to be of material value to your investors?***

Truist supports the long-term development of an appropriate disclosure framework that is standardized and has feasible implementation requirements for public companies to disclose material emissions data, including Scope 3 and its many categories. Calculating and disclosing greenhouse gas emissions will be extremely challenging, as it requires collection and analysis of significant data at a scale that has never been attempted, and mandating such procedures will impose significant costs on the U.S. economy. As Truist builds its capabilities to help its clients reduce their emissions, company-specific data will be more valuable to both Truist and its clients than industry averages.

3. ***Many of the banks represented here have been accused of discriminating against individuals of Iranian heritage, along with other MENA communities, in your efforts to comply with US sanctions and anti-money laundering regulations. This results in significant harm to ordinary people who are barred from financial services through no fault of their own, throwing their finances and life upside down. Is your bank aware of this problem, and is it taking steps to safeguard vulnerable communities from over-enforcement or de-risking, while continuing to comply with US regulations?***

Truist is not aware of discrimination against individuals on the basis of ethnicity or national origin in applying its policies and procedures to comply with U.S. sanctions and anti-money laundering (AML) laws and regulations. Truist does not discriminate based on ethnicity or national origin, which Truist reinforces through regular training of all teammates. Truist is engaged in several initiatives to assist vulnerable communities, such as providing bank accounts to Afghan and Ukrainian refugees.

Letter of Truist Financial Corporation to
United States House of Representatives
Committee on Financial Services
November 21, 2022

Response to Representative Al Green

These questions are directed to Jamie Dimon, Brian Moynihan, Jane Fraser, Charles Scharf, Andy Cecere, William Demchak, and Williams Rogers, Jr. I am interested in the details of your Special [Purpose] Credit Program. I understand that bank regulators are encouraging major lenders to focus this program toward minority communities. Please provide specific information including the following:

1. ***Terms of the Mortgage***
    a. ***Down payment***
    b. ***Closing costs***
    c. ***Principal reduction***
2. ***Underwriting criteria***
    a. ***Credit score***
    b. ***Alternative credit***
    c. ***Debt to income***
    d. ***Housing debt to income***
    e. ***Other criteria***
3. ***Interest rate:***
    a. ***Fixed rate***
    b. ***Loan term***
    c. ***Credit score based***
    d. ***Other criteria***
4. ***Eligibility***
    a. ***Maximum mortgage amount***
    b. ***Maximum income***
5. ***Where is it available***
    a. ***What communities***
    b. ***Census tracts***
6. ***Type of property***
    a. ***Single family***
    b. ***Condos***
    c. ***Mutli-family***
    d. ***Purchase and rehab***
7. ***Total mortgage commitments***
    a. ***Total mortgage amount***
    b. ***How long the program will be available***
8. ***Housing counseling***
    a. ***Required by a HUD approved counselor***
    b. ***Counselors identified***
    c. ***Counseling requirements***
9. ***Future Expansion***
10. ***Reporting requirements***

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Truist currently offers a wide variety of mortgage and consumer loan products meeting the needs of low- to moderate-income (LMI) communities and families. In addition, Truist is exploring the benefits and opportunities of engaging in one or more special purpose credit programs.

<u>Responses to Representative Alex Mooney</u>

1. ***What role does your institution play in determining which merchant category code (MCC) a merchant falls under?***

Truist follows guidance from the card networks on how to apply merchant category codes.

2. ***Activists successfully pressured the International Organization for Standardization (ISO) to adopt this new MCC for firearm retailers. Do you believe it was appropriate for the ISO to reverse course and adopt a new MCC it previously rejected and payment networks it reportedly did not support based on public pressure?***

Truist follows guidance from the card networks on how to apply merchant category codes. Truist does express an opinion on the ISO's standards.

3. ***Does your institution plan to go back and recode businesses and past purchases that may now most closely fall under the new MCC?***

Truist cannot recode past purchases. For future transactions, Truist will apply the most updated guidance issued by the card networks.

4. ***Do you have a policy that would require any business in the firearm industry to meet criteria that goes above and beyond Federal, State, or local law or regulation? Yes or No? If yes, please describe policy and why you have.***

Truist does not have criteria specifically for business customers in the firearm industry. Truist considers various risks including – but not limited to – credit, market, compliance, and reputational risks when evaluating lending decisions. Truist's policy is consistent with 2015 Federal Deposit Insurance Corporation (FDIC) guidance that advises institutions to maintain an "appropriate risk-based program" that allows for the provision of "services to any category of customer accounts or individual consumer operating in compliance with applicable state and federal law."

5. Does your bank lend to companies that manufacture or sell modern sporting rifles, so long as they are lawful under federal, state, and local law and compliant with federal, state, and local regulations? Yes or No? If yes, please explain. If no, has it ever?

Truist is open to providing banking services to all business types that are lawful and compliant with federal, state, and local law. Truist considers various risks including – but not limited to – credit, market, compliance, and reputational risks when evaluating lending decisions. Truist's policy is consistent with 2015 FDIC guidance that advises institutions to maintain an "appropriate risk-based program" that allows for the provision of "services to any category of customer accounts or individual consumer operating in compliance with applicable state and federal law."

6. Does your bank lend to companies that manufacture or sell long guns to non-prohibited individuals ages 18 to 21, so long as it is lawful under federal, state, and local law and compliant with federal, state, and local regulations? Yes or No? If yes, please explain. If no, has it ever?

Please see response to Representative Mooney's question 5 above.

7. Does your bank lend to companies that manufacture or sell magazines, regardless of their capacity, so long as they are lawful under federal, state, and local law and compliant with federal, state, and local regulations? If yes, please explain. If no, has it ever?

Please see response to Representative Mooney's question 5 above.

8. Activists expect this new MCC to be used to help flag "suspicious" gun purchases. What in your mind constitutes a "suspicious" purchase? Do you believe this MCC will provide helpful information in combating gun-related crimes, or do you believe you already have sufficient information to make these determinations?

MCCs do not provide Truist insight into product-level data.

9. The implementation of this new MCC may cause gunowners to purchase firearms with cash rather than payment card. Doesn't this make flagging legitimate suspicious transactions more difficult?

Please see response to Representative Mooney's question 8 above.

10. What can you say to West Virginians to ensure them that this decision will not be used to restrict their Second Amendment rights?

MCC codes are not used to prevent lawful activity, including lawful Second Amendment related activity.

Letter of Truist Financial Corporation to
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Responses to Representative Ralph Norman

1. Yes or No: Are we in a recession?

No, according to the National Bureau of Economic Research Business Cycle Dating Committee, the body responsible for determining whether the country is in a recession.

2. These are the highest mortgage rates (above 6%) since 2008 and when Biden took office, they were under 3%. What concerns are you each seeing in these trends?

As interest rates increase, the costs associated with borrowing – including mortgage borrowing – will increase, making financial access more of a challenge. Nonetheless, despite headwinds in the mortgage business, Truist continues to offer various affordable mortgage products including Truist's Community Homeownership Incentive Program (CHIP), which is structured to address the challenges of homeownership in a safe and sound way.

3. Since it's getting more unaffordable to buy a home, are we going to see Biden following the same path as George W. Bush in allowing for subprime mortgages putting people in homes they cannot afford?

For example, litigation we've seen from Ambac over junk mortgages during the financial crisis is a good reminder of the harm caused by selling homes to people who cannot afford them. Are yalls standards strong enough to protect against mass defaults as interest rates rise? Are yall confident in your mortgage portfolio? We want to ensure the market can correct itself before too much – if any government – intervention in this space again.

Truist's residential mortgage lending business offers conventional (non-government), U.S. Department of Veterans Affairs (VA), Federal Housing Administration (FHA), and U.S. Department of Agriculture Rural Development (Rural Housing) mortgage products.

Truist's agency mortgage loans comport with underwriting standards established by Freddie Mac, Fannie Mae, FHA, VA, Rural Housing, and Ginnie Mae.

Truist mortgage loans held in portfolio comport with standards that allow Truist to serve equally and fairly the credit needs of all communities Truist serves consistent with safe and sound practices.

Truist's credit quality remains excellent, reflective of the company's risk tolerances and strong credit culture.

4. ***You all mentioned during the hearing that ESG compliance will soon cost into the hundreds of millions of dollars in the years to come. Yes or No: Would you agree that complying with an ESG-focused agenda means sacrificing company returns?***

No.

<u>Responses to Chair Maxine Waters</u>

<u>Follow-Up Questions from Written Testimony</u>

1. ***Mr. Cecere, Mr. Demchak, Mr. Dimon, Ms. Fraser, Mr. Moynihan, Mr. Rogers, Mr. Scharf, I expressed disappointment at the end of the hearing on September 21st that you were not responsive in your written testimony to some of the questions that were informally provided to your representatives on July 1st, well in advance of the hearing, and included in the formal invitation letter you later received. I ask that you fully respond in your written response to each of those unanswered questions. Specifically: Mr. Rogers, please provide a detailed response to questions #3, #10, #15, #21.***

Truist took extraordinary care to provide complete and transparent responses to the questions posed by the Committee in the Committee's September 6, 2022 letter and respectfully submits that it answered each question specifically to the best of its ability. Truist understands there is now additional information sought related to certain questions posed in the Committee's September 6 letter. In accordance with this request, Truist respectfully provides the following information:

a. ***Did your institution deny requests for loan modifications or forbearance to clients during the pandemic and, if so, how many?***

All clients attributing financial hardship to the COVID-19 pandemic were offered forbearance with up to 12 months of payment relief as provided in the CARES Act. After the initial forbearance period, clients seeking additional COVID-related relief could have been determined to be ineligible for that specific relief. For example, if a client had been delinquent prior to the pandemic or needed more payment relief than the COVID programs offered and became unresponsive to requests for required information, the client would have been deemed ineligible for relief. If a client was determined to be ineligible for further assistance under COVID-related programs, the client could have requested relief under other available programs, and Truist would have evaluated the client's eligibility under that program's relief criteria. Given that the majority of the mortgage loans that Truist services are on behalf of government-sponsored enterprises (GSEs) or the FHA, Truist is required to comply with these agencies' requirements.

b. ***How is your institution assisting customers/potential customers who may lack access to broadband?***

Truist has invested significant time and resources to extend broadband services to rural and other underserved communities. For example, through the Truist Foundation, Truist provided a $10 million grant to Connect Humanity, a nonprofit focused on advancing digital equity among historically marginalized communities. The grant will be used to strengthen Connect Humanity's efforts in providing financing; tools; diversity, equity, and inclusion training; and network expansion to eliminate the digital divide and advance the internet connectivity space. Connect Humanity anticipates the Truist Foundation grant will support approximately 100 communities, improving connectivity for at least 5 million under-connected Americans while creating jobs and driving economic expansion.

Truist also continues to maintain a strong branch footprint to provide extensive financial services to all clients in Truist communities. Over the past 10 years, Truist has increased its branch footprint organically and through mergers and acquisitions. Truist operates more than 2,000 full-service branches in 17 states and the District of Columbia, primarily concentrated in the Southeastern and Mid-Atlantic United States.

c. ***How is your institution assisting customers/potential customers seeking financing for abortion-related services?***

Truist operates within the law when assessing its client relationships. Truist considers various risks including – but not limited to – credit, market, compliance, and reputational risks when evaluating lending decisions. Truist's policy is consistent with 2015 FDIC guidance that advises institutions to maintain an "appropriate risk-based program" that allows for the provision of "services to any category of customer accounts or individual consumer operating in compliance with applicable state and federal law."

d. ***How is your institution assisting employees with travel for abortion-related services? Are parttime workers and contractors eligible for the same assistance?***

Truist strives to provide equal access to health care, including comprehensive family planning and reproductive coverage, for teammates under its health plan. Truist provides certain additional reproductive health benefits to eligible teammates. Coverage under Truist's health plan includes coverage for medical care that is not available within a 100-mile radius of the teammate's location, including organ transplants, cancer care, family planning and reproductive care, mental wellness, and other services for teammates and their covered dependents.

All regular teammates – those who are scheduled to work at least 20 hours per week and are not classified as a temporary teammate or a contractor – are eligible to participate in the Truist health plan. Temporary teammates, contractors, and teammates who are scheduled to work less than 20 hours per week are not eligible to participate in the Truist health plan but may participate in external health plans that provide some level of coverage.

e. ***To what extent does your institution engage in investments or business activities in areas prohibiting abortion care, with gun manufacturers, and with individuals implicated in January 6th?***

Truist operates within the law when assessing its client relationships. Truist considers various risks including – but not limited to – credit, market, compliance, and reputational risks. Truist's policy is consistent with 2015 FDIC guidance that advises institutions to maintain an "appropriate risk-based program" that allows for the provision of "services to any category of customer accounts or individual consumer operating in compliance with applicable state and federal law."

Housing, Mortgage Lending, and Servicing

2. ***For all witnesses, research demonstrates that a lack of access to small-dollar mortgage loans is a key barrier to homeownership for many families with low and moderate incomes. According to the Urban Institute,[1] potential buyers of low-cost homes, which require smaller-size mortgage loans, face higher denial rates than buyers who need larger loans, in both the government and conventional channels.***

   a. ***What programs or approaches are your banks considering to improve access to small-dollar mortgages for low-income borrowers and other underserved borrowers?***

Truist currently offers several products that provide access to small-dollar mortgages. As part of its own portfolio, Truist offers the Community Homeownership Incentive Program for LMI borrowers and geographies. Truist also offers Fannie Mae's HomeReady and Freddie Mac's Home Possible products, which have an 80% area median income (AMI) cap and qualify as LMI products. Neither of these GSE loan products has a minimum loan size.

The HomeReady product is also paired with Truist's Mortgage Grant, which provides up to $7,500 in down payment assistance and closing costs. Truist offers a variety of other down payment assistance programs from local and state organizations that also have a LMI qualification component.

   b. ***Has your bank considered developing a special purpose credit program to ensure that more small-dollar mortgages are available for borrowers that need this financing to buy a low-cost home?***

Truist is exploring the benefits and opportunities of a special purpose credit program.

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[1] Urban Institute, *Making FHA Small-Dollar Mortgages More Accessible Could Make Homeownership More Equitable* (Apr. 22, 2021).

c. ***One of the proposals noticed at the September 21st hearing would give lenders credit on their CRA exams for originating mortgages under \$100,000. Would this be an incentive for your bank to make more loans of that size? What else should Congress consider in order to encourage more lenders to originate small-dollar mortgage loans?***

Truist continuously evaluates opportunities to optimize the products and services Truist provides to its clients and communities. Truist engages in this analysis because it aligns with Truist's purpose: to inspire and build better lives and communities. High housing costs in many areas of the country make it difficult for consumers to identify, and for lenders to originate, small-dollar mortgage loans. Both consumers and communities would benefit from congressional initiatives that maximize incentives for affordable housing creation and lending, such as encouraging a modernized Community Reinvestment Act (CRA) evaluation framework that accords appropriate weight to community development investments and does not discourage mortgage originations through the creation of a new retail lending test.

The market would also benefit from revisions to the CRA that subject nonbanks to the same CRA-based lending tests applied to banks. This would incentivize nonbanks to prioritize affordability as a component of their origination strategy.

d. ***What steps can your bank take to, either directly or perhaps in partnership with CDFIs and MDIs, support the origination of small-dollar business loans for Millennials and other young entrepreneurs?***

Truist has engaged in numerous partnerships with CDFIs to create access to capital for small businesses. For example, in June 2022, Truist committed \$120 million to strengthen and support small businesses, focusing on Black, Latine, and women-owned businesses. The commitment includes \$30 million in philanthropic grants to support nonprofits that assist small businesses and diverse entrepreneurs and \$5 million in philanthropic grants to support technical assistance, small businesses, and volunteerism. In addition, \$85 million in investments support debt and equity, partnering with CDFIs.

In addition, through the Truist Foundation, Truist made a \$1.5 million grant to Grameen America, a nonprofit microfinance organization founded by Nobel Peace Prize recipient Muhammad Yunus to help women living in poverty create small businesses to provide for their families. Truist's grant supports Grameen America's 10-year plan to provide \$1.3 billion in loans, financial training, and asset- and credit-building tools to more than 80,000 Black woman entrepreneurs by the end of this decade. According to Andrea Jung, president and CEO of Grameen America, "Seed funding from Truist Foundation will play a transformative role in innovating and adapting our model to advance economic independence for Black women entrepreneurs."

The Truist Foundation also made a \$1 million grant to Appalachian Community Capital (ACC) to support businesses negatively impacted by the COVID-19 pandemic. ACC provides funding to small businesses and disadvantaged entrepreneurs in underserved areas of the Appalachian region. ACC president and CEO Donna Gambrell noted, "The long-term goal of ACC's initiative is to highlight the minority- and women-owned businesses in the region and leverage the Truist Foundation grant to obtain additional funds to enable businesses to grow and thrive."

Truist also provides capital to CDFIs through Cornersquare Community Capital and is working to close the FDIC Mission Driven Bank Fund (MDBF) alongside Microsoft, which will provide various forms of capital to minority depository institutions (MDIs) and potentially CDFIs.

3. ***For all witnesses, during the pandemic, millions of homeowners have fallen behind on their mortgage payments and other housing costs. This is especially true for Black and Latinx homeowners who have been twice as likely during this time to be behind on their mortgage payments. In order to protect families and prevent a repeat foreclosure crisis, Congress passed a $10 billion Homeowner Assistance Fund (HAF) in the American Rescue Plan Act, which this Committee worked hard to secure. Today, nearly every State and tribal government has received funding from the Treasury and has opened their applications to homeowners.***

    a. ***Please provide how many of your customers have received loss mitigation, listing the number of customers who received each the type of treatment (e.g., forbearance, deferment, modification) your bank provided.***

All clients attributing financial hardship to COVID-19 pandemic were offered forbearance with up to 12 months of payment relief as provided in the CARES Act. Truist was contacted by 111,418 clients indicating COVID-related financial impact. Of those, 101,219 clients accepted a forbearance.

As of September 30, 2022, 89% of the clients who accepted a forbearance have fully exited loss mitigation. Of those clients:

- 8,895 received a deferral after their forbearance period prior to exiting loss mitigation, and
- 4,294 received a modification of some type after their forbearance period prior to exiting loss mitigation.

