

**HEARING BEFORE THE UNITED STATES HOUSE OF
REPRESENTATIVES COMMITTEE ON FINANCIAL SERVICES**

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Testimony of Timothy J. Sloan
President and CEO, Wells Fargo & Co.

Chairwoman Waters, Ranking Member McHenry, and members of the Committee, good morning and thank you for your invitation to today's hearing. I appreciate this opportunity to discuss the transformation at Wells Fargo over the last few years and the progress we are making as we work to become the most customer-focused, efficient, and innovative Wells Fargo ever.

Wells Fargo has served the American people for 166 years, and I am proud to lead an institution that today is the largest lender to individuals and to businesses, big and small, in this country. But the past few years have represented a difficult chapter in Wells Fargo's storied history. When I became CEO more than two years ago, our bank was facing unprecedented and well-deserved scrutiny.

I was determined to address the retail sales practice issues that occurred in our Community Bank, and I pledged to look back years, sometimes decades, to examine every business at Wells Fargo to ensure that no similar problems existed anywhere else in the company. We discovered issues that we needed to address, every one of which was a disappointment to me. But when I stepped into this role, I assured customers, team members, shareholders, regulators, and elected officials that accountability and transparency would define our efforts.

And they have. We have gone above and beyond what is required in disclosing these issues in our public filings, we have worked to remedy these issues, and, most importantly, we have worked to address root causes that allowed them to occur in the first place. As a result, Wells Fargo is a better bank than it was three years ago, and we are working every day to become even better.

I would like to discuss several aspects of our transformation with the Committee today:

- how we are making things right for customers who were harmed;
- how we have strengthened, and are continuing to strengthen, our risk management and controls;

- how we are improving our culture;
- how we are innovating to provide customers with more convenience and simplicity in how they bank with us; and
- how we have deepened our commitment to the communities we serve.

Working with external stakeholders, team members, and customers, we developed a Business Standards Report entitled *Learning from the Past, Transforming for the Future* (attached), which details these changes.

Making Things Right for Customers

We are dedicated to compensating every customer who suffered harm because of our mistakes. We continue to proactively identify customers, contact them, and compensate them where appropriate. For the sales practices issue, for example, we looked back more than 15 years, reviewed 165 million accounts, contacted more than 40 million customers—both individuals and small businesses—via 246 million individual communications, and have provided millions of dollars in compensation to our customers to date.

We are taking responsibility not just for any fees customers should not have been charged, but also for related effects such as impacts on credit scores. Our guiding principle has been to err on the side of our customers, and we are taking an over-inclusive approach in doing so.

To be sure, getting this right for each customer takes time—longer than I would like, frankly. But mistakes do not affect every customer the same way, so we have had to develop processes for taking customers' individual circumstances into account. We make every effort to refund customers for mistakes as soon as we discover them. We also offer mediation to customers at no cost to them.

Above all, Wells Fargo is committed to making things right for our customers and earning back the public's trust.

Enhancing Risk Management

Fully satisfying the requirements set forth in our regulatory consent orders is critically important. We have thousands of employees dedicated to carrying out our obligations under those consent orders, and we engage in frequent and open communication with our regulators. Members of our Board of Directors and senior

executives are meeting regularly with the Federal Reserve, the OCC, the FDIC, the CFPB, and other agencies to address their concerns and seek their input.

Solving past problems is not enough. We are equally committed to preventing new problems from developing. To do that, we have transformed our approach to risk management by fundamentally changing the organization of Wells Fargo. We have discarded our old decentralized structure that allowed prior problems to occur and centralized our enterprise control functions, such as risk, finance, human resources, compliance, and technology. We have enhanced our three “lines of defense”—front-line risk, independent risk management, and audit—to ensure multiple layers of review and to improve internal oversight. We have added more than 3,000 new risk professionals who work every day to ensure that we are conducting our business in the best interests of our customers, and we plan to hire more. Now, we have better visibility into issues as they emerge and can respond to them more quickly.

We have taken a range of other steps to manage and reduce risk. We have reevaluated our products and services, shed riskier investments, and sold or discontinued non-core businesses and activities. And we have hired impressive new leaders—many from outside the company—to oversee our Risk, Legal, Human Resources, Technology, and Audit groups.

Our Board of Directors has undergone a similar transformation. In the past two-and-a-half years, we have added seven new independent directors, who bring expertise in financial services, risk management, human capital management, technology, operations, and reputational risk. We have separated the roles of Chair and CEO, and our new Board Chair Betsy Duke is the first woman to chair a major United States financial institution. We also improved the reporting and analysis our directors receive, maintained our commitment to the Board’s diversity, and further empowered our Board committees to oversee improvements in risk management and corporate culture.

