

November 19, 2024

The Honorable Jerome Powell
Chair
Board of Governors of the Federal Reserve
System
20th Street and Constitution Avenue NW
Washington, DC 20551

The Honorable Michael Barr
Vice Chair for Supervision
Board of Governors of the Federal Reserve
System
20th Street and Constitution Avenue NW
Washington, DC 20551

Dear Chair Powell and Vice Chair Barr,

I write to you today with deep concern about reports that Wells Fargo is petitioning to lift the 2018 asset cap that the Federal Reserve (Fed) placed on the bank.¹ Wells Fargo's appeal came days after the Office of the Comptroller of the Currency (OCC) slapped the bank with a sweeping enforcement action requiring the bank to take "comprehensive corrective action" with its anti-money laundering (AML) program² and two months after a federal judge allowed a class action lawsuit to proceed against the bank for defrauding investors about its commitments to diversity hiring practices.³ These two most recent examples demonstrate that the bank has not made meaningful reforms to correct its history of mismanagement, brazen and egregious consumer abuses, and money laundering violations—and that the Fed should not lift the bank's asset cap.

In 2018, Chair Powell committed to me that the Fed would not remove Wells Fargo's asset cap without a vote by the full Board of Governors of the Federal Reserve.⁴ Though such a vote must precede any potential action on the asset cap, given recent instances of Well Fargo's continued misbehavior, convening a vote to consider removing the asset cap would be inappropriate and set a dangerous precedent indicating that the Fed is responsive to a bank's unsubstantiated request that it no longer be subject to necessary growth restrictions.

Wells Fargo's History of AML Violations

Wells Fargo has a long track record of AML violations, with five violations in the last 10 years alone. Wells Fargo was fined by the Financial Industry Regulatory Authority (FINRA) in 2014 for

¹ Reuters, "Wells Fargo sends Fed crucial review for lifting asset cap, Bloomberg News reports," September 26, 2024, <https://www.reuters.com/business/finance/wells-fargo-sends-fed-crucial-review-lifting-asset-cap-bloomberg-news-reports-2024-09-26/>.

² Office of the Comptroller of the Currency, "OCC Issues Enforcement Action Against Wells Fargo Bank," press release, September 12, 2024, <https://www.occ.treas.gov/news-issuances/news-releases/2024/nr-occ-2024-99.html>.

³ Reuters, "Wells Fargo must face lawsuit over sham job interviews," Jonathan Stempel, July 29, 2024, <https://www.reuters.com/legal/wells-fargo-must-face-lawsuit-over-sham-job-interviews-2024-07-29/>.

⁴ Letter from Federal Reserve Board of Governors Chair Jerome Powell to Senator Elizabeth Warren, May 10, 2018, <https://www.warren.senate.gov/imo/media/doc/2018.05.10%20Powell%20Response%20re%20Wells%20Fargo.pdf>.

customer identity verification failures,⁵ and in 2015, the OCC found deficiencies in the bank's AML program.⁶ The bank was dinged twice by the Securities and Exchange Commission (SEC), in 2017 and 2022, for failure to file Suspicious Activity Reports (SARs).⁷ Between January and September 2019, Wells Fargo failed to timely detect and report over 1,700 wire transfers from Wells Fargo customer accounts to countries with a high risk for money laundering and terrorist financing, like the Cayman Islands, Ukraine, and Turkey,⁸ including a \$6.2 million transfer. Some transfers were reported over three years late.⁹ Wells Fargo's actions left regulators uninformed and unable to act on possible "money laundering, terrorist financing, or other illegal money movements," which put "the investing public at risk."¹⁰

The most recent enforcement action, doled out by the OCC, describes a multitude of failures, including deficiencies related to: SARs, customer identity verification, customer due diligence, beneficial ownership screening, and currency transaction reporting.¹¹ The OCC enforcement action outlines 40 "remedial actions" Wells Fargo must take and requires the bank to establish a compliance committee that will track and update the OCC on its progress in doing so.¹² The OCC's enforcement action is the bank's broadest AML violation to date and shows that not only has Wells Fargo failed to address its past mistakes—but that the bank's AML program appears to be getting even worse.