The remaining 11% continue to receive some form of loss mitigation assistance.

    b. ***How many customers who received forbearance have remained delinquent once they exited a forbearance period and what is your bank doing to assist them?***

As of September 30, 2022, of the more than 100,000 clients who received CARES Act forbearance, only 832 clients remain delinquent after the expiration of their forbearance. All delinquent clients received multiple notifications regarding options for payment relief, beginning 45 days prior to forbearance expiration and continuing for up to 45 days after forbearance expiration. A client who remains delinquent after that period transitions into regular outreach. Breach notifications to these clients include information regarding available payment relief.

c. ***Is your bank connecting borrowers with their state administered HAF program before initiating any foreclosure processes? If so, please provide the volume of payments you have received, the number of customers served, and how many of your customers have applied for HAF assistance.***

Truist informs clients of the potential availability of state administered HAF programs during inbound and outbound collection effort call scripting, as well as during the single point of contact discussion. Truist also includes information regarding state HAF programs in written collection correspondence where required by law. Foreclosure processes are paused for 60 days upon notification that a client has applied for HAF assistance.

As of September 30, 2022, 2,342 Truist clients have applied for HAF assistance. Truist has received HAF funds for 1,349 of these clients, and an additional 60 have been approved.

d. ***What else is your bank doing to prevent foreclosures and connect borrowers to HAF programs in their state?***

Truist performs outreach to delinquent clients through phone calls and letter communications, notifying clients of the availability of loss mitigation assistance. This outreach continues until the client is referred to foreclosure.

4. ***For all witnesses, research has shown that banks' CRA lending has contributed to neighborhood gentrification and the displacement of long-time residents, who are often lower income households and people of color, by financing housing for higher income renters and higher income homebuyers moving into gentrifying areas.[2]***

   a. ***Does your bank invest in the development or preservation of affordable housing, and if so, how? Please include what share of households are served by these investments in terms of their level of area median income (AMI).***

Through Truist Community Capital (TCC), Truist has invested billions of dollars in affordable rental housing. As of September 30, 2022, TCC has $4.38 billion in equity investments supporting affordable rental housing, almost all of which are low-income housing tax credit (LIHTC) investments, and an additional $1.31 billion in balance sheet loans supporting affordable rental housing. TCC is among the leading financial institutions providing capital to create and sustain affordable rental housing.

Truist's LIHTC investments serve residents typically making 60% of AMI or less, in compliance with requirements for a minimum number of income set-asides under the LIHTC program.

[2] Washington Post, *A tool meant to help minorities buy homes is instead speeding up gentrification in D.C.* (Aug. 9, 2019).

b. As a share of your CRA investments, how much does your bank invest each year in affordable housing? Please include what share of households are served by these investments in terms of their AMI level.

Approximately 55-60% of Truist's CRA investments are LIHTC investments.

Truist's LIHTC investments serve residents typically making 60% of AMI or less, in compliance with requirements for a minimum number of income set-asides under the LIHTC program.

c. What steps does your bank take to ensure that the financing you provide does not lead to the displacement of a community's residents, especially low-income families and people of color?

Truist LIHTC investments comply with the requirements for a minimum number of income set-asides under the LIHTC program. In the development of affordable housing, rental housing is specifically set aside for low-income families and seniors typically making 60% or less of AMI. When these projects involve housing rehabilitation, tear downs, or rebuilds of former housing, the general partners typically go to great lengths to ensure these redevelopments do not displace existing residents and work closely with the community to create housing options for those impacted.

5. For all witnesses, a recent study by Freddie Mac[3] showed that 12.5% and 15.4% of homes appraised in majority-Black and majority-Latinx communities, respectively, are valued below the contract purchase price. Those figures compare to 7.4% of homes in majority-White neighborhoods. Disparities in home valuation, including appraisals, contribute to borrowers of color being denied mortgage lending and locks them out of homeownership and wealth-building opportunities.

a. What share of your in-house appraiser panels are made up of appraisers of color and female appraisers?

Truist does not have in-house appraisers but rather maintains a network of independent contractors referred to as Fee Panel appraisers, which merely reflects they are directly contracted with Truist rather than through an Appraisal Management Company (AMC). However, Truist does not presently capture the requested data for its Fee Panel appraisers.

[3] Freddie Mac, *Racial and Ethnic Valuation Gaps In Home Purchase Appraisals* (Sept. 20, 2021).

b. Does your bank contract with any or women-owned Appraisal Management Companies (AMCs) or those owned by people of color? If so, what share of your appraisal business goes to AMCs are owned by women or people of color?

Please see response to Chairwoman Waters' question 5(a) above.

c. Your bank is responsible for setting the stage for consumers by establishing appraisal fair lending compliance standards and reconsideration of value policies (ROV) that allow consumers to contest appraisals. What is your current ROV policy and how do you make borrowers aware of this policy? Does your bank track ROV-related data, such as the number of ROV requests that are granted annually, which borrowers are requesting them, how many resulted in corrected home valuations, and what the average appraisal gap is? If so, please share what type of data is collected.

Truist maintains procedures for submission of disputes on behalf of clients when there is a difference of opinion regarding the appraised value of the subject property. If the dispute is not resolved and the original appraisal is still deemed to be deficient, a second appraisal is ordered. For Home Equity, where evaluations and drive-by appraisals may be used, Truist has a process in place to upgrade these valuations to more comprehensive reports, including a full appraisal report (Uniform Residential Appraisal Report (Form 1004)) performed by an appraiser.

d. What processes do your banks have in place for reporting appraiser malpractice, possible appraisal discrimination, or fair lending compliance issues with AMCs?

Appraisers are screened against the Federal Financial Institutions Examination Council (FFIEC) Appraisal Subcommittee database prior to acceptance at Truist. Once approved, residential appraisals are monitored daily for new complaints not just at Truist but also within the FFIEC Appraisal Subcommittee database. In addition, Truist reports substantiated complaints of misrepresentation, including bias or discrimination, to the state agency that licenses any appraiser that is the basis for a complaint, including substantiated complaints involving value variances of 15% or more.

Further, Truist maintains an ineligible appraiser list. If an instance of bias were to be identified it would be escalated to the Appraiser Exclusionary Decisioning Group (AEDG), and if this group comes to the conclusion that the appraiser made material misrepresentations, which would include biased valuations, then the appraiser would be added to the ineligible appraiser list, and hence would not be eligible to submit appraisals for real-estate secured loans originated by Truist (or purchased from a correspondent lender by Truist). Truist would also file a complaint against the appraiser with the state agency responsible for certifying and licensing the appraiser.

e. ***Does your bank currently rely on Automated Valuation Models (AVMs) to conduct home valuations or fair lending compliance, and are you supportive of federal regulations that seek to require affirmative non-discrimination requirements in the development and maintenance of AVMs?***

Yes, AVMs are used at Truist consistent with federal law limitations on their use. Truist believes the issue of valuation bias is currently covered and addressed by existing federal anti-discrimination laws, namely the Equal Credit Opportunity Act (ECOA) and the Fair Housing Act, but would be supportive of regulations that would seek to close any gaps in the existing laws that could further improve consumer protections against discrimination.

Small Business Lending and Support

6. ***Question not posed to Truist.***

7. ***For all witnesses, while many banks are migrating many of their banking products and services online, according to research[4] from the National Community Reinvestment Coalition, many small businesses continue to rely on local bank branches for access to a loan. In fact, the research shows that among the most important predictors of the amount of small business lending by large banks in metropolitan areas are the number of branch locations and county level GDP. Please describe how small business owners typically engage with your bank.***

   a. ***Do most of your small business customers engage online or via digital channels, or are they coming into a bank branch to apply for credit and to access other services?***

Truist clients – including small business clients – engage with Truist via digital and branch channels to meet their banking needs. Truist maintains a strong branch footprint to provide extensive financial services to clients in Truist communities. Over the past 10 years, Truist has increased its branch footprint, organically and through mergers and acquisitions. Truist operates more than 2,000 full-service branches in 17 states and the District of Columbia, primarily concentrated in the Southeastern and Mid-Atlantic United States.

Beyond supporting communities through its extensive branch network, Truist also maintains digital capabilities to meet the rapidly evolving preferences and needs of both its consumer and commercial clients. Digital banking has become a cornerstone of the Truist-client relationship as clients increasingly prefer to conduct commerce digitally. As of the second quarter of 2022, there were 4.3 million users of the Truist mobile banking application, a 13% increase from 2020, reflecting clients' continued adoption of a mobile-first pattern of engagement. Additionally, the number of Truist deposit and lending accounts and mortgages opened through digital applications surged 39% from the first quarter to the second quarter of 2022. Truist clients completed a total of 63 million digital transactions in the second quarter of 2022 alone. For the

[4] NCRC, *Relationships Matter: Small Business and Bank Branch Locations* (Accessed Sep. 15, 2022).

second consecutive quarter, digital transactions represented 44% of all transactions across digital, ATM, branch, and contact center channels.

b. *What is your bank doing to ensure that branches are located and accessible in communities where local residents as well as small business owners are seeking credit?*

Please see response to Chairwoman Waters' question 7(a) above.

8. Question not posed to Truist.

Small Dollar Loans

9. To all witnesses, please list and describe any small-dollar consumer loan you offer, including how many consumers use those products, the current APR on those loans, the eligibility criteria, the general terms and conditions, and the maximum amount that a customer can borrow with these products?

In October 2021, Truist introduced a new small-dollar lending solution called Truist Ready Now, providing clients with a short-term, small loan to meet important everyday needs and to act as a safety net. Designed to help clients cover emergencies and borrowing needs ranging from $100 to $1,000, it is available to existing Truist clients through online and mobile banking platforms.

The Truist Ready Now Loan charges a $5 fee for each $100 borrowed, which equates to an effective APR of 16.94%. Aside from this origination fee, there are no other fees associated with the product. The Truist Ready Now loan is affordable, with one of the lowest interest rates in the industry among small balance loan products, and provides clear, understandable repayment terms and credit reporting to help clients build their credit history. With a repayment term of up to six months, the Ready Now Loan has no late fees and no prepayment penalties. Clients may have only one outstanding loan at a time, and there must be a minimum of 30 days between the payoff of an existing loan before the client is eligible to reapply. While participation in the product has been modest to date, Truist continues to work to make small-dollar loan products available to Truist clients.

Banking Deserts

10. For all witnesses, throughout the COVID-19 pandemic, there has been a greater shift to online banking. However, for communities living in rural areas, when physical bank branches close permanently, some customers may lack internet access, or the knowledge of how to navigate online banking, and are forced to turn to expensive alternatives like cash-checking stores or payday lenders.[5] How does your bank interact with clients in rural communities? How do you productively engage with communities that lack reliable broadband internet service?

Truist has invested significant time and resources to extend broadband services to rural and other underserved communities. For example, through the Truist Foundation, Truist provided a $10 million grant to Connect Humanity, a nonprofit focused on advancing digital equity among historically marginalized communities. The grant will be used to strengthen Connect Humanity's efforts in providing financing; tools; diversity, equity, and inclusion training; and network expansion to eliminate the digital divide and advance the internet connectivity space. Connect Humanity anticipates the Truist Foundation grant will support approximately 100 communities, improving connectivity for at least 5 million under-connected Americans while creating jobs and driving economic expansion.

Truist also continues to maintain a strong branch footprint to provide extensive financial services to all clients in Truist communities. Over the past 10 years, Truist has increased its branch footprint organically and through mergers and acquisitions. Truist operates more than 2,000 full-service branches in 17 states and the District of Columbia, primarily concentrated in the Southeastern and Mid-Atlantic United States.

11. Question not posed to Truist.

[5] NPR, *After The Banks Leave* (Apr. 15, 2021).

Credit Reporting and Underwriting Practices

12. For all witnesses, in 2021, Fannie Mae began to incorporate positive rental payment history into its automated underwriting systems, followed by Freddie Mac in 2022. Similarly, according to a recent report from HUD, the Federal Housing Administration (FHA) is working to incorporate positive rental payment history into its automated underwriting policies and processes (AUS). HUD elaborated that doing so could help renters with a strong record of on-time rent payments get credit when seeking to qualify for an FHA-insured mortgage.

a. Does your bank already consider positive rental payment history in the mortgage underwriting process?

Yes, Truist considers nontraditional credit factors, including rental housing history and other types of alternative credit data points, in its underwriting. This most typically occurs when there is insufficient credit reporting data to generate a usable credit score.

b. Please provide a list of other forms of alternative data or credit information that are not typically included on a consumer's credit report, that your bank uses to determine a consumer's creditworthiness for the purposes of underwriting a mortgage.

Acceptable types of nontraditional credit are those that require the borrower to make regular periodic payments and require a recent 12-month consecutive payment history. This practice aligns with GSE loan product guidelines and applies to Truist's agency and government loan products. Truist also considers similar alternative credit data in certain portfolio loan products, including its proprietary affordable housing mortgage loan products. The following are examples of acceptable sources of nontraditional credit:

- Utility payments not included in current housing payment
- Medical insurance payments (excluding payroll deductions)
- Cellular phone payments
- Childcare payments
- Home or renters' insurance payments
- Payments to retailers that are not reported to the credit bureaus (*e.g.*, department store and furniture store payments)

c. Does the incorporation of alternative data into federal automated underwriting systems, like that of Fannie Mae and Freddie Mac, or FHA, help facilitate the inclusion of rental payment data in the mortgage underwriting process?

Truist is supportive of using alternative data, such as rental and utility bill payment histories, within credit scoring methodologies, as a way of expanding the range of factors that can be reliably used in credit underwriting and expanding opportunities for new entrants to the use of credit, including LMI and other historically marginalized populations. Truist was encouraged by the October announcement by the Federal Housing Finance Agency (FHFA) that Fannie Mae and Freddie Mac are approved to use two such credit scoring methodologies in their automated mortgage loan underwriting models. The FHFA indicated in its announcement that implementation of these alternative credit scoring models will be a multiyear effort. As a participating seller/servicer of mortgage loans guaranteed by Freddie Mac and Fannie Mae, Truist will actively consult with the GSEs and seek to adopt the broadest possible range of credit factors and methodologies within its own proprietary modeling work for credit underwriting.

d. If you do not currently consider alternative data like positive rental payment history, what are the challenges and barriers to doing so?

Please see responses to Chairwoman Waters' questions 12(a) and (b) above.

Equifax Inaccurate Credit Scores

13. Mr. Cecere, Mr. Demchak, Mr. Dimon, Ms. Fraser, Mr. Rogers, Mr. Scharf, following up to your respective responses to my letter regarding your bank's use of Equifax's inaccurate credit scores, what is the status of your bank's work to identify and remediate all harmed consumers? Specifically:

a. Are you still investigating to identify any harmed consumers? If so, please describe when you expect for your investigation to conclude.

Truist's investigation is nearly complete. Truist has reviewed over 48,000 applications that utilized erroneous data provided by Equifax for possible consumer harm. Truist is awaiting the receipt of information from Equifax to review approximately 2,700 additional consumer accounts.

Truist anticipates concluding its investigation by year end, subject to Equifax's provision of information necessary for Truist to review the remaining 2,700 consumer accounts.

b. How many consumers were wrongfully denied credit based on the use of Equifax's inaccurate credit score?

To date, Truist has identified 44 applications that were declined in error as a result of the inaccurate credit data provided by Equifax.

c. How many consumers were charged more than they should have been based on the use of Equifax's inaccurate credit score?

To date, Truist has identified 280 consumers who were charged a higher interest rate or otherwise received less favorable credit terms than they would have but for the Equifax coding error.

d. What steps are you taking to remediate harmed consumers, and by when do you estimate that all harmed consumers will be remediated?

For impacted consumers with open accounts, Truist will remediate the harmed consumers by adjusting the consumer's interest rate or other loan terms to the interest rate or loan terms the consumer would have received but for the Equifax coding error. Truist will also reimburse harmed consumers for interest the consumers paid in excess of the interest payments the consumers would have made had the correct interest rate the consumer qualified for been applied.

For consumers with closed accounts, Truist will remediate harmed consumers by similarly refunding overpayments of interest in relation to the interest payments the consumers would have made in the absence of the coding error.

For all consumers receiving reimbursement, Truist is paying them an initial amount to compensate for the time during which their interest overpayments had not been reimbursed to them. This remediation is currently targeted to be completed by December 31, 2022, subject to receipt of final information from Equifax.

14. Question not posed to Truist.

15. For all witnesses, what systems does your bank have in place to ensure third-party information you receive, such as the credit scores Equifax provides to your bank, is accurate before you utilize the information?

Truist conducts credit risk analyses, which may identify irregularities in third-party information. Anomalies in third-party data are also identified through manual underwriting reviews, applicant interaction, and consumer complaints. However, validating the accuracy of third-party information Truist receives can present challenges when, as is the case with Equifax, the information is based on proprietary scores, attributes, and datasets owned or controlled by the third party.

16. For all witnesses, do you have a contractual relationship with Equifax?

a. What are the terms of your bank's agreement with Equifax?

b. Does your contract include language around liability for the provision and accuracy of Equifax's scores?

c. What does your contract say about liability when the scores your bank received from Equifax are inaccurate?

Equifax provides Truist with a variety of services relating to Truist's lending, service, and credit operations. This includes online consumer reports and credit scores; Office of Foreign Assets

Control (OFAC) screening to comply with Bank Secrecy Act/Anti-Money Laundering (BSA/AML) regulations; tri-merge reporting consolidating TransUnion, Experian, Equifax consumer credit reports into a single file; credit scores (Fair Isaac Corporation (FICO) and Bankruptcy Navigator Index (BNI)); and other credit related information. Equifax also provides Truist with credit services, including commercial credit subscriptions; debt monitoring services; employment verifications; income verifications; credit monitoring tools; forecasts and analysis of consumer credit data; account reviews; and custom lists of lead prospects based on Truist's attribute criteria.

Swipe Fees

17. Question not posed to Truist.

18. Question not posed to Truist.

19. All witnesses, do you hear complaints from small businesses about the swipe fees that they are charged? If so, what should policymakers do to address the concerns of small business owners?

Truist believes consumers are best served when a competitive marketplace determines rates.

Diversity and Inclusion

20. Question not posed to Truist.

21. Question not posed to Truist.

22. All witnesses, the committee has considered various legislative solutions to support greater diversity and inclusion, including mandating the consideration of diverse candidates for all roles or senior roles. Has your bank committed to such a policy?

- ***a. Research indicates that considering diverse candidates alone may not lead to more diverse hires; instead, two or more diverse candidates should be considered, and the interviewing slate should also be composed of diverse staff. Is this an approach your bank has considered and/or deployed? If so, can you share what progress you have witnessed using this approach?***

Truist actively hires teammates from different backgrounds, cultures, identities, and experiences for positions ranging from entry-level to senior leadership. Truist is committed to helping individuals reach their potential in a culture that promotes sharing ideas, respecting one another, and achieving goals together. Truist believes embracing teammate differences advances creativity, increases innovation, fosters collaboration, and makes Truist a more forward-thinking, competitive company.

