

UNITED STATES OF AMERICA
BEFORE
THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D.C.

In the Matter of:)	Docket Nos. 11-094-B-HC1
)	11-094-I-HC1
)	11-094-B-HC2
WELLS FARGO & COMPANY,)	11-094-I-HC2
San Francisco, California)	
)	
and)	Order to Cease and Desist
)	and Order of Assessment
WELLS FARGO FINANCIAL, INC.,)	of a Civil Money Penalty
Des Moines, Iowa)	Issued Upon Consent
)	
)	

WHEREAS, in recognition of the common goals of the Board of Governors of the Federal Reserve System (the “Board of Governors”), Wells Fargo & Company, San Francisco, California (“Wells Fargo”), and its subsidiary, Wells Fargo Financial, Inc., Des Moines, Iowa (“Financial”), each a bank holding company as defined in the Bank Holding Company Act, 12 U.S.C. § 1841 *et seq.* (“BHC Act”), to ensure compliance by the consolidated Wells Fargo organization with applicable federal and state laws, rules and regulations related to home mortgage lending, and effective management of the legal, reputational, and compliance risks of the consolidated Wells Fargo organization associated with home mortgage lending, the Board of Governors, Wells Fargo, and Financial have mutually agreed to enter into this combined Order to Cease and Desist and Order of Assessment of a Civil Money Penalty Issued Upon Consent (the “Order”);

WHEREAS, prior to September 2008, Financial conducted home mortgage lending through nonbank subsidiaries located throughout the United States;

WHEREAS, the Board conducted a targeted investigation of aspects of Financial's consumer lending operations during the period January 1, 2004 to September 2008, primarily involving home mortgage lending in stores located in certain areas of Florida, New York, Pennsylvania, Tennessee, Texas and New Mexico;

WHEREAS, Wells Fargo transferred Financial's lending operations to Wells Fargo's lead banking subsidiary, Wells Fargo Bank, N.A., Sioux Falls, South Dakota (the "Bank"), over a several month period ending in September 2008 (the "Reorganization");

WHEREAS, between the Reorganization and July 7, 2010, Financial's lending operations were conducted by loan production offices ("LPOs") of the Bank, with the Bank funding the home mortgage loans originated by the LPOs;

WHEREAS, on July 7, 2010, Wells Fargo announced that the Bank was closing nationwide the LPOs formerly operated as Financial stores;

WHEREAS, insofar as the home mortgage loans that Financial originated and funded between January 1, 2004, and the Reorganization remain outstanding, such loans remain assets of Financial (or otherwise remain subject to Financial's control) (the "Legacy Assets"), with the Bank servicing the Legacy Assets since the Reorganization;

WHEREAS, although Financial ceased originating and funding home mortgage loans in connection with the Reorganization, Financial or other entities of Wells Fargo may in the future engage in home mortgage lending operations;

WHEREAS, this Order is issued with respect to the following allegations:

A. During the period from at least January 2004 to the Reorganization (the "Relevant Period"), Financial's business model with respect to home mortgage lending was to sell debt consolidation, cash-out refinance loans at sub-prime rates ("nonprime loans") to customers

principally through a network of more than 800 offices located throughout the United States, called “stores.” The principal marketing method was salespersonnel making outbound, unsolicited telephone calls to individuals who had some existing customer relationship with Financial. Under Financial’s underwriting process, the salespersonnel were responsible for obtaining income-related documents (such as pay stubs and W-2 forms) and forwarding them to Financial’s centralized underwriting centers. Financial typically did not require that borrowers fill out and sign loan applications that included the borrower’s representation of his or her income.

B. Under Financial’s sales performance standards and incentive compensation programs, Financial salespersonnel, called “team members,” were expected to sell (a) a minimum dollar amount of loans to avoid performance improvement plans that could result in loss of their positions with Financial, and (b) a minimum dollar amount of loans to receive incentive compensation payments above their base salary.

C. In some cases, contrary to Financial’s written policies and procedures, salespersonnel marketed these loans to customers by representing that the debt-consolidation home mortgage refinancing loans would improve or repair a consumer’s credit.