Misleading Shareholders on Diversity Goals

A judge's July 2024 decision to allow a lawsuit to proceed against Wells Fargo is the latest update to a long history of deceitful behavior by the bank. Wells Fargo's shareholders are suing the bank for defrauding investors by conducting sham job interviews for minority candidates as a part of a public relations campaign on diversity hiring.¹³

⁵ Financial Industry Regulatory Authority, "FINRA Fines Wells Fargo Advisors and Wells Fargo Advisors Financial Network \$1.5 Million for Anti-Money Laundering Failures," press release, December 18, 2014, <https://www.finra.org/media-center/news-releases/2014/finra-fines-wells-fargo-advisorswells-fargo-advisors-financial-network>.

⁶ Office of the Comptroller of the Currency, "Consent Order #2015-125," p. 1, <https://www.occ.gov/static/enforcement-actions/ea2015-125.pdf>.

⁷ Securities and Exchange Commission, "SEC Charges Wells Fargo Advisors With Anti-Money Laundering Related Violations," press release, May 20, 2022, <https://www.sec.gov/newsroom/press-releases/2022-85>; Securities and Exchange Commission, "Administrative Proceeding, File No. 3-18279," November 13, 2017, <https://www.sec.gov/files/litigation/admin/2017/34-82054.pdf>.

⁸ Securities and Exchange Commission, "Administrative Proceeding, File No. 3-20866," May 20, 2022, <https://www.sec.gov/files/litigation/admin/2022/34-94955.pdf>; Advisor Hub, "Wells Fargo Advisors to Pay \$7 Million Over Anti-Money Laundering Lapses: SEC," Mason Braswell, May 20, 2022, <https://www.advisorhub.com/wells-fargo-advisors-to-pay-7-mln-over-anti-money-laundering-lapses-sec/>.

⁹ Advisor Hub, "Wells Fargo Advisors to Pay \$7 Million Over Anti-Money Laundering Lapses: SEC," Mason Braswell, May 20, 2022, <https://www.advisorhub.com/wells-fargo-advisors-to-pay-7-mln-over-anti-money-laundering-lapses-sec/>.

¹⁰ Securities and Exchange Commission, "SEC Charges Wells Fargo Advisors With Anti-Money Laundering Related Violations," press release, May 20, 2022, <https://www.sec.gov/newsroom/press-releases/2022-85>.

¹¹ Office of the Comptroller of the Currency, Enforcement Agreement, File No. AA-ENF-2024-72, September 12, 2024, <https://www.occ.gov/static/enforcement-actions/eaAA-ENF-2024-72.pdf>.

¹² *Id.*, p. 3.

¹³ Bloomberg Law, "Wells Fargo to Face Securities Suit Over Sham Job Interviews," Isaiah Poritz, July 29, 2024, <https://news.bloomberglaw.com/litigation/wells-fargo-to-face-securities-suit-over-sham-job-interviews>.

The diversity hiring policy, implemented in 2020, required 50 percent of the candidates for jobs with a salary of over \$100,000 to be from “diverse” backgrounds. However, Wells Fargo juiced their progress toward this goal by interviewing diverse hires for “positions that had already been filled, or for which the candidate was not qualified for and could not receive an offer.”¹⁴

This is not the first time Wells Fargo has set overly ambitious targets and cheated its way to meeting its goals. Between 2011 and 2015, Wells Fargo opened more than two million fake retail customer accounts. Similarly to the aforementioned diversity hiring interviews, the fake accounts were opened in response to overly ambitious corporate targets.¹⁵ Wells Fargo’s decades-long pattern of lying in the name of corporate goal setting is yet another reason to maintain the asset cap.