As evidence of its unwavering commitment to diversity, equity, and inclusion at all levels in its workplace, Truist:

- Established a diverse board of directors, with 43% of members from underrepresented racial, ethnic, or gender groups.
- Exceeded its goal to increase ethnically diverse representation in senior leadership roles to at least 15% — a year ahead of the original commitment.
- Conducted the first pay equity study for the combined Truist organization, which showed that on average the salary of women teammates is 99% of men, and the salary of historically underrepresented teammates is almost 100% of majority teammates.
- Established eight business resource groups, teammate-led groups based on identity, affiliation and allyship, which are active throughout Truist markets and committed to advancing an inclusive culture and providing teammate programming and community engagement.
- Created the Grow, Recruit, and Accelerate Development (GRAD) program in 2021 to create more pathways for high-performing diverse leaders into senior leadership roles. Participants gain knowledge through collective and individualized experiences as well as leadership training, one-on-one career coaching, and reimbursement for obtaining graduate-level degrees if they have yet to pursue one.

23. Question not posed to Truist.

24. Question not posed to Truist.

Commitments to Racial Equity and Support of MDIs and CDFIs

25. Question not posed to Truist.

26. For all witnesses, do you have a diverse and inclusive community advisory board that you meet with periodically, such as every quarter, to consult with them when your bank makes decisions regarding which communities you might open or close a bank branch, or to guide the bank's efforts to comply with the Community Reinvestment Act? If not, will you consider establishing one?

As part of its Community Benefits Plan, Truist created a Community Advisory Board (CAB) composed of a distinguished and diverse group of civic and nonprofit leaders from across the Truist lending footprint. The CAB meets three times a year with senior Truist executives and offers diverse perspectives on the economic circumstances and financial services needs of Truist communities, with a particular focus on impacts to LMI communities. The CAB also provides recommendations for program and product development based upon the members' in-depth understanding of community needs.

Truist also has locally based community advisory groups that meet twice a year. These advisory groups are made up of nonprofit leaders in specific geographic regions. The advisory groups provide crucial information that allows Truist to capture and respond to critical community needs across Truist's footprint.

27. For all witnesses, will you commit to commissioning an independent racial equity audit that covers all of your bank's operations -- including employment, contracting, investments, and the financial products and services you provide -- and make those findings public?

Truist engaged outside counsel to review historical records to assist the company in answering the Committee's questions with as much specificity as possible. Truist has not undertaken a full historical audit to determine the complete catalogue of business activities in which predecessor organizations engaged. Truist has acknowledged its history and invested significant resources to achieve equity for its clients, teammates, and communities. Truist will continue its substantial commitments and efforts to promote a more just, inclusive, and vibrant economic system for all.

28. Question not posed to Truist.

29. Question not posed to Truist.

30. Question not posed to Truist.

Investigating Discriminatory Practices

31. For all witnesses, yes or no, do you believe that racial discrimination occurs in the financial sector?

Yes, instances of discrimination can and do occur in the provision of financial services, as they sadly occur elsewhere.

a. Yes, or no, do you believe that any discrimination that occurs at your bank or any bank is unfair to affected individuals?

Racial discrimination in financial services is unlawful and contrary to Truist's purpose, mission, and values.

32. For all witnesses, do you endorse the lawsuit the American Bankers Association and other organizations filed to challenge the Consumer Financial Protection Bureau's efforts to combat unfair discriminatory practices? Why or why not?

Truist is not a party to the lawsuit filed by these organizations. Truist is committed to fighting discrimination in the provision of financial services and takes seriously its obligation to comply with antidiscrimination laws.

33. Question not posed to Truist.

34. Question not posed to Truist.

Enforcement Actions and Repeat Offenders

35. Question not posed to Truist.

36. Question not posed to Truist.

Pending and Recent Bank Mergers

37. Mr. Rogers, according to research from the Committee for Better Banks, the SunTrust and BB&T merger that created Truist Bank in 2019 had the effect of shifting branch openings away from communities of color and low-income neighborhoods. What is Truist's strategy in terms of locating branches in low-income neighborhoods and communities of color?

b. ***Have you opened any new branches that were not previously SunTrust or BB&T branches?***

Through its Community Benefits Plan, Truist committed to open at least 15 branches across its combined footprint in LMI neighborhoods and/or neighborhoods of color from 2020 through 2022. Truist is pleased to advise the Committee that Truist has met this commitment and, in fact, Truist is on track to exceed its CBP commitment by opening a 16th qualifying branch before year end. In addition, Truist committed to increase the proportion of its LMI branches as a percent of total branches by a full percentage point by the end of the three-year commitment period. As of November 15, 2022, Truist has met this commitment and its percentage of LMI branches as a proportion of total branches exceeds 27 percent, one of the highest percentages among peer institutions.

38. Question not posed to Truist.

39. Question not posed to Truist.

40. Question not posed to Truist.

Executive and Employee Compensation

41. Question not posed to Truist.

<u>*Abortion Access*</u>

42. For all witnesses, since the Supreme Court's ruling in Dobbs v. Jackson Women's Health Organization, several states have made accessing abortion services illegal. Data collected by credit card issuers and banks have the potential to serve as incriminating evidence against those seeking reproductive health care. What steps do you plan to take to protect the privacy of your customers and employees seeking reproductive health care?

a. How will you ensure that employees do not face retaliation or discrimination in the workplace based on their personal healthcare decisions?

Consistent with privacy laws, Truist safeguards the protected health information of its employees. Furthermore, Truist does not tolerate retaliation or discrimination against employees based on their personal healthcare decisions.

<u>*Criminal Justice*</u>

43. Question not posed to Truist.

<u>*Digital Assets, including Cryptocurrency*</u>

44. For all witnesses, what is your bank's current position on central bank digital currencies (CBDCs), and how might your daily operations be impacted if the Fed started to issue a CBDC?

a. In your view, which technical design choices will ensure that a future CBDCs furthers financial inclusion, and does not hinder it?

b. Which design choices are likely to create challenges to increasing financial inclusion?

The potential of a CBDC is currently being studied, and Truist is engaged in learning and understanding the various facets of the technology. Given the importance and impact of a CBDC, Truist will continue to pay close attention to developments and focus on how or if a CBDC can best serve Truist clients and communities in a safe and sound manner.

<u>*Fintech and Artificial Intelligence*</u>

45. Question not posed to Truist.

46. For all witnesses, the Fed has stated that "financial institutions may place a hold on FedNow payments received where there is reasonable cause to believe that a FedNow payment may be related to fraudulent activity."[6] What technical strategies has your bank adopted or are working to adopt in order to ensure protection of consumer information as our payment systems evolve?

Truist has not initiated active participation in the FedNow pilot program. As with all electronic payment features offered to Truist clients, Truist focuses on adhering to all regulatory requirements, including regulations governing funds availability and protection of consumer personal information, as well as preventing, detecting, and resolving instances of criminal fraud activity.

Prior to making FedNow available to consumers, the Federal Reserve should articulate guidance on how it will ensure that the FedNow payments system will protect consumers and financial institutions from the high risk of criminal fraud activity.

47. For all witnesses, emerging artificial intelligence (AI) technologies, including Machine Learning, can potentially offer a broad range of benefits for both financial institutions and regulators. How does your bank utilize regulatory technology in their daily operations?

a. On the other hand, some studies have shown that lending algorithms have unwittingly caused discrimination based on race or even educational attainment. How do you ensure that your bank is not feeding biased data into the algorithms you use, and that AI is not perpetuating discriminatory outcomes for protected classes of borrowers?

Truist's approach to emerging financial technologies, products, and services is consistent with its purpose-driven culture and how Truist approaches all of its initiatives – with a focus on how Truist can best serve its clients and communities, while maintaining a safe and sound banking environment. All new products and services are evaluated through Truist's business and risk management processes to ensure they are consistent with the company's purpose and risk appetite and are compliant with all relevant regulatory requirements.

Truist recognizes that new technologies – including the use of artificial intelligence and machine learning – can be beneficial when they create new avenues to provide responsible banking products, such as credit and financing, in ways that are more convenient and accessible to a broad range of customers. Truist is continuing to modernize its banking and financial products through application programming interfaces (APIs), open banking, digital banking platforms, and mobile applications, all with a focus on enhancing its clients' experiences.

Truist is also committed to promoting the responsible use of artificial intelligence. Truist teammates must comply with all fair lending laws and regulations, including ECOA and the Fair Housing Act. As part of fair lending compliance oversight responsibilities, Truist's compliance

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[6] NCLC, *New FedNow Rules Lack Fraud Protection* (May 19, 2022).

function conducts risks assessments, monitoring, testing, and other review activities of business units to identify, assess, and support in the remediation of fair lending risks.

48. For all witnesses several non-bank fintech companies offer "earned wage access" products allowing consumers to access wages they have earned but have not yet been paid.[7] Has your bank considered offering "earned wage access" opportunities to its employees or customers?

Truist does not offer "earned wage access" products.

Sanctions

49. For all witnesses, is it correct that following the unprovoked Russian invasion of Ukraine, your firms have ceased some or all of your operations in Russia and Belarus (including subsidiaries and affiliates)? Can you please elaborate?

Truist does not have – and has never had – operations in Russia or Belarus.

a. Where you have continued to engage, can you please describe your firm's efforts to avoid the violation of U.S. sanctions related to Russia and Belarus?

Truist does not have – and has never had – operations in Russia or Belarus.

b. Can you please describe how your firms manage the Office of Foreign Assets Control (OFAC) 50-percent rule in determining whether a customer is one with which your firm can do business? (For example, does your firm draw a line at 49.9%? Do you do enhanced due diligence for any ownership above 40%? Does your bank apply different standards in different components/services of the business?)

Truist is compliant with all rules and regulations promulgated by the U.S. Department of the Treasury, and all interpretations of rules and regulations provided by OFAC, including the 50% rule guidance that establishes a clear standard of 50% or more ownership as the determining factor for potential violations as to nonlisted entities. Truist is cognizant that entities that have less than 50% ownership by sanctioned parties may pose sanctions risk and, therefore, Truist manages any such risk consistent with OFAC's rules, regulations, and interpretations.

c. Can you please describe the scrutiny that your firm conducts on third parties, such as firms with Chinese or Indian operations, to ensure that your customers are not engaging in sanctions violations with Russian and Belarusian sanctions targets?

Truist maintains policies, procedures, and a system of internal controls to ensure it is not engaged in transactions that would directly or indirectly violate sanctions administered by

[7] Forbes, *How Earned Wage Access Can Upend Predatory Lending And Build Employee Financial Wellness* (Feb 5, 2021).

OFAC, or in conduct that would facilitate such violative transactions, including sanctions against Russian and Belarusian persons and industries.

50. To all witnesses, on September 14, 2022, the Honourable Mia Amor Mottley, QC, MP, the Prime Minister of Barbados, testified in front of the House Financial Services Committee. In her testimony, she shared that over the last decade, the nations and territories of the Caribbean region have been experiencing a steady decline of available cross-border financial services, including correspondent banking services. In some cases, banks had withdrawn completely from individual countries and in other cases, the time to open an account or to process a transaction could be months long.

a. Can you please describe the cross-border financial services that you offer in the Caribbean and how those services have changed over the last 10 years? Over the next year, does your institution expect to expand, contract, or continue existing services in the region? What are the reasons for any changes in activity?

Truist does not provide cross-border financial services in the Caribbean.

b. Where your institution has pulled back on available services, did international lists (such as the European Union's list of non-cooperative jurisdictions for tax purposes or the U.S. State Department's International Narcotics Control and Strategy Report) factor into those decisions?

Please see response to Chairwoman Waters' question 50(a) above.

51. For all witnesses, at the September 14, 2022, hearing entitled, "When Banks Leave: The Impacts of De-Risking on the Caribbean and Strategies for Ensuring Financial Access," witnesses discussed the role that volume and profit can play in attracting larger financial institutions to offering cross-border financial services like correspondent banking. Among the proposals made were:

- ***that the Caribbean region harmonize anti-money laundering law across nations, lowering the cost to correspondent banks wishing to do business in the region;***
- ***that a "middleman" or "hub" bank be established to merge the volume of transactions from across small nations, perhaps at a government institution like the Eastern Caribbean Central Bank; and***
- ***that small and medium banks should be encouraged to enter the correspondent banking business.***

a. What are your institution's views on the practicality and attractiveness of these concepts in terms of securing or expanding your institution's cross-border financial services offerings in the region?

Truist does not have any plans to offer cross-border financial services in the Caribbean.

b. What other proposals might your institution suggest to make the region more attractive to your institution, in terms of offering cross-border financial services to the countries and territories of the Caribbean?

Please see response to Chairwoman Waters' question 51(a) above.

52. For all witnesses, China ranked 21 of 128 on the recently released Basel AML Index. In 2020, the U.S.-China Economic and Security Review Commission issued a report that detailed concerns with financing, shadow banking, and oversight of the Chinese banking industry.[8] Chinese fintech firm Tencent has been identified as highly deficient in its money laundering controls. Additionally, Chinese firms are regularly named as facilitating evasion of sanctions in support of North Korea's increasingly bellicose government. Your banks do business in China and with firms based there, as well as around the globe. How do you manage those relationships with an eye towards the inherent risks, including safety and soundness, anti-money laundering, and sanctions risks, especially in an environment where geopolitical issues involving China, like the security of Taiwan and Ukraine, are in the headlines?

Truist relies on its policies, procedures, and system of internal controls to avoid directly or indirectly engaging in transactions that would violate sanctions administered by OFAC, or in conduct that would facilitate such violative transactions. Truist's controls are designed to detect potential regulatory concerns, regardless of whether they involve sanctioned persons or jurisdictions, or blocked persons who do not appear on any list. Consistent with regulatory expectations, Truist's controls are agile to adapt to changing sanctions landscapes, even for jurisdictions as complex as China.

a. Please provide examples of how your bank manages those relationships.

Truist does not have any such relationships.

b. What support from government, industry or conducted collaboratively through public-private partnerships have made a difference or could help with mitigating risk?

Truist is engaged with many industry groups, such as the Bank Policy Institute, the Association of Certified Anti-Money Laundering Specialists (ACAMS), the New York Clearing House, and the American Bankers Association, which have provided a forum for discussing compliance strategies and engaging with the public sector.

[8] USCC, *China's Banking Sector Risks and Implications for the United States* (May 2020).

House Financial Services Committee
"Holding Megabanks Accountable: Oversight of America's Largest Consumer Facing Banks"
September 21, 2022

November 21, 2022

Via Electronic Mail

The Honorable Maxine Waters
Chairwoman
U.S. House Committee on Financial Services
United States House of Representatives
2129 Rayburn House Office Building
Washington, DC 20515

Dear Chairwoman Waters:

Thank you for the questions for the record from the September 21, 2022 hearing entitled "Holding Megabanks Accountable: Oversight of America's Largest Consumer Facing Banks." Per your request, please find enclosed Wells Fargo & Company's written responses to the questions provided.

Sincerely,

Wells Fargo & Company

cc: The Honorable Patrick McHenry, Ranking Member

House Financial Services Committee
"Holding Megabanks Accountable: Oversight of America's Largest Consumer Facing Banks"
September 21, 2022

Questions for Mr. Charles W. Scharf, CEO and President of Wells Fargo & Company, from Chairwoman Maxine Waters:

1) **Please provide a detailed response to questions 2, 3, 6, 10, 15, 20 and 21 in Chairwoman Waters' hearing invitation letter.**

(2) Mortgage lending, including originations broadly, originations for homes valued at less than $100,000, refinancing, and related denial rates to borrowers of color;

Wells Fargo offers and continues to develop products and services to advance inclusion in the financial system. As we work toward addressing the disproportionate number of Americans who remain unbanked — many in Black, Hispanic, and Native American households, Wells Fargo believes it has a responsibility to develop solutions that can help close the gap. In meeting that responsibility, we have remained a steadfast leader in helping borrowers of color achieve their homeownership goals.

Between 2017 and 2021, Wells Fargo helped more than 425,000 Black and Hispanic families purchase their home with more than $110 billion in financing. Additionally, since 2019, Wells Fargo has donated more than $390 million to help address the housing affordability crisis in the country, including supporting available and affordable rentals, homeownership, and housing stability. This has allowed Wells Fargo to help as many Black families purchase homes as the next three largest bank lenders combined over the most recent decade (2011-2020). And in 2020, when including loans originated and loans purchased from correspondent sellers, Wells Fargo funded twice as many loans overall to Black customers as the next largest bank funder.

Further, the company developed a refinance special purpose credit program to help minority homeowners, whose mortgages are currently serviced by Wells Fargo, refinance their mortgages.

Our commitment to boosting homeownership in minority and low- and moderate-income ("LMI") communities does not end there. We provide:

- Low-down-payment mortgages and closing cost assistance programs for LMI borrowers with affirmative outreach to LMI communities and communities of color.
- Significant grants in connection with the NeighborWorks LMI down payment assistance program, NeighborhoodLIFT. Since 2012, Wells Fargo has invested $548 million in NeighborhoodLIFT programs, providing homebuyer education and down payment assistance to more than 25,800 individuals and families.
- Our Growing Diverse Housing Developers program, a $40 million grant initiative focused on expanding the growth and success of real estate developers of color and increasing affordable housing supply. Thirty-nine developers of color will take part in the four-year program, which provides have access to lower-cost, flexible capital, as well as training, mentors, and additional resources.

Additionally, Wells Fargo supports buyers purchasing homes valued at less than $100,000. In 2020 and 2021, for homes valued at less than $100,000, Wells Fargo assisted with approximately 5,250 purchases and approximately 2,375 refinancings, for a total of more than 7,600 units.

(3) Forbearance and loan modifications offered, provided, or denied to customers experiencing hardship during the pandemic and foreclosures;

Wells Fargo undertook significant efforts to support consumers and small businesses during the COVID-19 pandemic. At the outset of the COVID-19 pandemic, our top priority was to keep customers in their homes. As such, the company extended forbearance options to more than one million mortgage customers representing almost $1.8 billion, and provided more than 750,000 fee waivers, exceeding $28 million for those impacted. We also suspended residential property foreclosure sales, evictions, and involuntary auto repossessions.