Income Document Alteration or Falsification

D. Financial’s internal controls were not adequate to detect and prevent instances when certain of its salespersonnel, in order to meet sales performance standards and receive incentive compensation, altered or falsified income documents and inflated prospective borrowers’ incomes to qualify those borrowers for loans that they would not otherwise have been qualified to receive.

E. During the Relevant Period, particular instances of customer income document alteration or falsification by individual Financial salespersonnel came to the attention of Financial's compliance officers. The compliance officers investigated the particular instances brought to their attention and disciplinary action was taken against certain individual salespersonnel if their involvement in income document alteration or falsification was admitted or otherwise proven. In mid-2008, Financial took steps to improve its internal controls that made it more difficult for salespersonnel to alter or falsify income-related documents.

Steering Potential Prime Borrowers Into Nonprime Loans

F. In or around August 2005, in response to public and regulatory criticism, Financial initiated a process, referred to as the "A-Paper Filter," to provide prime pricing to customers for qualifying debt consolidation cash-out refinancing mortgage loans. Initially, if a transaction "passed" the filter and a further underwriting process, the customer would be offered prime pricing from Financial. Beginning in or around February 2006, the A-Paper Filter was modified so that customers with potentially qualifying transactions instead would be referred to Financial's affiliate, Wells Fargo Home Mortgage ("Home Mortgage"), which would determine the customer's eligibility for prime pricing and, if eligible, originate the prime priced home mortgage loan. At approximately the same time, Financial revised its performance standards and compensation programs so that it generally was less advantageous for salespersonnel to sell a prime loan to the customer than a nonprime loan.

G. As a result of the modifications and revisions, some customers during the Relevant Period who may have qualified for a prime priced home mortgage loan at Financial or through referral to Home Mortgage were sold loans by salespersonnel priced at nonprime rates, primarily through "upselling" prospective borrowers so that the borrowers requested cash-back

loans that were sufficiently large that the borrowers' transactions no longer qualified for prime pricing. While the customers received disclosures regarding the nonprime rates they were being charged, the customers were not advised that they may have qualified for prime priced loans or that it was generally more advantageous for the salesperson to sell a nonprime, rather than a prime, loan.

H. Financial's internal controls, including controls relating to Financial's sales performance standards and compensation programs, were not adequate to detect and prevent incidents of evasion of the A-Paper Filter by Financial salespersonnel.

- I. Deficiencies specified in paragraphs D. through H. above resulted in:
- a. Unsafe or unsound banking practices;
 - b. Unfair or deceptive acts or practices within the meaning of section 5(a)(1) of the Federal Trade Commission Act, 15 U.S.C. § 45(a)(1);
 - c. Violations of various state laws pertaining to fraud and false or misleading statements in home mortgage loan-related documents, and to unfair or deceptive acts or practices.

WHEREAS, the Board is assessing a civil money penalty of \$85 million against Wells Fargo and Financial pursuant to section 8(i)(2)(B) of the FDI Act, 12 U.S.C. § 1818(i)(2)(B);

WHEREAS, Wells Fargo and Financial have agreed to make restitution to borrowers with respect to the Legacy Assets (and with respect to home mortgage loans that would be Legacy Assets except that they are no longer outstanding ("Former Legacy Assets")) in accordance with the provisions of this Order pursuant to section 8(b)(6)(A) of the FDI Act, 12 U.S.C. § 1818(b)(6)(A). The amount of remedial compensation (in the form specified in subparagraph 5.a. below) that each eligible borrower is expected to receive ranges between

\$1,000 and \$20,000, but some eligible borrowers may receive less than \$1,000 and others may receive more than \$20,000, depending on their particular circumstances. The number of eligible borrowers who may receive remedial compensation is estimated to be between about 3,700 to possibly more than 10,000; and

WHEREAS, on July 19, 2011, and July 18, 2011, respectively, the boards of directors of Wells Fargo and Financial, at duly constituted meetings, adopted resolutions:

A. Authorizing and directing James M. Strother, Executive Vice President and General Counsel, and Dean R. Anderson, President, to enter into this Order on behalf of Wells Fargo and Financial, respectively, and consenting to compliance by Wells Fargo and Financial and each of their institution-affiliated parties, as defined in Sections 3(u) and 8(b)(3) of the FDI Act, 12 U.S.C. §§ 1813(u) and 1818(b)(3), with each and every applicable provision of this Order;

B. Waiving the issuance of a notice of charges and a notice of assessment of a civil money penalty on any and all matters set forth in this Order;

C. Waiving a hearing for the purpose of taking evidence on any and all matters set forth in this Order;

D. Waiving any and all rights to contest the issuance of a cease and desist order or an assessment of a civil money penalty by the Board of Governors pursuant to 12 U.S.C. § 1818;

E. Waiving any and all rights to judicial review of this Order; and

F. Waiving any and all rights to challenge or contest the validity, effectiveness, terms or enforceability of the provisions of this Order.

NOW, THEREFORE, before the filing of any notices, or taking of any testimony or adjudication of or finding on any issues of fact or law herein, and without this Order constituting

an admission by Wells Fargo, Financial or any other Wells Fargo subsidiary of any allegation made or implied by the Board of Governors in connection with this matter, and solely for the purpose of settling this matter without a formal proceeding being filed and without the necessity for protracted or extended hearings or testimony and pursuant to the aforesaid resolutions:

IT IS HEREBY ORDERED, pursuant to sections 8(b) and 8(i) of the FDI Act, 12 U.S.C. §§ 1818(b) and (i), that:

I. WELLS FARGO’S OVERSIGHT OF ANTI-FRAUD PROGRAMS AND CONSUMER COMPLIANCE WITH RESPECT TO MORTGAGE LENDING

1. Within 90 days of the date of this Order, Wells Fargo shall submit an acceptable plan for overseeing fraud prevention and detection, and overseeing compliance with applicable federal and state laws pertaining to unfair or deceptive acts or practices and with section 129C of the Truth in Lending Act, 15 U.S.C. § 1639c (“applicable UDAP and Other Laws”) with respect to mortgage lending by Wells Fargo and its subsidiaries. For purposes of this Order, “mortgage lending” shall mean lending that results in the origination of a “home mortgage loan” as defined in section 228.12 of the Board’s Regulation BB, 12 C.F.R. § 228.12. The plan may be based on Wells Fargo oversight plans that currently exist or are under development, but, at a minimum, shall include:

a. Policies and procedures with respect to Wells Fargo’s oversight of its subsidiaries that engage in mortgage lending which are designed to ensure that such subsidiaries adequately investigate whether incidents involving employee fraud, including incidents of the type subject to the remedial actions required by paragraphs 3 through 7 of this Order, are isolated incidents or examples of more prevalent control breakdowns or violations of applicable UDAP and Other Laws. To the extent that such investigations are conducted by Wells Fargo, the policies and procedures should be designed to ensure adequate investigation by Wells Fargo;

b. Policies and procedures with respect to Wells Fargo's oversight of its subsidiaries that engage in mortgage lending which are designed to ensure (i) that there is an adequate response to the results of investigations referred to in subparagraph a., above, including escalation protocols that provide for the reporting to appropriate senior management, both within and outside of the normal business line, including the senior compliance and risk management officers, and, when appropriate, the board of directors, of incidents of employee fraud, and (ii) that appropriate corrective action be taken by such subsidiaries with respect to any such incidents, including incidents of the type subject to the remedial actions required by paragraphs 3 through 7 of this Order;

c. A plan for the periodic review and, as appropriate, revision of the policies and procedures specified by subparagraphs a. and b., above;

d. Periodic risk assessments of Wells Fargo subsidiaries engaged in mortgage lending with respect to vulnerabilities to employee fraud, and for compliance with applicable UDAP and Other Laws, conducted by qualified personnel independent of the business lines; and

e. An enhanced audit plan (which may include elements of Wells Fargo's existing audit plan) for assessing the effectiveness of Wells Fargo's oversight of employee fraud prevention, and compliance with applicable UDAP and Other laws, with respect to mortgage lending by Wells Fargo and its subsidiaries, including periodic testing for compliance with the policies and procedures specified by subparagraphs a. and b., above.