The 2018 Asset Cap and Wells Fargo’s Long History of Problems

On February 2, 2018, then-Fed Chair Janet Yellen imposed a growth restriction on Wells Fargo—preventing it from growing any larger than it was at the end of 2017. The drastic measure was taken after the bank “pursued a business strategy that prioritized its overall growth without ensuring appropriate management of all key risks.”¹⁶ The decision by Chair Yellen came after years of mismanagement at the bank, including 263 enforcement actions taken against it by bank regulators between 2000 and 2024.¹⁷ The cap has been in place since 2018 and will stay “until its governance and risk management sufficiently improves.”¹⁸ In 2021, Chair Powell reiterated that the Fed is not “going to remove that asset cap” until the bank comprehensively fixes its problems.¹⁹

However, Wells Fargo has been involved in numerous scandals in the nearly seven years since the asset cap was instated. These include:

- **Overcharging Customers on Mortgages:** In September 2018, the OCC fined Wells Fargo \$1 billion for failing to make required adjustments to interest rates on customers’ mortgage and auto loans—adjustments that would have reduced consumers’ loan payments. Wells Fargo was ordered to take steps to improve its risk management

¹⁴ Forbes, “The Curious Case Of Wells Fargo’s ‘Sham’ Diversity Interviews,” Doug Melville, August 15, 2024, <https://www.forbes.com/sites/dougmelville/2024/08/15/the-curious-case-of-wells-fargos-sham-diversity-interviews/>.

¹⁵ Letter from Senator Elizabeth Warren to Federal Reserve Chair Janet Yellen, June 19, 2017, https://www.warren.senate.gov/files/documents/2017-6-19_Warren_Ltr_to_Fed.pdf.

¹⁶ Federal Reserve Board of Governors, “Responding to widespread consumer abuses and compliance breakdowns by Wells Fargo, Federal Reserve restricts Wells’ growth until firm improves governance and controls. Concurrent with Fed action, Wells to replace three directors by April, one by year end,” press release, February 2, 2018, <https://www.federalreserve.gov/newsevents/pressreleases/enforcement20180202a.htm>.

¹⁷ Violation Tracker, “Violation Tracker Current Parent Company Summary,” <https://violationtracker.goodjobsfirst.org/parent/wells-fargo>.

¹⁸ Federal Reserve Board of Governors, “Responding to widespread consumer abuses and compliance breakdowns by Wells Fargo, Federal Reserve restricts Wells’ growth until firm improves governance and controls. Concurrent with Fed action, Wells to replace three directors by April, one by year end,” press release, February 2, 2018, <https://www.federalreserve.gov/newsevents/pressreleases/enforcement20180202a.htm>.

¹⁹ Yahoo Finance, “Fed’s Powell says Wells Fargo asset cap to stay in place until problems fixed,” Reuters, September 22, 2021, <https://finance.yahoo.com/news/feds-powell-says-wells-fargo-194758243.html>.

framework.²⁰ In September 2021, three years after the OCC’s initial fine, the OCC found that Wells Fargo did not improve their loan servicing and ordered Wells Fargo to take “broad and comprehensive corrective actions” to reform the bank’s loss mortgage servicing program. Acting Comptroller Hsu called Wells Fargo’s lack of action “unacceptable.”²¹ Wells Fargo was fined an additional \$250 million and is prohibited from acquiring or selling any portion of the bank’s loan servicing portfolio until the OCC deems Wells Fargo’s programs sound.²²

- **Falsified Documents:** A February 2019 report revealed that employees in the Wholesale Banking division of Wells Fargo “routinely falsified clients’ signatures and otherwise doctored paperwork” in order to comply with a legal settlement with the OCC related to violations of anti-money laundering laws.²³ Wells Fargo employees began falsifying signatures and doctoring papers “in early 2016, when the bank tried to improve its anti-money laundering system in the wake of the OCC consent decree.”²⁴ Because the compliance effort was “time-consuming and irksome to small business clients ... [b]ank employees began altering documents without clearance from the client”—for example, by “plac[ing] client signatures on new documents by cutting and pasting from existing forms.”²⁵
- **Excessive Overdraft Fees:** In August 2019, reports identified multiple instances of Wells Fargo closing customers’ accounts without authorization and subsequently charging sky-high overdraft fees.²⁶ Wells Fargo charged customers as much as \$35 in overdraft fees per transaction on those closed accounts, meaning that Wells Fargo customers were simultaneously being charged for—while having zero control over—those accounts.²⁷
- **Improper Recommendations for Financial Products:** In February 2020, the SEC announced charges against Wells Fargo’s investment adviser and broker dealer business lines for recommending that clients buy and hold single-inverse exchange-traded funds (ETFs).²⁸ These feature complex products which, when held for longer than a day, can cause “large and unexpected losses” and are only recommended for knowledgeable