After the CARES Act was signed into law, the government paid fees to those who administered Paycheck Protection Program ("PPP") loans. We took the position that the fees were best used to assist small businesses to remain open and support employment during the pandemic—not to generate income for our bank. In July 2020, we announced our Open for Business fund, a roughly $420 million initiative we created with the gross processing fees we would have earned from processing PPP loans we funded in 2020.

Through supporting the PPP, the company funded approximately 280,000 loans totaling approximately $14 billion. While Wells Fargo worked with clients of all sizes, we were an industry leader in supporting smaller businesses. Of the loans made, 84 percent were made to companies that had fewer than 10 employees; 60 percent were for amounts of $25,000 or less; and 90 percent of applicants had $2 million or less in annual revenue. We also had the lowest average loan size among our peers.

(6) Your bank's current size and lines of business;

Wells Fargo is a leading U.S. financial services company that proudly serves consumers, small businesses, middle-market companies, nonprofits of various sizes, large corporations, municipalities, and other governmental entities. We have approximately $1.9 trillion in assets and 64 million consumer banking and lending customers — representing approximately one in three U.S. households — and approximately 240,000 employees.

We are a trusted advisor and provide core banking services including deposits, capital (private and public access to debt and equity), payments, and investments through our four reportable operating segments: Consumer Banking and Lending; Commercial Banking; Corporate and Investment Banking; and Wealth and Investment Management. Additional information about Wells Fargo's business divisions can be found on our website.[1]

[1] Wells Fargo Jobs, "Business Divisions" https://www.wellsfargojobs.com/en/business-divisions/.

House Financial Services Committee
"Holding Megabanks Accountable: Oversight of America's Largest Consumer Facing Banks"
September 21, 2022

(10) Your bank's approach to offering fair and affordable products and services, including to address continuing disparities in homeownership, small business ownership, and wealth building for people of color, as well as serving people making at or below 80% of the area median income located in a variety of neighborhoods, individuals that do not have access to the Internet, and consumers seeking financing to help them access safe abortion care;

Wells Fargo believes in a customer-centric approach for our products and services. In January 2021, Wells Fargo launched an Office of Consumer Practices, an internal, consumer-focused advisory group designed to promote fairness, transparency and customer benefit in our products, services, and business practices. We acknowledge fair and affordable products and services are vital to the interests of our customers and our economy.

As we live in a digital age, our customers are increasingly shifting their banking transactions to digital channels. Despite digital and mobile use increasing every year, we understand that not every customer has access to the Internet and that physical branches continue to serve an important role in communities. Wells Fargo has a branch or ATM within two miles of more than half of the U.S. census households and small businesses. With approximately 4,600 branches, nearly 30 percent of which are in low- or moderate-income census tracts, our retail branch presence in rural and micro markets is more than 2.5 times that of our top two large bank competitors combined. Further, Wells Fargo continues to deepen its existing relationships with Black-owned minority depository institutions ("MDIs") to support their work in the communities they serve, including outreach efforts and providing the option for their customers to withdraw cash from Wells Fargo's ATMs and incur no Wells Fargo fees.

We proudly serve more than three million small business customers and hold ourselves accountable to earning their trust by putting their needs front and center, innovating their experience through digital enhancements, and evolving our support model to deepen relationships. Every business is unique, but many have common needs and characteristics based on where they stand in the lifecycle of a business, as they evolve from an idea into a mature company. Understanding and having the knowledge around the right financing options is an important first step to starting, maintaining, or growing a business.

In January 2022, Wells Fargo collaborated with Community Reinvestment Fund, USA to launch the Small Business Resource Navigator, an online portal helping connect small business owners to potential financing options and technical assistance through Community Development Financial Institutions ("CDFIs") across the country. Since its launch, the Small Business Resource Navigator has connected nearly $50 million dollars in lending requests from underrepresented small business owners to potential credit opportunities from CDFIs. CDFIs are an important part of our financial ecosystem embedded in communities across America providing small businesses in need with capital and other assistance they may not otherwise qualify for through traditional financing. The portal was launched in collaboration with the nonprofit Community Reinvestment Fund, USA, and was made possible by the Wells Fargo Open for Business Fund. By visiting http://www.bizresourcenavigator.com/ and completing a short questionnaire, small businesses may be connected to CDFIs or business advisory resources in their area.

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Since 2015, Wells Fargo has also provided more than $500 million in philanthropic grants and investments to CDFIs that help underserved small businesses. The Wells Fargo Diverse Community Capital ("DCC") program is a multiyear $175 million program to empower diverse small business owners to deliver access to capital and technical assistance by teaming up with CDFIs to support borrowers in all 50 states, Washington, D.C., and Puerto Rico. The DCC program awardees provided $2.9 billion in financing and 2.6 million hours of technical support to entrepreneurs, enabling them to sustain 369,000 jobs. In 2021, Wells Fargo reached full funding of the $175 million program commitment. Wells Fargo has also invested a total of $50 million in 13 African American MDIs. As part of the capital investment, the banks will have access to a Wells Fargo expertise and assistance.

We also recognize that homeownership remains an important driver of wealth building for many American families. We are working with national and community partners to help households — particularly those of color — gain access to affordable banking services, which we believe to be a critical step toward closing the wealth gap and achieving financial stability and prosperity. For instance, we have expanded our partnership with the National Urban League and UnidosUS to broaden community outreach efforts, eliminate systemic obstacles that prevent many Black and Hispanic customers from achieving their homeownership goals, and provide homebuying readiness and counseling. Beyond our partnerships, Wells Fargo has also committed $60 million through our Foundation to Wealth Opportunities Restored Through Homeownership grants, projected to support 40,000 homeowners of color in eight markets that have significant homeownership gaps between white and minority families.

Wells Fargo is committed to helping consumers manage their finances and prepare for life events. Through a variety of recent changes, we have worked to increase choice and flexibility; and, as a result, hope to bring more people into the mainstream banking system and away from higher-cost alternatives. We now offer a variety of options for customers who need financing for emergencies and other life events. For example, we recently announced a new easy-access, short-term credit product. This product gives consumers another option to meet personal financial needs, such as paying a bill or making a small purchase, by offering a new, short-term loan of up to $500. The loan and an upfront flat fee will be repaid through monthly installments. This new product is expected to be offered by the end of 2022. Additionally, since we understand certain healthcare and other expenses are often time sensitive, our Early Pay Day program gives customers access to eligible direct deposits up to two days early with neither enrollment nor fees required. Wells Fargo has an extensive Personal Loan program with rates currently as low as 5.99% APR.[2]

(15) Your compensation, benefits, and clawback policies, including the minimum wage you pay employees (including contract employees), how compensation policies are designed to promote accountability of company executives, how you ensure equal access to health care, including comprehensive reproductive health care for all employees (including contract employees), whether you are compensating employees seeking abortion care (such as paying for out-of-state travel when needed), and how you will guarantee every employee has equal

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[2] See the Wells Fargo website for further detail: https://www.wellsfargo.com/personal-loans/.

access to this compensation and confidentiality, and how the compensation of the CEO and other C-suite executives compares to the median compensation of an employee at your bank.

Compensation

Wells Fargo values the contributions of every employee, and we aim to provide pay that attracts, motivates, and retains talent. Over the past two years, we've implemented minimum hourly pay raises, bringing the starting wage up to $22 per hour depending on role, location, and market condition.[3] In some cases, our minimum pay is triple the federal minimum wage.

We regularly examine our approach to compensation and acknowledge the impact inflation has on our employees. In 2021, the median base compensation at Wells Fargo was $73,578 — nearly a 12 percent increase since 2020. Mr. Scharf's compensation, which is consistent with the Company's peers and approved by the Board, can be found in our 2022 proxy statement.[4]

Our executive compensation program is designed to incentivize our executive officers to drive strong business results and deliver long-term shareholder value. To that end, the vast majority of the compensation of our most senior executive officers, including the CEO, is directly tied to Company and individual performance. Our incentive compensation plans are designed to balance risk and financial reward in a manner that supports our customers, shareholders, employees, and the Company. The Company also has a clawback and forfeiture policy designed to encourage long-term, sustainable performance and to discourage unnecessary or inappropriate risk taking.

Healthcare

Increases to minimum wage and accountability measures are in addition to other investments Wells Fargo has made to compensation programs and benefits offerings for employees. For instance, we offer a broad range of health plans to our employees to meet their varying needs. In 2022, we paid on average 85 percent of total annual healthcare premiums for our U.S.-based employees who earn less than $45,000 annually.

Wells Fargo also reimburses employees for transportation and lodging costs for themselves and a companion if the health care service they or their dependent require is not available within 50 miles of their home. This program is administered by the Company's healthcare plan and providers who work directly with the employee to promote confidentiality and equal access. In addition to the programs that we continue to offer to support our employees, starting in 2020, Wells Fargo has contributed up to $1,000 per year to a health savings account for each eligible employee enrolled in a qualifying plan and earning less than $100,000 annually.

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[3] The minimum hourly pay for contract workers is currently $15.
[4] Wells Fargo, "Notice of Annual Meeting and Proxy Statement" https://www08.wellsfargomedia.com/assets/pdf/about/investor-relations/annual-reports/2022-proxy-statement.pdf.

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(20) Your bank's approach to and utilization of emerging fintech technologies, products and services, including mobile wallets, "Buy Now Pay Later" financing, earned wage access, artificial intelligence (including machine learning), distributed ledger and blockchain technology, and digital assets (including cryptocurrencies such as stablecoins);

The digital assets industry is evolving quickly, and Wells Fargo is observing an increase in client interest in fintech technologies, including cryptocurrencies and blockchain technology. We believe the safe and responsible use of these technologies has great promise for our industry. Distributed ledger technology ("DLT"), for example, could allow banks to offer greater efficiencies for our customers and we are involved in related research and development to facilitate next-generation settlement services in a variety of areas.

Wells Fargo has been involved in research and development of DLT that will enable more efficient payments with reduced risks for counterparties and on a systemic basis, such as foreign exchange ("FX") settlement,[5] as well as our internal settlement service, Wells Fargo's Digital Cash.[6]

Additionally, we continue to closely follow cryptocurrency-related developments. We do not currently offer customers the ability to buy, sell, or hold cryptocurrencies directly, but we offer a number of third-party products that are linked to cryptocurrencies. We also maintain investments in certain companies that are engaged in crypto-asset-related activities.

We look forward to being a constructive partner with policymakers as Congress seeks to set the rules of the road for these new products and technologies. Prudent and equitable oversight is warranted. Today, many nonbank stablecoin issuers operate without appropriate regulatory protections, including deposit insurance and privacy, capital, liquidity, and AML/CFT/Sanctions oversight. Wells Fargo appreciated the approach of the November 2021 President's Working Group on Financial Markets paper in regards to the oversight of payment stablecoins. Wells Fargo also agreed with the recommendations of the Financial Stability Oversight Council ("FSOC") that federal and state regulators should continue to examine risks to the financial system posed by stablecoins as a means of value-transfer. Wells Fargo does not support the proliferation of stablecoins by unregulated or lightly regulated institutions that do not provide adequate consumer protections and may destabilize regulated banking activities and central bank monetary policy.

Wells Fargo is also committed to supporting a variety of faster payment methods for commercial and consumer use, including Same Day ACH, real-time payments through the RTP network, Zelle, Push to Card, and the FedNow instant payment service from the Federal Reserve which will launch

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[5] Wells Fargo Newsroom - Wells Fargo and HSBC Establish Bilateral Agreement to Settle FX Transactions Through a Blockchain-based Solution (wf.com). The DLT-based system used by Wells Fargo was cited repeatedly by the Committee on Payments and Markets Infrastructure of the Bank for International Settlement as an example of how to utilize a shared ledger to effectively reduce settlement risk by means of "payment-versus-payment". Bank for International Settlements; Committee on Payments and Market Infrastructures; Consultative report: Facilitating increased adoption of payment versus payment (PvP) (July 2022).

[6] Wells Fargo Newsroom - Wells Fargo and HSBC Establish Bilateral Agreement to Settle FX Transactions Through a Blockchain-based Solution (wf.com).

in 2023. Wells Fargo is making significant investments in technology, operations, and infrastructure so that we meet the needs and desires of the communities and clients we support.

On October 24, 2022, for example, we announced that Fargo, a new virtual assistant scheduled to roll out to customers in the coming months, will leverage Google Cloud's artificial intelligence ("AI") to provide a more personalized, convenient, and simple banking experience. The last two years have seen a dramatic surge in digital banking, and demand for a full-service digital experience. According to a study conducted this summer by Ipsos on behalf of Wells Fargo & Company, nearly two-thirds (65 percent) of millennials and Gen Z respondents prefer to use a virtual assistant for customer service needs rather than waiting for a customer service representative on the phone. Most (84 percent) who have used virtual assistants reported a favorable experience and 70 percent cited "saving time" as a top benefit.

At launch, Fargo will provide customers with a simple, intuitive means of servicing their accounts. From turning on/off debit cards and checking credit limits, to searching for specific transactions by date, amount, or type, users will be able to ask Fargo instead of hunting for the answer on their own. If Fargo cannot address an inquiry, it will connect customers to a live agent.

Next year, Fargo will also offer Spanish language capabilities. It will also take a more proactive role in guiding customers toward financial wellness by leveraging predictive analytics to enable meaningful conversations that learn and adapt to each individual customer. This partnership will expand our customers' digital financial support network by enabling meaningful conversations conveniently from their mobile device. The AI platform will use language processing capabilities to understand customers' intents and provide a tailored response.

Fargo builds on Wells Fargo's strategic cloud partnerships as the Company plans to leverage third-party expertise and capabilities to execute a new digital infrastructure strategy. These enhanced digital capabilities are just the start of many initiatives in Wells Fargo's multiyear plan to become digital-first and reinvent personal finance.

(21) Your bank's approach to mitigating various risks, including climate risk and reputational risk to the bank, with respect to any products, services, or investments your bank provides to jurisdictions prohibiting safe abortion care, gun manufacturers, private prisons, and the fossil fuel industry, as well as individuals and groups that support any form of human trafficking, terrorism, and the attempted insurrection on January 6, 2021.

Wells Fargo evaluates current and potential customer relationships, including many of those mentioned, from a risk management perspective. Wells Fargo conducts a due diligence process that includes assessing a customer's history and compliance capacity.

Wells Fargo also conducts additional due diligence on certain clients, for example, those who manufacture, distribute, or sell arms and armaments. Through this due diligence, we assess various factors, which may include relevant licensing and regulatory compliance, types of product offerings, operating procedures, reputation risk incidents, human rights issues, relevant international compliance, and implementation of risk mitigation practices. We regularly review our policies to maintain a thoughtful process for evaluating client relationships.

As a large financial institution serving commercial clients in many sectors, including some that may be associated with elevated environmental and/or social impacts, we also recognize the importance of understanding the environmental and social implications of our business decisions. Our Environmental and Social Impact Management ("ESIM") Framework is designed to provide clarity and transparency to our stakeholders about how we approach the environmental and social impacts associated with certain financial relationships.[7]

Our ESIM Policy is aligned with the Company's Risk Management Framework, which sets forth Wells Fargo's core principles for managing and governing risk. Our ESIM Policy is intended to reflect key objectives and establish expectations for identifying, assessing, and managing actual and potential environmental and social adverse impacts associated with our commercial clients and financings.

We are working to integrate climate risk into our Risk Management Framework, including risk identification, risk appetite and measurement, risk reporting, scenario analysis, and risk policies and governance. We understand that climate change is one of the most urgent environmental and social issues of our time. Wells Fargo is committed to aligning our activities to support the goals of the Paris Agreement and helping transition to a net-zero carbon economy. Our goal is to achieve net-zero greenhouse gas emissions by 2050, including our Scope 1, Scope 2, and Scope 3 financed emissions.

Housing, Mortgage Lending, and Servicing

2) **For all witnesses, research demonstrates that a lack of access to small-dollar mortgage loans is a key barrier to homeownership for many families with low and moderate incomes. According to the Urban Institute,[8] potential buyers of low-cost homes, which require smaller-size mortgage loans, face higher denial rates than buyers who need larger loans, in both the government and conventional channels.**

    a) **What programs or approaches are your banks considering to improve access to small-dollar mortgages for low-income borrowers and other underserved borrowers?**

Wells Fargo is committed to reducing barriers to homeownership and making the path to owning a home more equitable for low-income and other underserved customers. The Wells Fargo Dream.Plan.Home. mortgage offers a down payment as low as 3% and accommodates applicants with nontraditional credit. The Dream.Plan.Home. closing cost credit–currently available in 18

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[7] For more information on the ESIM Framework, please see here: https://www08.wellsfargomedia.com/assets/pdf/about/corporate-responsibility/environmental-social-impact-management.pdf

[8] Urban Institute, *Making FHA Small-Dollar Mortgages More Accessible Could Make Homeownership More Equitable* (Apr. 22, 2021).

markets–may provide up to $5,000 toward nonrecurring closing costs making it easier for low-and-moderate-income families to purchase a home.

We are also focused on supporting our customers throughout their homeownership journey. Wells Fargo's Diverse Segments team works with local entities and community-based organizations to facilitate access to critical programs that cultivate and support diverse and sustainable homeownership.

b) Has your bank considered developing a special purpose credit program to ensure that more small-dollar mortgages are available for borrowers that need this financing to buy a low-cost home?

Yes, Wells Fargo launched a refinance special purpose credit program ("SPCP") earlier this year intended to help minority homeowners, whose mortgages are currently serviced by Wells Fargo, refinance their mortgages. The first phase of the program focused on existing Wells Fargo FHA customers and the average loan amount for those receiving the benefit is around $115,000. Given today's higher interest rate environment, the refinance SPCP represents an important opportunity for eligible minority customers who may not have had the opportunity to refinance amid record low interest rates in 2020 and 2021.

c) One of the proposals noticed at the September 21st hearing would give lenders credit on their CRA exams for originating mortgages under $100,000. Would this be an incentive for your bank to make more loans of that size? What else should Congress consider in order to encourage more lenders to originate small-dollar mortgage loans?

Wells Fargo is evaluating the proposed CRA rule changes, including options around low-loan balances and mortgages less than $100,000, as well as understanding potential impacts of the proposed CRA rule changes.

d) What steps can your bank take to, either directly or perhaps in partnership with CDFIs and MDIs, support the origination of small-dollar business loans for Millennials and other young entrepreneurs?