II. WELLS FARGO'S INCENTIVE COMPENSATION AND PERFORMANCE MANAGEMENT PROGRAMS FOR MORTGAGE LENDING

2. Within 90 days of the date of this Order, Wells Fargo shall submit an acceptable plan for overseeing the implementation and modification of incentive compensation and performance management programs for sales, sales management, and underwriting personnel with respect to

mortgage lending within the Wells Fargo organization, consistent with Wells Fargo's overall management and oversight of compensation practices at Wells Fargo and its subsidiaries. (For purposes of this Order, "performance management programs" shall mean programs that subject employees to discipline or termination for failure to meet sales performance standards.) The plan may be based on Wells Fargo incentive compensation and performance management plans or programs that currently exist or are under development, but, at a minimum, shall include:

a. Provisions designed to ensure that incentive compensation and performance management practices with respect to mortgage lending encourage sales, sales management, and underwriting personnel to implement fully anti-fraud measures and mortgage lending principles (currently denominated "responsible lending principles") issued by Wells Fargo and the relevant subsidiary or unit within Wells Fargo;

b. Provisions designed to ensure that incentive compensation and performance management practices with respect to mortgage lending encourage sales, sales management, and underwriting personnel to avoid fraudulent or unfair or deceptive acts and practices and to adhere to all applicable UDAP and Other Laws;

c. Provisions designed to ensure that Wells Fargo and its subsidiaries and units adhere to the Interagency Guidance on Sound Incentive Compensation Practices, 75 Federal Register 36,395 (June 21, 2010), (as amended from time to time) with respect to mortgage lending practices;

d. Provisions designed to ensure that any practice of Wells Fargo or any of its subsidiaries or units engaged in mortgage lending of referring customers or applications from one business unit to another (whether within the same legal entity or from one legal entity to another) does not create undue incentives to evade Wells Fargo's denominated responsible

lending principles, applicable UDAP and Other Laws, or internal controls applicable to Wells Fargo or the relevant subsidiary or unit of Wells Fargo;

e. Provisions designed to ensure that Wells Fargo or the relevant subsidiary or unit of Wells Fargo has robust internal controls for compliance of incentive compensation and performance management programs with respect to mortgage lending with Wells Fargo's anti-fraud measures and denominated responsible lending principles, and with applicable UDAP and Other Laws;

f. Periodic risk assessments conducted by qualified personnel independent of the business lines (including personnel from risk management and control functions, with at least supervisory participation by the Chief Risk Officer) of Wells Fargo's, and of each of its subsidiary's and business unit's incentive compensation and performance management programs pertaining to mortgage lending. The risk assessments shall include risks arising from programs that subject employees to discipline or termination for failure to meet sales performance standards;

g. An enhanced audit plan (which may include elements of Wells Fargo's existing audit plan) for assessing incentive compensation and performance management programs pertaining to mortgage lending and their compliance with Wells Fargo's anti-fraud measures and denominated responsible lending principles, and compliance with applicable UDAP and Other Laws.

III. REMEDIAL PLANS

3. Within 90 days of this Order, Wells Fargo and Financial shall submit to the Federal Reserve Bank of San Francisco (the "Reserve Bank") acceptable written plans ("Remedial Plan A" and "Remedial Plan B") concerning remedial plans with respect to Legacy Assets and Former Legacy Assets (collectively, the "Remedial Plans");

a. The Remedial Plans shall include the scope of review and methodologies that Wells Fargo and Financial will use to comply with the relevant requirements below; a schedule for timely completion of Remedial Plans; the designation and appointment by Wells Fargo of a qualified senior officer or committee of Wells Fargo, acceptable to the Reserve Bank, for the purpose of coordinating, supervising, monitoring and overseeing the implementation and completion of the Remedial Plans; periodic reports to the Reserve Bank throughout the implementation and completion of the Remedial Plans; and a written commitment that any workpapers associated with the Remedial Plans will be made available to the Reserve Bank upon request; and

b. Under the Remedial Plans, within 90 days of the date remedial compensation payments are first made as required by this Order and quarterly thereafter, Wells Fargo and Financial shall provide the Reserve Bank with a Remedial Payment Summary Report, providing the loan numbers and total amounts of remedial compensation payments paid to borrowers pursuant to the Remedial Plans. Wells Fargo and Financial shall make public an aggregate summary of the Remedial Payment Summary Reports setting forth, with respect to each Remedial Plan, the total number of borrowers who received remedial compensation and the total amount of remedial compensation made to borrowers.

