

United States Senate  
Washington, DC 20510-1304

March 7, 2018

Mr. Timothy J. Sloan  
Chief Executive Officer  
Wells Fargo  
420 Montgomery St.  
San Francisco, CA 94104

Dear Mr. Sloan:

In February of this year, the Federal Reserve announced that it was acting to restrict the growth of Wells Fargo “until it sufficiently improves its governance and controls” in response to “pervasive and persistent misconduct.”<sup>1</sup> In light of the Federal Reserve’s actions, I write today to urge you to halt any plans Wells Fargo may have to expand its financial footprint on college campuses until this misconduct has been addressed and the Federal Reserve’s sanctions have been lifted. I also request that you provide an updated list of the colleges and universities that have contracts with Wells Fargo, and that you disclose whether Wells Fargo has sent any notification to current or prospective student customers about the Federal Reserve’s actions.

This past fall, over 20 million students attended American colleges and universities. Many of these students look to financial institutions to help them manage their finances while pursuing their dream of a college education. However, campuses too often become uneven playing fields where financial institutions pay colleges and universities millions of dollars to enable them to market their financial products to students.

My colleagues and I wrote to your predecessor John Stumpf numerous times in the past to express our concern over Wells Fargo’s practices related to its campus based financial products, including student debit cards, checking accounts, and student loans. In many cases, Wells Fargo took actions that caused its customers financial harm or hardship. I continue to be concerned about Wells Fargo’s activities in these areas given a recent *Wall Street Journal* article reporting that your institution leads the way in negotiating contracts with colleges to provide campus financial products that carry high fees for students. The *Journal* reported that 22 of the 30 highest average fees for campus financial products were at schools with Wells Fargo contracts.<sup>2</sup> Too often these student fees result in federal student aid dollars flowing to companies rather than to students’ education.

<sup>1</sup> Board of Governors of the Federal Reserve, “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.” February 2, 2018 [Press release]. Retrieved from <https://www.federalreserve.gov/newsevents/pressreleases/enforcement20180202a.htm>.

<sup>2</sup> Melissa Kom and Christina Rexrode, “Banks Pay Big Bucks for Top Billing on College Campuses; New disclosures shed light on the often lucrative contracts between universities and banking partners.” *The Wall Street*

I am also concerned about Wells Fargo's aggressive financial marketing on campuses because of repeated instances in recent years where Wells Fargo was found to have taken advantage of its customers. For example, in 2016 the Consumer Financial Protection Bureau (CFPB) fined your institution \$3.6 million for misleading student borrowers and requiring some of them to pay unnecessary fees.<sup>3</sup> In 2017, your institution agreed to pay a \$108 million settlement to the federal government for overcharging military veterans for refinancing loans.<sup>4</sup>

And, of course, Wells Fargo acknowledged that its employees had created as many as 3.5 million fake checking and credit card accounts without the customers' consent and charged as many as 570,000 customers for auto insurance that they never signed up for and did not need.<sup>5</sup> Because of Wells Fargo's pattern of scandal and mismanagement, the Federal Reserve imposed sanctions on your institution earlier this month. These sanctions required Wells Fargo to replace several members of its board of directors and banned Wells Fargo from growing over \$2 trillion over a two-quarter average until it can demonstrate that governance has been substantially improved.<sup>6</sup>

While the Federal Reserve takes steps to correct your bank's irresponsible behavior, I urge you to halt any efforts to expand your offering of financial products on college campuses until the Federal Reserve lifts its sanctions. Additionally, I request that you:

- Provide an updated list of all U.S. colleges and universities with which your company has contracted to provide financial products to students; and
- Indicate whether Wells Fargo has notified students at these colleges and universities about the recent sanctions by the Federal Reserve and any impact that these sanctions may have on the financial products that they already utilize through Wells Fargo. Please describe any such notification, and if notification has not been provided, please explain why not.

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*Journal*, January 28, 2018. Retrieved from <https://www.wsj.com/articles/banks-pay-big-bucks-for-top-billing-on-college-campuses-1517148001>.

<sup>3</sup> Consumer Financial Protection Bureau, "CFPB Takes Action Against Wells Fargo for Illegal Student Loan Servicing Practices; Wells Fargo to Pay \$3.6 Million Penalty to the Bureau," August 22, 2016 [Press release]. Retrieved from <https://www.consumerfinance.gov/about-us/newsroom/cfpb-takes-action-against-wells-fargo-illegal-student-loan-servicing-practices/>.

<sup>4</sup> Ben Lane, "Wells Fargo to pay \$108 million for allegedly overcharging veterans on refis." *Housingwire*, August 4, 2017. Retrieved from <https://www.housingwire.com/articles/40925-wells-fargo-to-pay-108-million-for-allegedly-overcharging-veterans-on-refis>.

<sup>5</sup> Jeff Cox, "Wells Fargo's fake-account scandal leads to credit downgrade," *CNBC*, September 20, 2017. Retrieved from <https://www.cnbc.com/2017/09/20/wells-fargos-fake-account-scandal-leads-to-dbrs-credit-downgrade.html>.

<sup>6</sup> Emily Flitter, Binyamin Appelbaum, and David Enrich, "How Wells Fargo and Federal Reserve struck deal to hold bank's board accountable," *The New York Times*, February 4, 2018. Retrieved from <https://www.nytimes.com/2018/02/04/business/wells-fargo-fed-board-directors-penalties.html?mtrref=undefined&gwh=B8CDE91B9D8025CD7467E45BEB68CC28&gwt=pay>.

Thank you for your attention to this request. I will be watching your bank's process in improving its company policies and practices with great interest, especially with respect to your treatment of America's student consumers.

Sincerely,

A handwritten signature in blue ink that reads "Dick Durbin". The signature is written in a cursive style with a prominent "D" at the beginning and a long horizontal stroke at the end.

Richard J. Durbin  
United States Senator