The Wells Fargo Foundation has launched a number of grants, including a $40 million grant initiative focused on expanding the growth and success of real estate developers of color. Working in partnership with four CDFIs, these developers will have access to lower-cost flexible capital, training, mentors, and resources needed to accelerate affordable housing production.

In 2020, Wells Fargo announced a plan to invest up to $50 million in capital for African American MDIs as part of its commitment to supporting economic growth in African American communities and empowering diverse communities. The investment will contribute to capital, connections, and expertise to help MDIs grow, serve their communities, and expand their sphere of influence.

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In July 2020, we announced our Open for Business fund, a roughly $420 million initiative we created with the gross processing fees we would have earned from processing PPP loans we funded in 2020. We created this fund to give back to communities, particularly small businesses, with a focus on those in underserved areas. The COVID-19 pandemic has made it difficult for entrepreneurs to keep their doors open, retain employees, and rebuild. Through our Open for Business Fund, we have provided capital, technical support, and long-term resiliency programs to nonprofits that serve small businesses. We did so in partnership with CDFIs and local nonprofits across the nation, allowing for the funding to occur at a highly local level.

3) **For all witnesses, during the pandemic, millions of homeowners have fallen behind on their mortgage payments and other housing costs. This is especially true for Black and Latinx homeowners who have been twice as likely during this time to be behind on their mortgage payments. In order to protect families and prevent a repeat foreclosure crisis, Congress passed a $10 billion Homeowner Assistance Fund (HAF) in the American Rescue Plan Act, which this Committee worked hard to secure. Today, nearly every State and tribal government has received funding from the Treasury and has opened their applications to homeowners.**

   a) **Please provide how many of your customers have received loss mitigation, listing the number of customers who received each the type of treatment (e.g. forbearance, deferment, modification) your bank provided.**

Wells Fargo provided more than one million forbearances to our Home Lending customers since the beginning of the COVID-19 pandemic in 2020, including but not limited to payment deferments, partial claim loss mitigation solutions for FHA loans, and loan modifications.

   b) **How many customers who received forbearance have remained delinquent once they exited a forbearance period and what is your bank doing to assist them?**

Of the more than one million forbearances Wells Fargo provided, approximately 31,000 have not cured their delinquency; about 63 percent of those customers are active in loss mitigation to cure the delinquency, and the remaining customers have not cured their delinquency and are not in loss mitigation.

Wells Fargo's continued assistance efforts include:

- We make outbound attempts (calls and letters) prior to the end of the forbearance period to reach customers to discuss post-forbearance resolution options if they're unable to resume contractual payments.
- Where applicable, we educate customers on potential HAF assistance through their state. This information is also available on our website.
- Where investor programs are available, we solicit customers eligible for investor programs such as No Income Documentation modification products.

- In cases where the forbearance plan has expired and customers elected not to engage in a resolution, we delay the removal of forbearance protections (late fee, credit bureau, etc.) for 60 days post-expiration in order to continue outreach efforts.

- In addition, we send post-forbearance expiration letters to inform customers of the timeline to respond within the 60-day period before removal from protections.

- If the forbearance protections expire, despite the above efforts, the customer's account transitions to customary outreach campaigns in collections in order to re-engage the customer to determine intent and provide curative options available.

c) Is your bank connecting borrowers with their state administered HAF program before initiating any foreclosure processes? If so, please provide the volume of payments you have received, the number of customers served, and how many of your customers have applied for HAF assistance.

Wells Fargo is committed to working with HAF program administrators to help borrowers avoid foreclosures. Because HAF program administrators manage the application intake process and determine borrower eligibility, Wells Fargo does not have information as to how many of our customers have applied for assistance. However, pursuant to HAF administrators' requests on behalf of borrowers they approved to receive funds from their programs, Wells Fargo has applied $69.1 million in funds to more than 7,400 borrowers' accounts as of October 26, 2022.

d) What else is your bank doing to prevent foreclosures and connect borrowers to HAF programs in their state?

Since the implementation of the HAF program, we have instituted a number of policies and programs that are designed to minimize foreclosures and to connect borrowers to available resources and programs:

- *Pausing Foreclosure Processes:* Once a state acknowledges a customer's application for HAF assistance, all foreclosure processing is paused.

- *Proactive Informational Letters:* States can opt in to have informational letters about the program sent to all customers who become delinquent while the program is open. As of October 24, 2022, 26 states are participating in this proactive letter program and we have sent nearly 114,000 letters to eligible homeowners.

- *Clear Statement Messaging*: States can opt in to added statement messaging to all borrower statements while and where the program is open.[9]

- *Early Intervention and Decision Letters:* We have altered our early intervention letters and decision letters to include information on the HAF program for all portfolios.

- *Customer Service Support:* We have altered all the customer contact talking points to direct customers to Wells Fargo's HAF webpage.

- *Support for the National American Indian Housing Council ("NAIHC") Tribal Housing Resources Hub:* The NAIHC's HAF site has been linked to Wells Fargo's own HAF landing page and was made possible through a $850,000 grant provided by Wells Fargo.

- *Communications and Press Strategy:* A third-party press release was distributed by NAIHC to all national media including Native American outlets, and Wells Fargo distributed the release through our newswire service. Additionally, Indian Country Today, one of the largest news sources in Indian country, posted the release on their website and social pages.

- *Ongoing Community Outreach Efforts:* Our mortgage outreach regional teams have undertaken broad efforts to increase community awareness.

4) For all witnesses, research has shown that banks' CRA lending has contributed to neighborhood gentrification and the displacement of long-time residents, who are often lower income households and people of color, by financing housing for higher income renters and higher income homebuyers moving into gentrifying areas.[10]

a) Does your bank invest in the development or preservation of affordable housing, and if so, how? Please include what share of households are served by these investments in terms of their level of area median income (AMI).

Wells Fargo has a long history of supporting the development and preservation of affordable housing, primarily through its Multifamily Capital ("MFC") and Community Lending and Investment ("CLI") divisions. MFC engages in the origination of permanent Agency financing for many affordable multifamily properties. Agency lending generally involves the origination and subsequent sale of multifamily loans to Fannie Mae, Freddie Mac, and FHA/HUD. MFC provided more than $7 billion of permanent debt financing for affordable housing with rent restricted units from 2019 to 2021 and estimates that its activities contributed to the preservation of more than 52,000 rent restricted affordable housing units during the same period.

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[9] See more information about the program here: www.wellsfargo.com/homeownerassistancefund.

[10] Washington Post, *A tool meant to help minorities buy homes is instead speeding up gentrification in D.C.* (Aug. 9, 2019).

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CLI operates primarily within the affordable housing arena, providing federal Low Income Housing Tax Credit ("LIHTC") equity investments and construction/rehab financing. CLI historically has been one of the top investors in Section 42 LIHTC, committing more than $6.2 billion in equity from 2019 to 2021. CLI also provides equity for investment funds dedicated to the preservation of affordable housing. On the debt side, CLI makes predevelopment, land acquisition, and construction loans, as well as provides letters of credit to support affordable housing. CLI provided more than $7.6 billion of such debt financing from 2019 through 2021. CLI estimates that its debt and equity activities contributed to the production of more than 44,000 affordable units during this same period.

In total, Wells Fargo has provided $21 billion in total debt and equity capital to support the production and preservation of affordable housing nationally between 2019 and 2021.

Wells Fargo CLI's debt and equity activities are centered on the federal Low Income Housing Tax Credit under Section 42 of the Internal Revenue Code and corresponding state tax provisions. These federal and state programs generally provide incentives for constructing or rehabilitating housing for families with incomes at or below 60 percent of the area median income ("AMI"), although recent "average income" legislation permits occupancy by families with incomes up to 80 percent of AMI, as long as the overall average of the projects affordable units is at 60 percent or below. While it is possible to have market rate or "workforce" housing units in affordable developments, such units do not generate tax credits and the vast majority of Wells Fargo CLI's activities finance affordable units. These developments focus on highly vulnerable populations including veterans, seniors, families, and the formerly homeless. MFC's GSE and FHA loan origination activities are predominantly for properties rented to households at or below 80 percent of the AMI.

b) As a share of your CRA investments, how much does your bank invest each year in affordable housing? Please include what share of households are served by these investments in terms of their AMI level.

Investment in affordable housing represented 70 percent of Wells Fargo's qualified CRA investments during the 2019 to 2021 timeframe. Affordable housing investments/loans represented 84 percent of the qualified investments/community development loans during 2019 to 2021.

c) What steps does your bank take to ensure that the financing you provide does not lead to the displacement of a community's residents, especially low-income families and people of color?

Systemic inequities in the United States have prevented too many minority families from achieving their homeownership and wealth building goals for too long. As the largest bank home mortgage originator, and largest bank originator of home loans to minority families over the last decade, Wells Fargo believes it has a responsibility to develop solutions that help close the gap and to help families and communities from being displaced.

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With regard to CLI's activities, we act as a lender or investor in programs sponsored by federal and state governments to promote the development and preservation of affordable housing. In accordance with the applicable federal and state programs, Wells Fargo's lending and investment activities are intended to preserve, improve, and expand a community's supply of affordable housing, including for the residents who live there. Wells Fargo partners with reputable developers, nonprofits, and city/state housing authorities to achieve these priorities in communities across the country. These proactive efforts and partnerships can often help prevent the displacement of community's residents. Additionally, through MFC's agency lending activities, long-term financing is put in place that preserves housing for the community and prevents displacement.

5) **For all witnesses, a recent study by Freddie Mac[11] showed that 12.5% and 15.4% of homes appraised in majority-Black and majority-Latinx communities, respectively, are valued below the contract purchase price. Those figures compare to 7.4% of homes in majority-White neighborhoods. Disparities in home valuation, including appraisals, contribute to borrowers of color being denied mortgage lending and locks them out of homeownership and wealth-building opportunities.**

   a) **What share of your in-house appraiser panels are made up of appraisers of color and female appraisers?**

Approximately 44 percent of in-house residential appraisers (employees of Wells Fargo performing appraisals on behalf of the Company) are female, and 28 percent identify as a minority.

   b) **Does your bank contract with any or women-owned Appraisal Management Companies (AMCs) or those owned by people of color? If so, what share of your appraisal business goes to AMCs are owned by women or people of color?**

Yes, out of the four Appraisal Management Companies used to source valuations, Wells Fargo presently contracts with one Appraisal Management Company which is diverse owned. This company receives approximately 20 percent of our total national valuation volume.

   c) **Your bank is responsible for setting the stage for consumers by establishing appraisal fair lending compliance standards and reconsideration of value policies (ROV) that allow consumers to contest appraisals. What is your current ROV policy and how do you make borrowers aware of this policy? Does your bank track ROV-related data, such as the number of ROV requests that are granted annually, which borrowers are requesting them, how many resulted in corrected home valuations, and what the average appraisal gap is? If so, please share what type of data is collected.**

Wells Fargo's appraised value dispute process is communicated to customers, as an option, by their loan officers. Wells Fargo loan officers refer appraisal disputes/appeals/reconsiderations to a

[11] Freddie Mac, *Racial and Ethnic Valuation Gaps In Home Purchase Appraisals* (Sept. 20, 2021).

dedicated team for assistance. This team then determines the appropriate path for the dispute/appeal/reconsideration. Wells Fargo has established detailed procedures for discussing this process with a customer, as well as for submitting, assessing, and dispositioning a value reconsideration request, or submitting customer concerns about an appraiser. The process can include requesting additional supporting information from the customer and the loan officer, review by the appropriate team, and/or potentially ordering a new valuation.

Wells Fargo also tracks Reconsideration of Value ("ROV") requests when customers escalate questions about their valuations through the above referenced processes. Between September 2021 and October 2022, requests for reconsideration from customers made up about 2 percent of total average volume per month. Additionally:

- 48 percent of requests resulted in no value change, meaning the appraisal was determined credible through new independent research and review performed, as well as the appraiser providing additional clarification supporting their appraised value opinion.
- 32 percent of requests resulted in a revised appraisal or supplemental valuation being obtained, which resulted in a higher opinion of value.
- 15 percent of requests resulted in a revised appraisal or supplemental valuation being obtained, which resulted in a lower opinion of value.
- 1 percent of requests resulted in an appraisal upgrade due to the scope of the initial appraisal being deemed insufficient to address the customer's concerns (e.g., an exterior-only inspection appraisal upgraded to an interior inspection to capture interior features).
- 4 percent of requests resulted in a recommendation to replace or obtain additional valuations; however, this recommendation was not ultimately pursued (e.g., loan withdrawn, declined for non-collateral reasons).

d) What processes do your banks have in place for reporting appraiser malpractice, possible appraisal discrimination, or fair lending compliance issues with AMCs?

Wells Fargo has an established valuation review team of certified licensed appraisers who perform in-depth reviews on appraisers who are referred for quality, credibility, or accuracy concerns. The team also considers whether Wells Fargo and Wells Fargo-engaged service providers should discontinue using those appraisers.

e) Does your bank currently rely on Automated Valuation Models (AVMs) to conduct home valuations or fair lending compliance, and are you supportive of federal regulations that seek to require affirmative non-discrimination requirements in the development and maintenance of AVMs?

Wells Fargo currently does not use AVM models in originating or to conduct fair lending compliance. Yes, Wells Fargo is supportive of federal regulations that seek to require affirmative non-discrimination requirements in the development and maintenance of AVMs and recognizes the industry-wide need to account for challenges in relying on proprietary data provided by third-party suppliers, which remains outside the control of Wells Fargo and other lenders.

Small Business Lending and Support

7) **For all witnesses, while many banks are migrating many of their banking products and services online, according to research[12] from the National Community Reinvestment Coalition, many small businesses continue to rely on local bank branches for access to a loan. In fact, the research shows that among the most important predictors of the amount of small business lending by large banks in metropolitan areas are the number of branch locations and county level GDP. Please describe how small business owners typically engage with your bank?**

   a) **Do most of your small business customers engage online or via digital channels, or are they coming into a bank branch to apply for credit and to access other services?**

We are seeing the same trends with our small business clients that we are seeing with personal banking and other clients, including a large migration to digital channels as the preferred form of engagement. Wells Fargo customers use a variety of channels to bank with us and to apply for credit. Channels include branch, online, and phone. The channel type selected by the client varies depending on the product and situation. However, the majority of loan applications occur in the branch, particularly for unsecured lines of credit and business credit cards. We continue to see growth in online application activity, as has been the case across the industry. The COVID-19 pandemic resulted in a drastic overall increase in the use of digital engagement. The amount of money Wells Fargo Customers, including small business accounts, deposited using a mobile device was up 81 percent in April 2020 compared to April 2019. Today we have an all-time high of over 28.3 million mobile active customers – and on average, customers log on to their accounts using their mobile devices 20 times a month. Customer behavior and patterns, including in the use of digital versus physical branches, are metrics we look at closely and that help inform our analysis of our branch footprint. We are seeing an increased utilization of our digital and online products, but we understand that some small businesses prefer to engage in person and will work to continue to support their needs.

   b) **What is your bank doing to ensure that branches are located and accessible in communities where local residents as well as small business owners are seeking credit?**

Generally, our approach to consolidation has focused on reducing redundant branches, most of which are in larger metropolitan areas. Additionally, when we have closed branches in rural areas, we have worked to provide continued services, minimizing community impacts. We have sold branch real estate to local banks to facilitate their role in the community or have installed ATMs for customer service.

[12] NCRC, *Relationships Matter: Small Business and Bank Branch Locations* (Accessed Sep. 15, 2022).

9) **To all witnesses, please list and describe any small-dollar consumer loan you offer, including how many consumers use those products, the current APR on those loans, the eligibility criteria, the general terms and conditions, and the maximum amount that a customer can borrow with these products?**

Wells Fargo currently offers personal loans ranging from $3,000 to $100,000. We offer a variety of loan structures to offer customers choice and meet their varying needs, providing 12 to 36-month repayment schedules for personal loans ranging from $3,000 to $4,999 and 12 to 84 months for personal loans ranging from $5,000 to $100,000. We offer personal loan interest rates currently as low as 5.99% and rates vary based on a variety of factors. If a Personal Loan is approved and the customer accepts the loan terms, we work to give the customer rapid access to the funds, often between one to three business days. More information, including terms and conditions, can be found on our website.[13]

Wells Fargo also consistently evaluates consumer demand for new products and services that it can offer in a safe and sound manner consistent with its regulatory requirements. For example, as announced in January 2022, Wells Fargo will be offering a new short-term loan product up to $500, which will provide eligible customers another option to meet personal financial needs, such as paying a bill or making a small purchase. This new product is expected to be offered in the coming months.

On November 16, 2022, Wells Fargo also announced a new product called "Flex Loan" to help customers meet their short-term cash needs. Flex Loan is a digital-only, small dollar loan that will provide millions of eligible customers convenient and affordable access to funds when they need it most. Flex Loan is accessible through a seamless, easy experience within the Wells Fargo Mobile Banking app to eligible customers in amounts of either $250 or $500 for a flat fee of $12 or $20, respectively. Eligible customers will see the offer in their mobile app. Once a customer accepts the loan and sets up their repayment plan (payable in four equal monthly installments), the funds are deposited into their Wells Fargo account within seconds, allowing them to use their Wells Fargo debit card to make a purchase or payment immediately. There are no applications, hidden fees, late charges, or interest charges. Flex Loan offers an affordable, transparent way to manage a short-term cash need–while providing convenient and nearly instant access to funds. Flex Loan is available now in select markets and will be available nationwide by the end of the year.

<u>Banking Deserts</u>

10) **For all witnesses, throughout the COVID-19 pandemic, there has been a greater shift to online banking. However, for communities living in rural areas, when physical bank branches close permanently, some customers may lack internet access, or the knowledge of how to navigate online banking, and are forced to turn to expensive alternatives like**

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[13] Wells Fargo Personal Loans FAQ and Help, https://www.wellsfargo.com/help/loans/

cash-checking stores or payday lenders.[14] How does your bank interact with clients in rural communities?

a) How do you productively engage with communities that lack reliable broadband internet service?

Wells Fargo is proud of its presence in rural communities and continues to work in those areas to help our customers connect to the services they need. Wells Fargo maintains the second largest branch network in the United States and continues to serve significantly more markets than any other national bank peer. We serve more rural markets and small towns and have significantly more branches in such areas than many of our large bank competitors.