A. Remedial Plan A – Altered or Falsified Income Documents

4. All Financial home mortgage borrowers whose loans were originated during the period from January 1, 2004 through the Reorganization and whose home mortgage loans are Legacy Assets or Former Legacy Assets are eligible to file claims with respect to Remedial Plan A. Eligibility for the program shall not be dependent on whether the mortgage loan is currently performing, is past due or in foreclosure proceedings, or has been subject to foreclosure or a

short sale, or whether the loan terms or principal amount has been modified. Claimants under Remedial Plan A are also eligible to receive remedial compensation under Remedial Plan B if they qualify.

5. Financial shall submit an acceptable Remedial Plan A that shall, at a minimum, address, consider and include:

a. the retention of an acceptable independent third-party consultant or accounting firm (“Plan A Independent Party”) to oversee Remedial Plan A and make decisions or review decisions made by Financial concerning eligibility and amount and form of appropriate remedial compensation consistent with the acceptable plan. For purposes of Remedial Plan A, the initial decisionmaker is referred to as “Administrator A,” and to the extent that Financial acts as Administrator A, Financial’s decisions under Remedial Plan A shall be reviewed by the Plan A Independent Party. For purposes of this Order, “appropriate remedial compensation” shall mean cash payment or other forms of compensation approved by the Reserve Bank;

b. a methodology for identifying the Financial home mortgage loan borrowers whose loans were most likely to have been issued based on income documents that were altered or falsified by sales personnel, taking into account, at a minimum:

i. whether any salesperson at a store where any borrower’s home mortgage loan application was taken, processed, or originated altered or falsified the income of any Financial borrower used to underwrite any home mortgage loan or other loan product offered by Financial;

ii. a procedure for acquiring and analyzing relevant information when a loan is in past due status, or considered for loss mitigation;

- iii. information identifying additional potentially affected borrowers that is derived from the claim filing process under Remedial Plan A;
- c. a targeted communications strategy for making public Remedial Plan A eligibility requirements. The communications strategy shall, at a minimum, address, consider and include:
 - i. the form and substance of communications concerning Remedial Plan A on Wells Fargo's website;
 - ii. specimen copies of notification letters, which shall be sent, at a minimum, to all borrowers identified pursuant to the methodology described in subparagraph 5.b. of this Order;
 - iii. specimen copies of claim forms and appropriate related documentation for borrowers to file, which forms may include authorization to obtain the borrowers' tax returns from the Internal Revenue Service, a requirement that the borrower represent that he or she did not submit and was not aware of the submission of altered or falsified income documentation to Financial in connection with the borrower's loan application, and an appropriate form of release not to be executed earlier than notification of the borrower of the amount of remedial compensation offered;
 - iv. specimen copies of other communications between Administrator A and consumers, such as requests for additional information or decisions granting, granting in part, or denying claims;
 - v. a strategy designed to ensure that borrowers who are not fluent in English receive language-appropriate communications with respect to Remedial Plan A;
 - vi. time deadlines for the dissemination of communications so that potentially eligible borrowers are notified of Remedial Plan A as soon as is practicable.

d. the criteria for providing remediation to borrowers who submit claims, which shall include the following:

i. an assessment, based on income documentation provided by the borrower (including tax returns that the borrower has authorized the Internal Revenue Service to provide to Financial or Administrator A), as to whether, at the time the loan was made, the borrower's income or the income required to be used for the borrower by Financial's credit policies was lower than the income Financial used in underwriting the borrower's loan;

ii. if (i) above occurred, Administrator A shall determine what loan amount (if any) would have been approved had accurate and appropriate income documents been submitted to underwriting, applying Financial's underwriting standards as applied at the time the loan was underwritten, or an acceptable formula based on such underwriting standards.