²⁰ The Hill, “Wells Fargo to pay \$250M fine for mortgage oversight lapses,” Sylvan Lane, September 9, 2021, <https://thehill.com/policy/finance/571626-wells-fargo-to-pay-250m-fine-for-mortgage-oversight-lapses/>.

²¹ Office of the Comptroller of the Currency, “OCC Assesses \$250 Million Civil Money Penalty, Issues Cease and Desist Order Against Wells Fargo,” press release, September 9, 2021 <https://www.occ.gov/news-issuances/news-releases/2021/nr-occ-2021-95.html>.

²² *Id.*

²³ Letter from Senator Elizabeth Warren to Federal Reserve Chair Jerome Powell, February 22, 2019, <https://www.warren.senate.gov/imo/media/doc/2019.02.22%20Letter%20to%20the%20Fed%20re%20Wells%20Fargo%20Growth%20Cap.pdf>.

²⁴ *Id.*

²⁵ *Id.*

²⁶ New York Times, “Wells Fargo Closed Their Accounts, but the Fees Continued to Mount,” Emily Flitter, August 16, 2019, <https://www.nytimes.com/2019/08/16/business/wells-fargo-overdraft-fees.html>.

²⁷ *Id.*

²⁸ Securities and Exchange Commission, Administrative Proceeding, File No. 3-19714, February 27, 2024, p. 2, <https://www.sec.gov/files/litigation/admin/2020/34-88295.pdf>.

investors.²⁹ Wells Fargo recommended a buy-and-hold strategy to over 42,000 accounts.³⁰ These ETFs were held for months or years, and customers suffered huge losses on these positions.³¹

- **Forced Loan Forbearance:** In July 2020, Wells Fargo placed non-delinquent mortgage borrowers into forbearance without their consent. An investigation conducted by my office revealed at least 1,600 complaints from Wells Fargo customers.³² Being placed into forbearance can prevent customers from refinancing their loans and hurt their credit scores.³³
- **Wrongful Foreclosure:** In December 2022, the CFPB ordered Wells Fargo to pay nearly \$4 billion in redress and penalties to consumers who were “illegally assessed fees and interest charges on auto and mortgage loans.”³⁴ The bank “incorrectly applied borrowers’ payments, improperly charged fees and interest, and... failed to ensure that borrowers received a refund for certain fees” when auto loans ended early.³⁵ Wells Fargo also charged consumers unlawful, surprise overdraft fees and applied other incorrect charges to checking and savings accounts. Over 16 million customers were harmed by these abusive practices.³⁶
- **Sanctions Program Failures:** In March 2023, the Fed and Department of the Treasury jointly fined Wells Fargo \$97.8 million for a failure to identify and address the risks associated with its sanctions program.³⁷ By choosing to have minimal oversight of its AML program, Wells Fargo allowed a foreign bank to process \$532 million in transactions that violated U.S. sanctions against Iran, Syria, and Sudan.³⁸
- **Wrongful Vehicle Repossession:** In January 2024, Wells Fargo settled with more than 22,000 customers for \$80 million over Wells Fargo wrongly repossessing customers’ vehicles that were connected to Wells Fargo auto loans.³⁹ The bank did not tell customers

²⁹ *Id.*

³⁰ *Id.*, p. 6.

³¹ *Id.*, p. 7.

³² Letter from Senator Elizabeth Warren to Federal Reserve Chair Jerome Powell, September 30, 2020, <https://www.warren.senate.gov/imo/media/doc/2020.09.30%20Letter%20to%20the%20Fed%20on%20Wells%20Fargo%20Growth%20Cap.pdf>.