We also actively look for opportunities to promote increased access to banking services. For example, in July 2022, with a $600,000 grant from the Wells Fargo Foundation, Rural LISC launched Rural Connect, which will provide funding and technical assistance to rural and native communities in South Dakota, Idaho, and Wyoming. The grant will support the deployment of Rural LISC's Digital Navigator Program, Business Development Organization ("BDO") Network and micro-lending offerings within targeted partner communities in the three states. This outreach will help strengthen financial health, small business ecosystems, access to capital and technology adoption geared toward strengthening financial access.

Credit Reporting and Underwriting Practices

12) For all witnesses, in 2021, Fannie Mae began to incorporate positive rental payment history into its automated underwriting systems, followed by Freddie Mac in 2022. Similarly, according to a recent report from HUD, the Federal Housing Administration (FHA) is working to incorporate positive rental payment history into its automated underwriting policies and processes (AUS). HUD elaborated that doing so could help renters with a strong record of on-time rent payments get credit when seeking to qualify for an FHA-insured mortgage.

a) Does your bank already consider positive rental payment history in the mortgage underwriting process?

Yes, Wells Fargo currently considers positive rental payment history for conforming conventional retail loans that Wells Fargo originates by leveraging Fannie Mae's AUS tool for conforming conventional loans.

[14] NPR, *After The Banks Leave* (Apr. 15, 2021).

b) Please provide a list of other forms of alternative data or credit information that are not typically included on a consumer's credit report, that your bank uses to determine a consumer's creditworthiness for the purposes of underwriting a mortgage.

Wells Fargo is committed to considering a variety of factors to evaluate a consumer's creditworthiness. If one or more borrowers do not have a usable credit score as determined by the GSEs, the lender must establish a non-traditional credit profile. Other credit sources may be acceptable if all non-traditional credit requirements are met. These other sources include, but are not limited to:

- Rental housing payments - A Verification of Rent ("VOR") from a professional management company or a private party;[15]
- utilities;
- installment loan with a financial institution not being reported to the credit bureau;
- medical or life insurance premiums (excluding payroll deductions);
- automobile insurance premiums;
- renter's insurance premiums;
- childcare;
- payments to local stores - department, furniture, appliance, and specialty;
- rental payments related to durable goods such as appliances or furniture;
- payments for a loan obtained from an individual if the repayment terms are documented in a written agreement;[16]
- a documented savings history evidencing an increasing balance as the result of consistent monthly deposits over a 12-month period;
- 401(k) contributions (including payroll deduction);

[15] Rent verified by a private party is acceptable without canceled checks. Canceled checks, bank statements, or money order receipts are the only acceptable forms of rental verification if the landlord is a relative or has an established relationship with the customer(s) prior to the loan transaction. Cash receipts are not allowed.
[16] The customer must provide copies of canceled checks, bank statements, money order receipts, or cash receipts to indicate that the payments are of a continuing nature and have been timely. If using cash receipts, the creditor must not be a relative and the name, address, and telephone number of the individual or creditor receiving the payments must be provided.

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- streaming services; and
- gym memberships.

c) **Does the incorporation of alternative data into federal automated underwriting systems, like that of Fannie Mae and Freddie Mac, or FHA, help facilitate the inclusion of rental payment data in the mortgage underwriting process?**

Including rental payment history in the AUS tools, as a supplement to the credit data on the credit report, allows the information to be included in the overall assessment by the AUS tool. Incorporating this particular data in this system may help some consumers achieve a positive impact to their risk classification from the AUS tool.

Equifax's Inaccurate Credit Scores

13) **Mr. Cecere, Mr. Demchak, Mr. Dimon, Ms. Fraser, Mr. Rogers, Mr. Scharf, following up to your respective responses to my letter regarding your bank's use of Equifax's inaccurate credit scores, what is the status of your bank's work to identify and remediate all harmed consumers? Specifically:**

a) **Are you still investigating to identify any harmed consumers? If so, please describe when you expect for your investigation to conclude.**

Yes, at this time, our investigation into Equifax's errors remains ongoing. We anticipate completing our initial review in the coming months with additional assessments continuing as we acquire new loans from other institutions through the end of the year.

b) **How many consumers were wrongfully denied credit based on the use of Equifax's inaccurate credit score?**

c) **How many consumers were charged more than they should have been based on the use of Equifax's inaccurate credit score?**

Answer to (b) and (c): We take Equifax's errors very seriously and are taking action to address any adverse impacts on our customers. We are committed to conducting a thorough investigation into this matter. Our review remains ongoing; therefore, we do not have final numbers to report at this time.

d) **What steps are you taking to remediate harmed consumers, and by when do you estimate that all harmed consumers will be remediated?**

We take Equifax's errors very seriously and are taking action to address impacts on our customers. A variety of remediation options are being evaluated, including but not limited to annual percentage rate reductions with finance charge adjustments, credit line increases, and additional mortgage pricing and mortgage insurance adjustments.

Our goal is to address direct customer impacts by year-end for those consumers identified by October, and to address the remaining customers identified by January. Customers who received better terms due to Equifax's errors will retain those terms.

15) For all witnesses, what systems does your bank have in place to ensure third-party information you receive, such as the credit scores Equifax provides to your bank, is accurate before you utilize the information?

Credit scores are intellectual property of the consumer reporting agencies, which do not divulge their proprietary models to the financial industry. However, in accordance with the Company's Third-Party Risk Management Policy, Wells Fargo has instituted a third-party governance program with procedures aimed at governing the end-to-end lifecycle of third-party outsourced products and services to mitigate potential risks.

16) For all witnesses, do you have a contractual relationship with Equifax?

a) What are the terms of your bank's agreement with Equifax?

b) Does your contract include language around liability for the provision and accuracy of Equifax's scores?

c) What does your contract say about liability when the scores your bank received from Equifax are inaccurate?

Wells Fargo does have a contractual relationship with Equifax. The contractual terms are extensive and cover a variety of topics that are customary to third-party service provider agreements with respect to the credit reporting agency services provided by Equifax. Wells Fargo is evaluating its rights thereunder, as our review of Equifax's errors remains ongoing.

Swipe Fees

19) All witnesses, do you hear complaints from small businesses about the swipe fees that they are charged? If so, what should policymakers do to address the concerns of small business owners?

We hear from businesses that accepting credit and debit cards provides a substantial financial boost to businesses, including small businesses. Debit and credit card transactions are two to four times larger than cash transactions, and when a merchant begins accepting card payments, they experience a 10 to 15 percent increase in average transaction size. Additionally, the weighted average of interchange fees as a percentage of volume has actually decreased since 2005, even with the significant advancements in technology, convenience, and new security and fraud protection measures — all advances that add significant value for merchants and consumers. The payment system infrastructure requires constant investment and protection. Wells Fargo is committed to investing in and securing its payment systems before, during, and after a sale. Merchants contribute to these costs by paying a small fee when they use the system to make a sale.

Wells Fargo supports efforts to make these systems easy to use, efficient, safe, and accessible.

<u>Diversity and Inclusion</u>

22) All witnesses, the committee has considered various legislative solutions to support greater diversity and inclusion, including mandating the consideration of diverse candidates for all roles or senior roles. Has your bank committed to such a policy?

a) Research indicates that considering diverse candidates alone may not lead to more diverse hires; instead, two or more diverse candidates should be considered, and the interviewing slate should also be composed of diverse staff. Is this an approach your bank has considered and/or deployed? If so, can you share what progress you have witnessed using this approach?

Diversity and inclusion are top priorities at Wells Fargo. We are making progress in our efforts to increase representation at all levels of our U.S. workforce, and we believe our approach to diverse candidate slates is a key factor. In 2021, the pace of our external, diverse hiring increased year-over-year: external hiring of individuals from racially or ethnically diverse populations increased by 27 percent and external hiring of women increased by 23 percent (while overall hiring increased 17 percent). With respect to hiring for executive positions, in 2021, approximately 38 percent of external executive hires were racially or ethnically diverse, compared to 25 percent in 2020. Approximately 15 percent of all external executive hires were Black/African American, which is a significant increase over 2020, and approximately one-third of all internally promoted executives were racially or ethnically diverse. Further, in 2021, approximately 53 percent of all internally promoted executives were women. For positions with annual compensation of $100,000 or above, in 2021 more than 42 percent of hires were racially or ethnically diverse, and more than 47 percent of hires were women.

As of November 1, 2022, approximately 55 percent of our workforce is female, and 46 percent of our workforce comes from racially or ethnically diverse backgrounds. In addition, 50 percent of our Board of Directors are either women or from racially or ethnically diverse backgrounds. Our Operating Committee is approximately 23 percent female and 29 percent racially or ethnically diverse. Of the approximately 150 executives that report directly to a member of the Operating Committee, 48 percent are female, and 32 percent are racially or ethnically diverse.

<u>Commitments to Racial Equity and Support of MDIs and CDFIs</u>

26) For all witnesses, do you have a diverse and inclusive community advisory board that you meet with periodically, such as every quarter, to consult with them when your bank makes decisions regarding which communities you might open or close a bank branch, or to guide the bank's efforts to comply with the Community Reinvestment Act? If not, will you consider establishing one?

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Wells Fargo engages key stakeholders in a variety of ways to understand the needs of local communities and identify ways to serve those communities. For example, we have a network of Community Relations teams that build and foster relationships with local community groups and leaders. We also conduct periodic assessments of local needs to help inform our CRA strategy and activities, which we believe have helped us achieve an Outstanding rating on our most recent CRA examination. Wells Fargo also leverages the perspectives of national community organizations that in turn share the needs of the communities they serve. For example, as part of our 10-year Banking Inclusion Initiative, in 2021, we formed a National Unbanked Task Force that works with us in developing solutions to bring more people into the banking system from underserved communities, while also providing feedback on our products, services, and initiatives. This Task Force is comprised of the leaders of some of the largest and oldest advocacy organizations in the U.S.: Hope Enterprise Corporation, League of United Latin American Citizens, Native American Finance Officers Association, National Association for the Advancement of Colored People, National Bankers Association, National Community Reinvestment Coalition, National Congress of American Indians, National Urban League, and UnidosUS.

On branch closures, the factors that are considered as part of a branch closure include:

- CRA impacts to local market network parity, and other local conditions;
- customer usage patterns (including online and mobile);
- branch performance;
- branch redundancy;
- proximity to and capacity of the nearest Wells Fargo branches and ATMs;
- competitor locations; and
- demographic/economic factors including growth and overall customers served.

For each bank closure, we have a formal process that reviews for impacts on our CRA performance, fair lending, and potential impacts to the local community. As part of this process, we strive to maintain service to low- and moderate-income ("LMI") communities and underrepresented populations. Because of this, Wells Fargo's LMI branch share has improved in recent years, as most closures reflect redundant branches in non-LMI neighborhoods. Additionally, while our total new branch openings have been limited, Wells Fargo has opened branches in LMI designated areas. Two examples include our Liberty City branch in Miami, Florida, which had limited banking services when we opened, and our Avalon Superior branch in South Central Los Angeles, California, where we are the only branch in the neighborhood. As a result of our efforts, our percentage of CRA-reportable branches located in LMI census tracts has improved in recent years. Additionally, our recent CRA performance evaluation service test notes that our opening and closing of branches has not affected the accessibility of our delivery systems, particularly in LMI geographies and to LMI individuals.

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When we make the difficult decision to close a branch, we strive to mitigate the impact on local communities and work with local community groups and leaders on post-closure measures. When possible, Wells Fargo executes on mitigation plans, such as leaving behind an ATM, increasing volunteer services in the community, and mobile/online banking training for customers. In some instances, in communities with limited bank branch presence, we have donated or sold the branch to other banks, including to MDIs, or to otherwise meet unique community needs. For example, in early 2022, First Independence Bank expanded into Minneapolis, Minnesota, becoming the first African American-owned Minnesota bank. Wells Fargo donated a former Wells Fargo branch to a nonprofit organization who in turn leased it to the MDI. Also in June 2020, Wells Fargo donated a branch property to the local school district in Roundup, Montana. Wells Fargo's Regional Bank President worked with local community stakeholders to identify what needs the facility could address. Several meetings with the local community stakeholders were held in which it was decided that the school district was best entity to own the building. Collaborative efforts identified several needs that this facility could help support including a childcare center, alternative school, early childhood classrooms, education center, space for adult education classes, a computer lab for online certifications, and more.

27) **For all witnesses, will you commit to commissioning an independent racial equity audit that covers *all* of your bank's operations – including employment, contracting, investments, and the financial products and services you provide – and make those findings public?**

On September 13, 2022, we announced that we will commission an external, third-party racial equity audit. The assessment will include input from both internal and external stakeholders and focus on elements of Wells Fargo's efforts to serve diverse communities and promote a diverse workforce. The assessment will be conducted by Covington & Burling LLP, a nationally recognized law firm experienced in leading civil rights and racial equity audits across various industries. The company plans to publish the results of the assessment by the end of 2023.

30) **Mr. Scharf, this summer, Wells Fargo announced the Growing Diverse Housing Developers initiative, a $40 million grant initiative focused on expanding the growth and success of real estate developers of color, including Black- and Latinx-owned firms.**

   a) **What impact and evaluation indicators are you collecting to measure progress in the Growing Diverse Housing Developers initiative?**

   b) **How will you measure the extent to which the initiative is accomplishing its goals in an equitable manner?**

Wells Fargo recognizes that a severe shortage of housing units, particularly in metropolitan areas, contributes directly to high housing costs and the lack of housing affordability across the United States. Available data suggests that developers of color make up less than five percent of the U.S. real estate industry. Housing developers of color are highly under-represented in the residential real estate development sector and have largely been excluded from the networks and relationships that traditionally offer access to risk capital, such as family wealth or professional connections. But with access to flexible, competitively priced capital and business development resources, housing developers of color are in a powerful position to both grow the rate of housing production and scale their business operations long-term.

In 2019, Wells Fargo announced a $1 billion philanthropic commitment to help address the U.S. housing affordability crisis. Since then, we have been supporting solutions to individual and systemic challenges and recognize the importance of a quality, affordable home. The Wells Fargo Foundation also announced Growing Diverse Housing Developers ("GDHD"), a $40 million grant initiative focused on expanding the growth and success of real estate developers of color, including Black- and Latinx-owned firms. With four CDFIs—Raza Development Fund and Capital Impact Partners, part of the Momentus Capital family, and its partners Low Income Investment Fund ("LIIF") and Reinvestment Fund ("RF")—GDHD aims to create 2,000 new affordable homes by 2027, including both rental and for-sale homes.

Thirty-nine experienced housing developers led by people of color, both for-profit and nonprofit, from California, Arizona, Florida, Georgia, Texas, and the Baltimore, New York City, Philadelphia, and Washington, D.C. metropolitan regions, will participate in the program. Over the four-year program period, participating developers will have access to critically needed capital, training, mentors, and other resources to advance their development pipelines and grow their businesses. With a $30 million grant from Wells Fargo, Capital Impact Partners, LIIF and Reinvestment Fund created a national learning cohort of 27 housing developers from across the United States. Wells Fargo also awarded a $10 million grant to Raza Development Fund, the nation's largest Latino-serving CDFI, to support the launch of the J. Tommy Espinoza Growing Diverse Housing Developers Fellowship and a cohort of 12 real estate developers. To further multiply impact, Wells Fargo's Community Lending and Investment group also has provided $20 million in low-cost patient capital to the grantee CDFIs to expand the scale of their lending to housing developers led by people of color.

In addition, by committing to the program, participants will receive access to:

- The Wells Fargo National Learning Cohort, featuring a monthly curriculum tailored to participants' desired learning outcomes; peer learning sessions; advisory services; dedicated mentors; and national and regional events to provide essential knowledge and networks to support business growth;

- Access to enterprise-level grants to fund investments in infrastructure, staff, and other resources needed to build the capacity of participants' organizations; and

- Access to flexible loan products to fund their affordable housing pipeline in the focus geographies.

Beyond this training, Wells Fargo is working with the Historically Black Colleges and Universities ("HBCUs") Community Development Action Coalition to provide 16 HBCUs and Minority Serving Institutions access to Our Money Matters, a comprehensive financial wellness initiative for college students of color, who disproportionally face greater financial challenges and college debt. Wells Fargo is working with the National Bankers Community Alliance to make Our Money Matters available to the customers of 15 MDIs that are members of the National Bankers Association.

Investigating Discriminatory Practices

31) For all witnesses, yes or no, do you believe that racial discrimination occurs in the financial sector?

a) Yes, or no, do you believe that any discrimination that occurs at your bank or any bank is unfair to affected individuals?

Discrimination has no place at Wells Fargo. Having an inclusive environment in which differences and perspectives are respected and valued is both a business imperative and the right thing to do. Creating such an environment is a long-term commitment for Wells Fargo. That means we must monitor data on our progress on diversity, equity, and inclusion; do it in a detailed and continuous way; understand where there's more work to do; and act on it. It also means that we must communicate about our progress transparently.

The DEI Initiatives we are committed to will not be achieved overnight. We acknowledge that we have much work to do in the months and years ahead. We'll continue to listen to the voices of our employees, customers, and communities – and will hold ourselves accountable for tangible progress. We're confident that with a focused and enduring effort, we'll make the positive impact that we, our customers, and our communities expect as we continue this important work.

32) For all witnesses, do you endorse the lawsuit the American Bankers Association and other organizations filed to challenge the Consumer Financial Protection Bureau's efforts to combat unfair discriminatory practices? Why or why not?

Wells Fargo has not taken a position on the lawsuit. Discrimination has no place at Wells Fargo, and we strongly support the fair and equitable treatment of all our customers.

Enforcement Actions and Repeat Offenders

36) Mr. Scharf, in May, the SEC announced[17] charges against Wells Fargo Advisors for failing to file at least 34 Suspicious Activity Reports (SARs) in a timely manner between April 2017 and October 2021. Wells Fargo Advisors agreed to pay $7 million to settle the charges. What is Wells Fargo Advisors' policy for filing SARs?

a) Since the settlement, has your bank reviewed its SARs policy? What have you learned?

[17] Good Jobs First, Violation Tracker (Accessed Sep. 19, 2022).

b) **Has your bank decided to make any changes to its policy regarding filing SARs? Please describe any changes made to your bank's SARs policy.**

c) **Would regulators be justified to impose additional enhanced penalties above and beyond the asset cap that the Fed imposed on your bank to the extent your bank continues to break the law?**

Wells Fargo's anti-money laundering policies and procedures are designed to comply with applicable financial crimes-related laws and regulations, including with respect to SARs. Wells Fargo is committed to identifying, reporting, and deterring financial crimes and fully cooperates, with law enforcement investigations and inquiries. Wells Fargo regularly reviews its financial crimes policies, at least every two years, and makes updates as necessary. Because SARs are highly confidential, Wells Fargo cannot comment on specifics about its SAR Policies, which provide details on how and when Wells Fargo files SARs.