Strengthening Wells Fargo’s Culture

Our corporate culture is another area that has undergone substantial transformation in recent years. Team members see this change in the elimination of the product sales goals that contributed to the unauthorized accounts problem. They see it in a performance evaluation system that prioritizes serving customers and managing risk. They see it in increased compensation, including a new hourly minimum wage of \$15 and pay increases for tens of thousands of employees who were already at that level or higher. They see it in restricted share rights granted to

approximately 250,000 team members in 2018 to recognize their commitment to the company's future success. And they see it in a corporate culture that encourages team members to speak up without fear of retaliation when they see a problem.

We also provide new benefits for team members, including four additional paid holidays per year, up to sixteen weeks of paid parental leave available to both parents, and paid leave to care for a family member. We now offer backup adult and childcare programs to support the diverse needs of our team members, and we offer U.S.-based team members up to 16 hours of paid community service time to support volunteer involvement in their communities. By the end of 2018, these changes helped bring our team member voluntary attrition, a key measurement of team member satisfaction, to its lowest level since 2013.

Our customers are also seeing the difference. Our customer experience and loyalty survey results are now at their highest levels in the past two-and-a-half years.

Customer-Focused Innovation

Wells Fargo serves one-third of America's households, including customers of every income level, age, race, and ethnicity. Our goal is to help them all succeed financially, so another focus of our transformation has been better serving our customers by introducing several tools to help meet their financial needs more fully, conveniently, and economically.

These tools include (1) Overdraft Rewind; (2) Real-Time Balance Alerts; (3) Greenhouse, a personal financial management tool designed for students and others who are new to banking; and (4) Control Tower, a mobile tool that helps customers easily manage the usage of all of their accounts.

Overdraft Rewind. In November 2017, we introduced Overdraft Rewind, which automatically reverses overdraft or insufficient-funds fees that would otherwise be assessed on customers the day before a direct deposit is received, when their account balances may be low. We did this because we recognized that this can be a vulnerable time for many customers. In 2018, Overdraft Rewind helped more than 2.3 million customers avoid overdraft fees.

Real-Time Balance Alerts. We also rolled out automatic real-time balance alerts to electronically notify checking account customers when their account balances drop to a level they select. These alerts build on the text and email alerts Wells Fargo has offered for a number of years, and they are having a big impact.

In 2018, we sent an average of more than 37 million alerts a month—meaning 37 million opportunities for customers to avoid a negative outcome or an overdraft.

Greenhouse. Late last year, we announced “Greenhouse by Wells Fargo.” Greenhouse is for consumers who are new to banking or who need help with personal finance management. Greenhouse provides tools to help customers allocate or set aside money for bills and day-to-day spending. It also provides notifications when bills are due, and enables customers to pay bills directly within the application. Greenhouse and the accompanying debit card are also designed to not allow overdrafts, so customers cannot spend more than they have. Greenhouse is currently in a customer and team member pilot program and will be expanded across the country later this year.

Control Tower. In October 2018, we launched Control Tower, a first-of-its-kind digital service for all Wells Fargo consumer and small business customers. Control Tower provides a single view of a customer’s “digital financial footprint,” including places their Wells Fargo card or account information is connected, such as recurring payments, third parties, and mobile wallets. With this tool, it will be much easier for customers to manage their money and turn debit and credit cards on or off as needed.

Corporate Citizenship

Since 2016, Wells Fargo has deepened its already strong commitment to good corporate citizenship. Wells Fargo has always had a history of community involvement and has consistently been ranked as one of America’s leading corporate philanthropists. Our commitment to helping address some of the country’s most pressing social and economic issues is only growing. In 2018, Wells Fargo expanded its philanthropic giving by more than 50 percent, donating more than \$444 million to nearly 11,000 non-profits nationwide. Beginning this year, we will target 2 percent of our after-tax profits for corporate philanthropy. As part of this expanded philanthropy, our goal is to contribute \$100 million in capital and other resources over the next three years to support the growth of diverse small businesses.

We believe that owning a home is a primary driver of the health of the communities where we do business and a cornerstone of the American dream, yet access to affordable housing remains a significant challenge in communities across the country. We have developed initiatives and programs to increase homeownership for low-income individuals and minority communities, including \$185 billion in multi-year commitments in support of African American and

Hispanic homeownership. We have also continued to expand our Neighborhood LIFT program, which we started in 2012 together with NeighborWorks America, to help consumers realize their dream of home ownership. Since it began, the Neighborhood LIFT program has provided more than \$449 million in down-payment grants to more than 20,000 families in 69 communities across the country.

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The past few years have taught us that our company does well by doing right. But doing right does not stop with simply repairing harm and rebuilding trust. It is an ongoing commitment by all of Wells Fargo's 260,000 team members—starting with me—to put our customers' needs first; to act with honesty, integrity, and accountability; and to strive to be the best bank in America.

Thank you again for the opportunity to address this Committee and discuss with you our progress towards becoming the best bank we can be. I am confident that Wells Fargo is well positioned for the future, and I look forward to your questions.