Financial shall provide appropriate remedial compensation to the borrower, based on the following calculations:

(A) if, under Financial's underwriting criteria, the borrower would have been granted a home mortgage loan based on his or her accurate and appropriate income documents, but for a lesser principal amount, the compensation shall consist of the origination points (typically 3 or 4 percent of the principal of the loan), interest payments, and any lender fees or penalties charged on the loan, but applied only to the difference between the loan amount that was granted and the loan amount that would have been granted if the income documents had not been altered or falsified, with appropriate adjustments (as approved by the Reserve Bank as part of Remedial Plan A) for remediation previously received by the borrower from Financial specifically for income document alteration or falsification by Financial salespersonnel;

(B) if, under Financial's underwriting criteria, the borrower would not have been granted a home mortgage loan based on his or her accurate and appropriate income documents, the compensation shall consist of the origination points (typically 3 or 4 percent of the principal of the loan), interest payments, and any lender fees or penalties, charged on the loan, but applied only to the difference between the loan amount that was granted and the amount of mortgage and non-mortgage debt that the borrower consolidated in the loan, with appropriate adjustments (as approved by the Reserve Bank as part of Remedial Plan A) for remediation previously received by the borrower from Financial specifically for income document alteration or falsification by Financial salespersonnel;

iii. supplemental appropriate remedial compensation to borrowers, based on additional information submitted by the borrower (which may include the borrower's credit bureau report ("CBR") relied on by Financial in underwriting the loan, which Financial shall provide to the borrower at the borrower's request if still available in Financial's file, and the borrower's subsequent CBRs) that he or she suffered other financial damage as a result of the income document alteration or falsification as follows:

(A) if, primarily as a result of the additional payment obligation on the loan resulting from the altered or falsified documents, on or before the date of this Order the borrower was unable to make payments on the loan and suffered a materially reduced credit standing, Administrator A shall provide an additional \$2,000 in appropriate remedial compensation; or

(B) if, primarily as a result of the additional payment obligation on the loan resulting from the altered or falsified documents, on or before the date of this Order, the borrower's home was foreclosed on or the borrower sold the home in a short sale, Administrator

A shall provide an additional amount up to \$7,000 in appropriate remedial compensation to reimburse the borrower for any expenses attributable to the foreclosure or short sale;

e. a claims process to determine whether individual claims under Remedial Plan A should be paid, consistent with the criteria set forth in this Order, which claims process shall include acceptable time limits on the processing of claims so that the majority of all claims are determined within 60 days of initial receipt of the necessary information from the borrower or other relevant sources. The claims process shall:

i. give priority treatment to borrowers whose mortgage loans are currently past due or in the process of foreclosure; and

ii. not require a borrower to file an initial claim where Financial already has determined that the borrower's income documents were altered or falsified by one or more Financial salespersonnel (but Administrator A may require the borrower to supply documents necessary to complete the borrower's file and to process the claim consistent with this paragraph);

f. provisions for circumstances in which, prior to the date of this Order, the borrower's loan (where the borrower's loan otherwise qualifies for remediation under this paragraph) was delinquent, modified, in default, foreclosed upon, or paid-off, or the borrower was in bankruptcy, and for any other special circumstances, which provisions may either increase or decrease the amount of remedial compensation owed to the borrower and are designed to ensure that the borrower receives any remedial compensation owed in a form that will provide benefits to the borrower regardless of the borrower's payment status;

g. provisions to establish an impartial informal appeal process to enable a borrower to challenge the determination by Administrator A denying a claim or to challenge the amount of

remedial compensation awarded with respect to a claim. The appeal process shall not permit Financial to contest a final determination by the Plan A Independent Party to pay some or all of a claim, but shall permit Financial to provide information regarding its position on a claim to the impartial decisionmaker, which shall also be provided to the claimant, in an appeal initiated by the borrower;

- h. a plan for the audit of the implementation process of Remedial Plan A.
- i. provisions requiring that Financial (and any other Wells Fargo entities) provide full cooperation in providing information to the Plan A Independent Party;
- j. a provision requiring that Financial shall provide the remedial compensation to borrowers within fifteen business days (ten business days for cash payments) of receipt of the final determination that a claim under Remedial Plan A should be paid;
- k. a monthly report by Administrator A submitted to the Reserve Bank concerning the determinations made under Remedial Plan A, including a report on claims filed and amounts remediated by store and by sales person. This report is in addition to the quarterly Remedial Payment Summary Report required under paragraph 3.b. above; and
- l. a date by which the borrower communications and notification processes contemplated by paragraph 5.c., above, and the borrower claims determination processes contemplated by paragraph 5.d., e. and f., above, are to be completed.