Abortion Access

42) **For all witnesses, since the Supreme Court's ruling in *Dobbs v. Jackson Women's Health Organization*, several states have made accessing abortion services illegal. Data collected by credit card issuers and banks have the potential to serve as incriminating evidence against those seeking reproductive health care. What steps do you plan to take to protect the privacy of your customers and employees seeking reproductive health care?**

a) **How will you ensure that employees do not face retaliation or discrimination in the workplace based on their personal healthcare decisions?**

Wells Fargo takes employee and customer privacy seriously. Healthcare services provided to employees and their dependents under Wells Fargo's group health plans are subject to the Health Insurance Portability and Accountability Act. As such, personal health information about an employee's health care decisions or coverage received is confidential and not generally disclosed to Wells Fargo, as their employer. Wells Fargo also works to protect customer information in compliance with federal, state, and local laws. There is absolutely no place at Wells Fargo for discrimination or retaliation of any kind.

Digital Assets, including Cryptocurrency

44) **For all witnesses, what is your bank's current position on central bank digital currencies (CBDCs), and how might your daily operations be impacted if the Fed started to issue a CBDC?**

a) **In your view, which technical design choices will ensure that a future CBDCs furthers financial inclusion, and does not hinder it?**

b) **Which design choices are likely to create challenges to increasing financial inclusion?**

Depending on design choices, a U.S. CBDC could bring varying levels of risk, and potential opportunities, to the U.S. economy, consumers, and financial services providers. We believe a careful, deliberative process needs to continue for the Federal Reserve and all stakeholders to understand whether and how a CBDC could safely exist alongside the U.S. Dollar.

In particular, a retail CBDC could pose substantial risks to the U.S. financial system, such as cannibalizing bank deposits. There are policy levers to mitigate potential impacts – such as avoiding an interest-bearing CBDC or implementing CBDC holding limits – but these are not silver bullets and may only work in certain conditions. An intermediated model could address KYC/CFT concerns, but only if intermediaries are held to uniform standards and have a clear business case to take on this role.

In regard to financial inclusion, we are concerned that many of the obstacles for the unbanked and underbanked today may continue with a CBDC, for instance, a lack of trust in financial institutions or government. Thus, a retail CBDC could also potentially face challenges such as with privacy-related incongruities between cash and digital currencies (i.e., the digital trail behind any digital asset). Wells Fargo encourages the U.S. government to continue to engage in serious study of CBDCs before making any decisions related to issuance of a U.S. CBDC.

Wells Fargo has been involved in research and development of distributed ledger technology ("DLT") to facilitate next-generation settlement services in a variety of areas, such as FX settlement.[18] We are studying regulated liabilities, which is a developing asset class that runs on DLT. Regulated liabilities are issued by regulated entities and either backed or redeemable at a 1:1 ratio with cash. They are essentially promises to pay the customer on demand at par value in national currency units by regulated institutions: central banks, commercial banks, and e-money issuers. A system that allows regulated banks to transfer value between and amongst each other via tokenized deposits could serve as an alternative to a CBDC and might serve to facilitate a wholesale CBDC, if deemed acceptable.

We have also announced Wells Fargo Digital Cash[19] as a pilot that will allow Wells Fargo to complete internal book transfers of cross-border payments within its global network using digitized cash — and for those international locations to exchange that digitized cash among themselves.

Fintech and AI

46) For all witnesses, the Fed has stated that "financial institutions may place a hold on FedNow payments received where there is reasonable cause to believe that a FedNow payment may be related to fraudulent activity."[20] What technical strategies has your

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[18] Wells Fargo Newsroom - Wells Fargo and HSBC Establish Bilateral Agreement to Settle FX Transactions Through a Blockchain-based Solution (wf.com).
[19] Wells Fargo Newsroom - Wells Fargo to Pilot Internal Settlement Service Using Distributed Ledger Technology (wf.com).
[20] NCLC, *New FedNow Rules Lack Fraud Protection* (May 19, 2022).

bank adopted or are working to adopt in order to ensure protection of consumer information as our payment systems evolve?

Wells Fargo is evaluating its strategy and approach for participation as we anticipate the pilot phase for FedNow. We intend to implement similar and conforming controls as with other instant payments rails. We are actively looking at how to mitigate the migration of fraudulent activity from existing channels to FedNow, while also being careful not to publicly disclose fraud prevention strategies that could inform bad actors; we would be happy to provide your staff with a more detailed briefing on the topic.

47) **For all witnesses, emerging artificial intelligence (AI) technologies, including Machine Learning, can potentially offer a broad range of benefits for both financial institutions and regulators. How does your bank utilize regulatory technology in their daily operations?**

   a) **On the other hand, some studies have shown that lending algorithms have unwittingly caused discrimination based on race or even educational attainment. How do you ensure that your bank is not feeding biased data into the algorithms you use, and that AI is not perpetuating discriminatory outcomes for protected classes of borrowers?**

Generally speaking, AI recognizes patterns within data and identifies relationships between variables in that data. As AI models such as deep learning and neural networks have grown more advanced in the past decade, it's become exponentially more difficult to understand why they behave the way they do. However, Wells Fargo is working to improve the explainability of AI, a crucial part of improving bias breaking.

Simplicity and operational capabilities are fundamental for effective AI development. That's why Wells Fargo has a team of data scientists who validate every Wells Fargo AI model before it's deployed into a customer-facing environment. This rigorous validation process has allowed the Wells Fargo team to continue improving bias breaking and explainability techniques of its own, which undergo peer review for publication in partnership with university researchers.

The Company's use of AI is governed by the Wells Fargo Model Risk Management Policy and overseen by the Corporate Risk Management department. No models go to production without being validated and approved by Corporate Model Risk. For critical applications that impact customers such as Credit Underwriting, Wells Fargo only uses "Inherently Interpretable Models" for transparency of the algorithmic decision.

48) **For all witnesses several non-bank fintech companies offer "earned wage access" products allowing consumers to access wages they have earned but have not yet been**

paid.[21] Has your bank considered offering "earned wage access" opportunities to its employees or customers?

Wells Fargo offers a program called "Early Pay Day," which provides customers with access to their eligible direct deposits up to two days early. The service, where available, is free with our Direct Deposit program and does not require enrollment. To allow customers early access to wages they have earned, once the Company receives information about a customer's incoming direct deposit from a payor, it may make the funds available for a customer's use up to two days earlier than the scheduled pay date.

Sanctions

49) For all witnesses, is it correct that following the unprovoked Russian invasion of Ukraine, your firms have ceased some or all of your operations in Russia and Belarus (including subsidiaries and affiliates)? Can you please elaborate?

Wells Fargo does not maintain any branches or subsidiaries in Russia or Belarus.

a) Where you have continued to engage, can you please describe your firm's efforts to avoid the violation of U.S. sanctions related to Russia and Belarus?

Wells Fargo is committed to complying with U.S. laws and regulations imposing economic sanctions against certain countries, entities, and individuals. Wells Fargo has implemented a risk-based sanctions compliance program and devoted significant time and resources to implement U.S. sanctions related to Russia and Belarus. We continue to closely monitor U.S. sanctions related to Russia and Belarus, as well as other countries, and implement appropriate controls designed to ensure Wells Fargo does not engage in prohibited business with, on behalf of, or for the benefit of, countries, entities, or individuals subject to sanctions.

b) Can you please describe how your firms manage the Office of Foreign Assets Control (OFAC) 50-percent rule in determining whether a customer is one with which your firm can do business? (For example, does your firm draw a line at 49.9%? Do you do enhanced due diligence for any ownership above 40%? Does your bank apply different standards in different components/services of the business?)

Wells Fargo's risk-based sanctions compliance program is designed to comply with OFAC's 50 percent rule when determining whether a customer is a blocked person or otherwise subject to OFAC sanctions. Wells Fargo leverages Customer Due Diligence processes and procedures (including beneficial ownership information), software vendors, open-source research, and other available information to comply with OFAC's 50 percent rule. Wells Fargo exercises caution and

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[21] Forbes, *How Earned Wage Access Can Upend Predatory Lending And Build Employee Financial Wellness* (Feb 5, 2021).

carefully reviews, on a case-by-case basis, when it identifies entities owned by OFAC-sanctioned persons, even when that interest is less than 50 percent.

c) **Can you please describe the scrutiny that your firm conducts on third parties, such as firms with Chinese or Indian operations, to ensure that your customers are not engaging in sanctions violations with Russian and Belarusian sanctions targets?**

Please see the responses to Question 49 (a) and (b).

50) **To all witnesses, on September 14, 2022, the Honourable Mia Amor Mottley, QC, MP, the Prime Minister of Barbados, testified in front of the House Financial Services Committee. In her testimony, she shared that over the last decade, the nations and territories of the Caribbean region have been experiencing a steady decline of available cross-border financial services, including correspondent banking services. In some cases, banks had withdrawn completely from individual countries and in other cases, the time to open an account or to process a transaction could be months long.**

a) **Can you please describe the cross-border financial services that you offer in the Caribbean and how those services have changed over the last 10 years? Over the next year, does your institution expect to expand, contract, or continue existing services in the region? What are the reasons for any changes in activity?**

b) **Where your institution has pulled back on available services, did international lists (such as the European Union's list of non-cooperative jurisdictions for tax purposes or the U.S. State Department's International Narcotics Control and Strategy Report) factor into those decisions?**

For answers to these questions and more information on Wells Fargo's business in the Caribbean, please see the responses to the questions for the record that were submitted in connection with the Committee's September 14, 2022, hearing by Wells Fargo witness Mr. I. Wayne Shah, Senior Vice President, Financial Institutions - Head of Caribbean Region on November 14, 2022.[22]

51) **For all witnesses, at the September 14, 2022, hearing entitled, "*When Banks Leave: The Impacts of De-Risking on the Caribbean and Strategies for Ensuring Financial Access*," witnesses discussed the role that volume and profit can play in attracting larger financial institutions to offering cross-border financial services like correspondent banking. Among the proposals made were (a) that the Caribbean region harmonize anti-money laundering law across nations, lowering the cost to correspondent banks wishing to do business in the region, (b) that a "middleman" or "hub" bank be established to merge the volume of transactions from across small nations, perhaps at a government institution like the Eastern Caribbean Central Bank, and (c) that small and medium banks should be encouraged to enter the correspondent banking business.**

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[22] See also Testimony of Wayne Shah, Senior Vice President, Wells Fargo & Company, Vice Chair, Financial and International Business Association (September 14, 2022), https://financialservices.house.gov/uploadedfiles/hmtg-117-ba00-wstate-shahi-20220914.pdf.

a) **What are your institution's views on the practicality and attractiveness of these concepts in terms of securing or expanding your institution's cross-border financial services offerings in the region?**

b) **What other proposals might your institution suggest to make the region more attractive to your institution, in terms of offering cross-border financial services to the countries and territories of the Caribbean?**

For answers to these questions and more information on Wells Fargo's business in the Caribbean, please see the responses to the questions for the record that were submitted in connection with the Committee's September 14, 2022, hearing by Wells Fargo witness Mr. I. Wayne Shah, Senior Vice President, Financial Institutions - Head of Caribbean Region on November 14, 2022.[23]

52) **For all witnesses, China ranked 21 of 128 on the recently released Basel AML Index. In 2020, the U.S.-China Economic and Security Review Commission issued a report that detailed concerns with financing, shadow banking, and oversight of the Chinese banking industry.[24] Chinese fintech firm Tencent has been identified as highly deficient in its money laundering controls. Additionally, Chinese firms are regularly named as facilitating evasion of sanctions in support of North Korea's increasingly bellicose government. Your banks do business in China and with firms based there, as well as around the globe. How you manage those relationships with an eye towards the inherent risks, including safety and soundness, anti-money laundering, and sanctions risks, especially in an environment where geopolitical issues involving China, like the security of Taiwan and Ukraine, are in the headlines?**

Wells Fargo has developed and implemented a risk-based global Bank Secrecy Act and Anti-Money Laundering ("BSA/AML") Program that is designed to comply with applicable BSA/AML laws and be commensurate with Wells Fargo's risk profile. The global BSA/AML Program encompasses requirements specifically related to BSA/AML compliance risks. Please see the responses to Question 49 (a) and (b) for further details.

a) **Please provide examples of how your bank manages those relationships.**

Wells Fargo's risk-based global BSA/AML Program is designed to comply with applicable BSA/AML laws commensurate with Wells Fargo's risk profile.

Potential risk exposure or concern related to money laundering or sanctions is addressed through internal policies, risk assessments, gap analyses, testing, training, data analytics, customer due diligence ("CDD"), sanctions screening, transaction monitoring, reporting, other internal controls, and independent audit.

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[23] *Id.*
[24] USCC, *China's Banking Sector Risks and Implications for the United States* (May 2020).

Relevant programs incorporate geographical and jurisdictional components designed to identify the concerns you have identified. As sanctions and money laundering risks are identified for particular customers, those risks are assessed individually, and appropriate actions are taken to mitigate those risks.

b) **What support from government, industry or conducted collaboratively through public-private partnerships have made a difference or could help with mitigating risk?**

Wells Fargo believes that public-private partnerships are important to working collaboratively to safeguard the U.S. financial system. Information sharing through USA PATRIOT Act Sections 314(a) and 314(b) is vital to financial institutions' ability to identify, report, and prevent money laundering and terrorist financing. Wells Fargo has also participated in bilateral public-private meetings with the U.S. Department of the Treasury and foreign governments. These meetings are helpful to continuing to identify and mitigate risk.

Wells Fargo also supports information sharing efforts like the FinCEN Exchange and the newly proposed OFAC Exchange (proposed under the FY'23 National Defense Authorization Act), which enable the Treasury Department to share information with financial institutions that will bolster such institutions' efforts to identify, report, and prevent financial crimes.

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Questions for Mr. Charles W. Scharf, CEO and President of Wells Fargo & Company, from Rep. Ralph Norman:

1. **Yes or No: Are we in a recession?**

Wells Fargo continues to closely monitor trends. Wells Fargo appreciates that many consumers are hurting right now. Customers tell us that they continue to be impacted by persistent inflation, rising interest rates, and a tight labor market. And while credit quality remains strong, we are actively monitoring inflation-sensitive industries and are taking proactive actions where warranted. Inflation is a real issue that's impacting people's pocketbooks, particularly those who can least afford it. However, labor demand remains robust, consumer balance sheets remain healthy, and customers continue to have capacity to borrow. Overall, we are facing some economic headwinds, but the Company is confident in our ability to get through them, and to help our customers and communities get through them.

2. **These are the highest mortgage rates (above 6%) since 2008 and when Biden took office, they were under 3%.**

    a. **What concerns are you each seeing in these trends?**

Since the Federal Open Market Committee ("FOMC") first indicated that tighter monetary policy would be forthcoming in late 2021, mortgage rates have risen sharply. Alongside the steep climb, existing home sales have declined year-over-year as of August 2022. New homes sales have also declined, with sales down 14.1 percent year to date through August. Per projections by our economists, there are few signs that a bottom has been reached with mortgage applications for purchase index and the pending home sales index continuing to decline. The primary driver behind the housing market correction thus far has been sharply higher mortgage rates.

The Federal Reserve does not directly control mortgage rates. That noted, mortgage rates tend to closely follow 10-year Treasury yields, which are heavily influenced by expectations for monetary policy and inflation. Industry mortgage rates have increased more than 300 basis points since the beginning of the year and ended the quarter at the highest level since 2007, driving weekly mortgage applications as measured by the Mortgage Bankers Association to a 25-year low at quarter end. As of the third quarter of 2022, mortgage originations declined 59 percent from a year ago and 37 percent in the second quarter, with declines in both correspondent and retail originations. Refinances as a percentage of total originations declined to 16 percent in the third quarter. While the mortgage market adjusts to lower volumes, we expect it to remain challenging in the near term.

3. **Since it's getting more unaffordable to buy a home, are we going to see Biden following the same path as George W. Bush in allowing for subprime mortgages putting people in homes they cannot afford?**

    a. **For example, litigation we've seen from Ambac over junk mortgages during the financial crisis is a good reminder of the harm caused by selling homes to**

people who cannot afford them. Are yalls standards strong enough to protect against mass defaults as interest rates rise? Are yall confident in your mortgage portfolio?

b. **We want to ensure the market can correct itself before too much – if any government – intervention in this space again.**

We know that housing affordability continues to be one of the top needs in our country. As a company, we use our resources to support affordable, multifamily housing in the U.S., in addition to acting as an active lender for affordable rental housing developments. We remain committed to supporting our customers and helping them achieve their homeownership goals. We also are focused on creating a path to stability and financial success for individuals and families, which is critical for making homes more attainable. That is why we committed $1 billion in housing affordability philanthropy to increase housing supply and support housing options for renters and homeowners.

And we are proud of our record on affordability. In 2021, we helped more than 585,000 homeowners with new low-rate loans to either purchase a home or refinance an existing mortgage. We also closed $2.2 billion in new commitments for affordable housing under government-sponsored enterprise ("GSE") and Federal Housing Administration ("FHA") programs.

Additionally, our top priority is to strengthen our company by having an appropriate risk and control infrastructure to weather future events. Our risk management framework sets forth the company's core principles for managing and governing its risk. It is approved by the Board's Risk Committee and reviewed and updated annually.

4. **You all mentioned during the hearing that ESG compliance will soon cost into the hundreds of millions of dollars in the years to come.**

    a. **Yes or No: Would you agree that complying with an ESG-focused agenda means sacrificing company returns?**

Wells Fargo's expenditures relating to ESG are currently relatively small and, as Mr. Scharf testified, they are likely to continue to grow and could become substantial over time. At Wells Fargo, we believe that a thoughtful approach to ESG should ultimately enhance our returns to shareholders over time.

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Questions for Mr. Charles W. Scharf, CEO and President of Wells Fargo & Company, from Rep. Alex Mooney:

1. **What role does your institution play in determining which merchant category code (MCC) a merchant falls under?**

2. **Activists successfully pressured the International Organization for Standardization (ISO) to adopt this new MCC for firearm retailers. Do you believe it was appropriate for the ISO to reverse course and adopt a new MCC it previously rejected and payment networks reportedly did not support based on public pressure?**

3. **Does your institution plan to go back and recode businesses and past purchases that may now most closely fall under the new MCC?**

Response to Questions 1-3, 8-9: The credit card networks, and not Wells Fargo, are responsible for determining what the merchant category codes are and are responsible for generating guidance on how they are implemented. We expect that more detailed guidance is forthcoming from the networks, and we will be working with them regarding new developments. Given we have yet to receive this guidance, we have no updates as to policies, procedures, or to what the appropriate next steps are at this time. We will be working with the networks as well as the regulators to understand these new codes and our requirements under the network rules and the law.