³³ *Id.*

³⁴ Consumer Financial Protection Bureau, “CFPB Orders Wells Fargo to Pay \$3.7 Billion for Widespread Mismanagement of Auto Loans, Mortgages, and Deposit Accounts,” press release, December 20, 2022, <https://www.consumerfinance.gov/about-us/newsroom/cfpb-orders-wells-fargo-to-pay-37-billion-for-widespread-mismanagement-of-auto-loans-mortgages-and-deposit-accounts/>.

³⁵ *Id.*

³⁶ *Id.*

³⁷ Federal Reserve Board of Governors, “Federal Reserve Board fines Wells Fargo \$67.8 million for inadequate oversight of sanctions risk at its subsidiary bank,” press release, March 30, 2023, <https://www.federalreserve.gov/newsevents/pressreleases/enforcement20230330a.htm>.

³⁸ Reuters, “Wells Fargo to pay \$97 mln for sanctions compliance failures,” Hannah Lang, March 30, 2023, <https://www.reuters.com/business/finance/wells-fargo-pay-97-mln-sanctions-compliance-failures-2023-03-30/>.

³⁹ Law360, “Car Loan Borrowers Seek Final OK For \$82M Wells Fargo Deal,” Katryna Perera, January 25, 2024, <https://www.law360.com/articles/1790113/car-loan-borrowers-seek-final-ok-for-82m-wells-fargo-deal>.


where their vehicles were stored, caused customers to pay thousands of dollars in unnecessary storage fees, and prevented customers from retrieving their vehicles.⁴⁰

Wells Fargo has a decades-long history of AML violations, consumer abuses, inadequate risk management, and lack of compliance with banking regulations. Removing Wells Fargo’s asset cap based on the recommendation of a third-party analysis that Wells Fargo purchased for itself and was provided days after a fellow regulator slapped the bank with a 40-part enforcement action⁴¹ would harm consumers, threaten our financial stability, and reward a bad bank for continuing a long history of abusive and reckless practices.

As Chair Powell committed to me in a letter on May 10, 2018, “the decision about terminating [Wells Fargo’s] asset growth restriction will be made by a vote of the Board of Governors.”⁴² In that letter, Chair Powell noted that Wells Fargo must “make significant progress in remedying its oversight and compliance and operational risk management deficiencies” before lifting the restriction.⁴³ In a hearing on March 1, 2018, I called upon the Fed to release any third-party review of Wells Fargo’s practices—minus any confidential information—so the public can see how Wells Fargo has fixed the mistakes it has committed.⁴⁴ The most recent OCC action shows that Wells Fargo has not made “significant progress” in remedying its compliance program overhaul. I renew the call to make the third-party analysis public and remind the Fed of its commitment to vote publicly on lifting Wells Fargo’s growth restriction. The Fed must reject Wells Fargo’s appeal and maintain the asset cap until the bank can show that it can properly manage the risks associated with running a large bank.

Thank you for your attention to this important matter.

Sincerely,


Elizabeth Warren
United States Senator

⁴⁰ *Id.*

⁴¹ Reuters, “Wells Fargo sends Fed crucial review for lifting asset cap, Bloomberg News reports,” September 26, 2024, <https://www.reuters.com/business/finance/wells-fargo-sends-fed-crucial-review-lifting-asset-cap-bloomberg-news-reports-2024-09-26/>.

⁴² Letter from Federal Reserve Board of Governors Chair Jerome Powell to Senator Elizabeth Warren, May 10, 2018, <https://www.warren.senate.gov/imo/media/doc/2018.05.10%20Powell%20Response%20re%20Wells%20Fargo.pdf>.

⁴³ *Id.*

⁴⁴ Senate Committee on Banking, Housing, and Urban Affairs, “The Semiannual Monetary Policy Report to Congress,” March 1, 2018, <https://www.banking.senate.gov/hearings/2018/03/01/the-semiannual-monetary-policy-report-to-the-congress>.