In general, Wells Fargo believes privacy is important and we support our customers' exercise of their constitutional rights, at the same time, we strive to comply with all applicable rules and laws.

4. **Do you have a policy that would require any business in the firearm industry to meet criteria that goes above and beyond Federal, State, or local law or regulation? Yes or No? If yes, please describe policy and why you have.**

Wells Fargo provides banking services to a wide variety of customers, including manufacturers, distributors, and retailers in the firearm industry. Although Wells Fargo has no policies that would require businesses in the firearm industry to meet criteria that go above and beyond Federal, State, or local law or regulation, Wells Fargo does conduct additional due diligence on certain clients who manufacture, distribute, or sell arms and armaments. Through this due diligence, we assess various factors, which may include relevant licensing and regulatory compliance, types of product offerings, operating procedures, reputation risk incidents, human rights issues, relevant international compliance, and implementation of risk mitigation practices.

5. **Does your bank lend to companies that manufacture or sell modern sporting rifles, so long as they are lawful under federal, state, and local law and compliant with federal, state, and local regulations? Yes or No? If yes, please explain. If no, has it ever?**

Please see the response to Question 4 for Wells Fargo's general approach to assessing prospective customers, existing customers, and risk management.

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6. **Does your bank lend to companies that manufacture or sell long guns to non-prohibited individuals ages 18 to 21, so long as it is lawful under federal, state, and local law and compliant with federal, state, and local regulations? Yes or No? If yes, please explain. If no, has it ever?**

Please see the response to Question 4 for Wells Fargo's general approach to assessing prospective customers, existing customers, and risk management.

7. **Does your bank lend to companies that manufacture or sell magazines, regardless of their capacity, so long as they are lawful under federal, state, and local law and compliant with federal, state, and local regulations? If yes, please explain. If no, has it ever?**

Please see the response to Question 4 for Wells Fargo's general approach to assessing prospective customers, existing customers, and risk management.

8. **Activists expect this new MCC to be used to help flag "suspicious" gun purchases. What in your mind constitutes a "suspicious" purchase? Do you believe this MCC will provide helpful information in combating gun-related crimes, or do you believe you already have sufficient information to make these determinations?**

Please see the response to Question 3.

9. **The implementation of this new MCC may cause gunowners to purchase firearms with cash rather than payment card. Doesn't this make flagging legitimate suspicious transactions more difficult?**

Please see the response to Question 3.

10. **What can you say to West Virginians to ensure them that this decision will not be used to restrict their Second Amendment rights?**

Wells Fargo respects the Second Amendment and does not have policies or processes that restrict Second Amendment rights.

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Questions for Mr. Charles W. Scharf, CEO and President of Wells Fargo & Company, from Rep. Green:

These questions are directed to Jamie Dimon, Brian Moynihan, Jane Fraser, Charles Scharf, Andy Cecere, William Demchak, and William Rogers, Jr. I am interested in the details of your Special Purchase Credit Program. I understand that bank regulators are encouraging major lenders to focus this program toward minority communities. Please provide specific information, including the following:

Wells Fargo is committed to promoting financial inclusion by providing affordable, fair, and responsible financial products in the communities we serve. We recognize historical gaps in minority homeownership exist industry wide and are committed to a more inclusive housing system. We recently launched a refinance special purpose credit program ("SPCP") to help minority homeowners, whose mortgages are currently serviced by Wells Fargo, refinance their mortgages. Please see below for the additional detail requested on Wells Fargo's special purpose credit program:

1. Terms of the mortgage:

	FHA Streamline Refinance Offer (SRO)[25]	VA Interest Rate Reduction Refinancing (IRRRL)[26]	GSE Rate/Term Refinance[27]
Down Payment	No down payment requirements as the offers are not purchase transactions.		
Closing Costs	Wells Fargo pays all borrower-paid nonrecurring closing costs, including Upfront Mortgage Insurance. Prepaid expenses such as Property Taxes, Home Owner's Insurance, HOA Dues, etc. will continue to be at the borrower's expense.	Wells Fargo pays all borrower-paid nonrecurring closing costs, including the VA funding fee, which is a common barrier to refinancing. Prepaid expenses such as Property Taxes, Home Owner's Insurance, HOA Dues, etc. will continue to be at the borrower's expense.	Wells Fargo is paying all borrower-paid nonrecurring closing costs, including the entire mortgage insurance premium. Prepaid expenses such as Property Taxes, Home Owner's Insurance, HOA Dues, etc. will continue to be at the borrower's expense.
Principal Reduction	There is no principal reduction.		

[25] The solicitation and offer window for the FHA SRO program have launched and closed. The pipeline continues to move towards close-out.
[26] The solicitation and offer window for the VA IRRRL program have launched and closed. The pipeline continues to move towards close-out.
[27] Please note that the GSE program has yet to launch and is subject to change.

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2. Underwriting criteria:

	FHA Streamline Refinance Offer (SRO)	VA Interest Rate Reduction Refinancing (IRRRL)	GSE Rate/Term Refinance
Credit Score	No credit report obtained and no minimum loan score requirement per FHA Handbook.	Noncredit qualifying – no minimum FICO score.	Wells Fargo will follow its standard GSE rate/term refinance guidelines. *Wells Fargo will pay the upfront Loan Level Price Adjustments/Delivery Fees, if applicable.
Alternative Credit	This is not a component of the offers.		
Debt-to-Income	The FHA SRO is a streamlined refinance, noncredit qualifying; therefore, the customer's debt-to-income is not reviewed as part of the underwriting process.	The VA IRRRL is a streamlined refinance, noncredit qualifying; therefore, the customer's debt-to-income is not reviewed as part of the underwriting process.	Wells Fargo will follow its standard GSE guidelines for debt-to-income ratios.
Housing Debt-to-Income	The FHA SRO is a streamlined and noncredit qualifying; therefore, the customer's housing debt-to-income is not reviewed as part of the underwriting process.	The VA IRRRL is streamlined and noncredit qualifying; therefore, the customer's housing debt-to-income is not reviewed as part of the underwriting process.	Wells Fargo will follow its standard GSE guidelines for housing debt-to-income ratios.
Other Criteria	Customer must be current with their mortgage payments. No appraisal required.	Customer must be current with their mortgage payments. No appraisal required.	Customer must be current with their mortgage payments. Appraisal in line with Guide and DU/LPA requirements. If appraisal needed, Wells Fargo will pay for it.

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3. Interest rate:

	FHA Streamline Refinance Offer (SRO)	VA Interest Rate Reduction Refinancing (IRRRL)	GSE Rate/Term Refinance
Fixed Rate	The fixed rates for the offers are 3.75%.		
Loan Term	15-year - 180-month amortization term only. 30-year - 30-year allows amortization terms of 240 – 360 months.	15-year - 180-month amortization term only. 30-year - 30-year allows amortization terms of 240 – 360 months.	Fixed Rate 10-, 15-, 20-, 30-year terms with amortization to current term (with 10-year floor).
Credit Score Based	The interest rate is fixed, and the credit score is not reviewed, so there is no impact on the interest rate due to a customer's credit score.	The interest rate is fixed, and the credit score is not reviewed, so there is no impact on the interest rate due to a customer's credit score.	The interest rate is fixed; there is no impact on the interest rate due to a customer's credit score.
Other Criteria	Per FHA Guidelines, the minimum Benefit to Borrower is 50 basis points for customers.	The minimum Benefit to Borrower is 50 basis points for customers.	The minimum Benefit to Borrower is 50 basis points for customers with a fixed rate loan and 12.5 basis points for customers currently in an adjustable-rate mortgage.

4. Eligibility:

	FHA Streamline Refinance Offer (SRO)	VA Interest Rate Reduction Refinancing (IRRRL)	GSE Rate/Term Refinance
Maximum Mortgage Amount	$ 420,680	$ 647,200	Follows Standard Conforming loan limits allowed by the GSEs.
Maximum Income	N/A		

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5. Where is it available:

	FHA Streamline Refinance (SRO)	VA Interest Rate Reduction Refinancing (IRRRL)	GSE Rate/Term Refinance
a. What Communities **b. Census Tracks**	The offer is provided to customers across the country. The eligible population is established by identifying FHA loans in the Home Lending servicing portfolio where HMDA data identified the customer's race as Black, based on demographic information (customer self-identified or where a Wells Fargo employee ("HMC") selected in face-to-face applications). This data is inclusive of all communities. Additionally, the population where race or ethnicity is "unknown," but the subject property is located in a majority (>50%) Black Census Tract would also be included in the SPCP eligible population.	The offer is provided to customers across the country. The eligible population is established by identifying VA loans in the Home Lending servicing portfolio where HMDA data identified the customer's race as Black based on demographic information (customer self-identified or where a Wells Fargo employee ("HMC") selected in face-to-face applications). This data is inclusive of all communities. Additionally, the population where race or ethnicity is "unknown," but the subject property is located in a majority (>50%) Black Census Tract would also be included in the SPCP eligible population.	The offer is provided to customers across the country. The eligible population is established by identifying GSE loans in the Home Lending servicing portfolio where HMDA data identified the customer's race Black or ethnicity Hispanic, based on demographic information (customer self-identified or where a Wells Fargo employee ("HMC") selected in face-to-face applications). This data is inclusive of all communities. Additionally, the population where race or ethnicity is "unknown," but the subject property is located in a majority (>50%) Black or Hispanic Census Tract would also be included in the SPCP eligible population.

6. Type of property:

	FHA Streamline Refinance Offer (SRO)	VA Interest Rate Reduction Refinancing (IRRRL)	GSE Rate/Term Refinance
Single Family	Included.		
Condos	Included.		
Multi-Family	Included.		
Purchase and Rehab	Not a part of the refinance SPCP.		

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7. Total mortgage commitment:

	FHA Streamline Refinance Offer (SRO)	VA Interest Rate Reduction Refinancing (IRRRL)	GSE Rate/Term Refinance
Total Mortgage Amount	As noted in an April 2022 Press Release, Wells Fargo will commit funds to lower mortgage rates and reduce the refinancing costs to help these homeowners further benefit from refinancing.		
How Long the Program Will Be Available	The solicitation and offer window for the FHA SRO program have launched and closed. The pipeline continues to move towards close-out.	The solicitation and offer window for the VA IRRRL program have launched and closed. The pipeline continues to move towards close-out.	GSE has not launched, and the terms and conditions are subject to change. The GSE program is currently targeted to launch on December 7, 2022 and continue through the completion of the customers identified for the GSE Phase.

8. Housing Counseling:

	FHA Streamline Refinance Offer (SRO)	VA Interest Rate Reduction Refinancing (IRRRL)	GSE Rate/Term Refinance
Required by a HUD approved counselor	There is no counseling for the refinance program.		
Counselors Identified	N/A		
Counseling Requirements	N/A		

9. Future Expansion:

	FHA Streamline Refinance Offer (SRO)	VA Interest Rate Reduction Refinancing (IRRRL)	GSE Rate/Term Refinance
Future Expansion	To be determined. An evaluation of the program will occur at the end of the GSE Phase and determine if there are other opportunities to offer the product.		

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10. Reporting requirements:

<table>
<tr><th>FHA Streamline Refinance Offer (SRO)</th><th>VA Interest Rate Reduction Refinancing (IRRRL)</th><th>GSE Rate/Term Refinance</th></tr>
<tr><td colspan="3">Total number of loans funded.</td></tr>
<tr><td rowspan="2">Percentage of Black customers funded loans.</td><td rowspan="2">Percentage of Black customers funded loans.</td><td>Percentage of Black customers funded loans.</td></tr>
<tr><td>Percentage of Hispanic customers funded loans.</td></tr>
</table>

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Questions for Mr. Charles W. Scharf, CEO and President of Wells Fargo & Company, from Rep. Chuy Garcia:

1. **Over 7 million people in the U.S. are unbanked. These people are disproportionately Latino, Black, and low-income. Research by the Consumer Financial Protection Bureau (CFPB) found that banks rely heavily on overdraft and non-sufficient funds (NSF) fees for revenue, resulting in large fees for consumers and posing serious risks to them. Given the large unbanked population and the risk bank fees pose to consumers, do you believe the Federal Reserve Board should offer everyone in the U.S. a free bank account that they can use to make normal transactions, free from fees?**

Wells Fargo is committed to promoting financial inclusion by providing affordable, fair, and responsible financial products in the communities we serve. As part of this commitment, we are focused on outreach to unbanked and underbanked populations and bringing more people, including those in rural areas, into the financial mainstream. Recently, we launched our Banking Inclusion Initiative, a 10-year program to help unbanked individuals gain access to affordable, mainstream, digitally enabled transactional accounts, which are a meaningful entry point to fully participating in the economy and achieving financial stability. The initiative is focused on reaching unbanked communities and, in particular, helping remove barriers to financial inclusion. It also will assist those who are underbanked or underserved such as individuals who may have a bank account yet continue to use high-cost, nonbank services.

The initiative is centered on three areas:

1. **Increasing Access to Affordable Products and Digital Solutions**

   - Wells Fargo is increasing awareness and outreach about its low-cost, no overdraft fee accounts.
   - Wells Fargo continues to deepen its existing relationships with Black-owned MDIs to support their work in the communities they serve, including outreach efforts and providing the option for their customers to withdraw cash from Wells Fargo's ATMs and incur no Wells Fargo fees.
   - Wells Fargo is broadening its collaboration with Cities for Financial Empowerment Fund and local Bank On coalitions to pilot new strategies and approaches that help overcome barriers to banking access in several markets with high concentrations of unbanked households.

2. **Making Financial Education and Advice Accessible**

   - Teaming with Operation HOPE, Wells Fargo has begun launching HOPE Inside centers within diverse and LMI neighborhoods across the U.S., starting with Greater Atlanta, Houston, Los Angeles, Oakland, and Phoenix. These centers are designed to foster inclusion through financial education workshops and free one-on-one coaching to help community members take control of their finances and build their credit scores.

- Wells Fargo is working with the Historically Black Colleges and Universities ("HBCUs") Community Development Action Coalition to provide 16 HBCUs and Minority Serving Institutions access to Our Money Matters, a comprehensive financial wellness initiative for college students of color, who disproportionally face greater financial challenges and college debt.

- Wells Fargo is working with the National Bankers Community Alliance to make Our Money Matters available to the customers of 15 MDIs that are members of the National Bankers Association.

- With nearly 30 percent of its branches in LMI community census tracts, Wells Fargo will introduce a new program within LMI neighborhood branches that will be designed around the needs of the diverse communities it serves. The branches will feature redesigned spaces created to deliver one-on-one consultations, improve digital access, and offer financial health seminars, and through these efforts, will help build trust. Employees in these branches reflect the diversity and cultures of the communities and offer in-language service.

3. Convening a National Unbanked Task Force

- Recognizing the difficulty of addressing the unbanked issue in the U.S., Wells Fargo formed a National Unbanked Advisory Task Force that works with us in developing solutions to bring more people into the banking system from underserved communities, while also providing feedback on the initiatives implemented to date and helping determine the best ways to measure success. The task force includes leaders from Hope Enterprise Corporation, League of United Latin American Citizens, Native American Finance Officers Association, National Association for the Advancement of Colored People, National Bankers Association, National Community Reinvestment Coalition, National Congress of American Indians, National Urban League, and UnidosUS.

Wells Fargo also actively participates in the OCC's Roundtable for Economic Access and Change ("Project REACh"), which focuses on removing barriers to financial inclusion and providing greater access to credit and capital. We chair the REACh Homeownership Working Group.

This work is further bolstered by the multiple choices we offer customers, including those who are not digitally connected, to conveniently access financial services and advice. We have an extensive ATM network and offer no-fee access for customers at approximately 12,000 ATMs for various banking services including withdrawing cash, transferring funds, checking account balances, and making deposits. Wells Fargo ATMs offer banking in English, Spanish, Chinese, Hmong, French, Korean, Russian, or Vietnamese and meet the requirements of the Americans with Disabilities Act.

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In addition, we offer free access to our ATM network for customers of our MDI partners and several CDFIs and fintechs supporting diverse communities without incurring Wells Fargo fees.

We provide 24/7, multilingual customer service over the telephone through our automated system, as well as through our customer service representatives. This allows customers to get assistance with common needs, including asking questions about account balances and transaction history or initiating transactions like account transfers or stop payments.

2. **In making a commitment to achieve net zero financed emissions by 2050, you're committing to evaluating the carbon footprint of every company you finance. But there's no standardized, mandatory methodology for measuring or reporting emissions, even by public companies. The Securities and Exchange Commission (SEC) is considering an update to its climate disclosure rules, including potentially making such disclosures comparable and mandatory.**

   (a) Do you support mandatory disclosure of emissions by public companies? If yes: How would mandatory disclosure make it easier for you to meet your net zero goals? Are you planning to submit information to the SEC to that effect? If not: How can we trust that you will be able to accurately report your level of financed emissions in a way that's comparable across banks? Do you consider this data to be of material value to your investors?

Wells Fargo appreciated the opportunity to offer comments on the Securities and Exchange Commission draft rule regarding climate disclosures. A copy of our detailed comment letter can be found here: https://www.sec.gov/comments/s7-10-22/s71022-20132255-302781.pdf. As noted in the letter, we support the SEC's efforts to develop decision-useful, consistent, and comparable climate-related financial risk disclosures.

3. **Many of the banks represented here have been accused of discriminating against individuals of Iranian heritage, along with other MENA communities, in your efforts to comply with US sanctions and anti-money laundering regulations. This results in significant harm to ordinary people who are barred from financial services through no fault of their own, throwing their finances and life upside down. Is your bank aware of this problem, and is it taking steps to safeguard vulnerable communities from over-enforcement or de-risking, while continuing to comply with US regulations?**

All Wells Fargo customers deserve to be treated fairly. The Company maintains a comprehensive fair lending framework, and is committed to promoting fair and responsible access to credit, without regard to gender, race, national origin, religion, or other protected characteristics under applicable fair lending laws, including the Equal Credit Opportunity Act and the Fair Housing Act. We celebrate and value the diversity of our employees, customers, and the communities where we do business.