B. Remedial Plan B – Certain Prime Borrowers

6. Remedial Plan B will be available to certain Financial borrowers who received home mortgage loans at nonprime prices during the period January 1, 2006 through the Reorganization, but whose mortgage loans may have qualified for prime prices and are Legacy Assets or Former Legacy Assets. Recipients of remedial compensation under Remedial Plan B are also eligible to file claims under Remedial Plan A if they qualify.

7. Financial shall submit an acceptable Remedial Plan B that shall, at a minimum, address, consider and include:

a. the retention of an acceptable independent third-party consultant or accounting firm (“Plan B Independent Party”) to administer Remedial Plan B and either make decisions or review decisions made by Financial concerning eligibility for and the amount and form of appropriate remedial compensation consistent with the acceptable plan. For purposes of Remedial Plan B, the initial decisionmaker is referred to as “Administrator B,” and to the extent that Financial acts as Administrator B, Financial’s decisions under Remedial Plan B shall be reviewed by the Plan B Independent Party. Plan A Independent Party and Plan B Independent Party may be the same acceptable independent third-party consultant or accounting firm;

b. a detailed methodology or methodologies for initial screening of Financial’s home mortgage loan records to identify those nonprime borrowers who, at the time their applications were submitted, would have passed the “A-Paper Filter” and been eligible for consideration for prime pricing at Home Mortgage by virtue of any one or more of the following:

i. without any unrestricted cash back, the loan would have been eligible for consideration for prime pricing at the time the borrower’s mortgage was processed;

ii. the loan is or was a second-lien, but the second lien loan amount, when added to any existing first-lien balance, would have been eligible for consideration for prime pricing at the time the mortgage was processed; or

iii. the loan purportedly was secured by a rental or investment property, but (a) the property was an owner-occupied home at the time the mortgage was processed, and (b) the loan would have been eligible for consideration for prime pricing if the real estate collateral instead was an owner-occupied home;

c. a detailed methodology or methodologies for determining for each borrower who passes the initial screening set forth in subparagraph 7.b. of this Order whether the borrower would have qualified for a prime loan at Home Mortgage at the time the borrower's mortgage was processed;

d. a detailed methodology or methodologies for determining for each borrower who would have qualified for a prime loan at Home Mortgage based on an application of the methodology or methodologies specified in subparagraph 7.c. of this Order the amount of appropriate remedial compensation, if any, for which the borrower qualifies. Such methodology or methodologies shall provide for:

i. a calculation of an amount that is based on:

(A) the difference between the amount in origination points paid by the borrower (typically 3 or 4 percent of the principal of the loan) for the nonprime loan and the points typically paid by Home Mortgage prime borrowers at the time the relevant borrower's loan was originated (for example, assuming one point was charged on Home Mortgage's prime loans at the relevant time, on a \$150,000 principal loan, the calculation would be \$4,500, representing the difference in origination points between the four points typically charged on Financial nonprime loans and the single point charged on the Home Mortgage prime loan) ("excess points");

(B) the difference in interest payments previously paid by the borrower on the nonprime loan from the date of origination and interest payments based on the applicable rate at Home Mortgage for comparable prime loans at the time of origination;

(C) the difference in any lender fees or penalties paid by the borrower on the nonprime loan between the date of origination and Administrator B's determination and

any fees or penalties the borrower would have paid during the same period on the Home Mortgage prime loan for which the borrower would otherwise have qualified; and

(D) if the borrower's Financial nonprime loan is a Legacy Asset, prospective reduction of the borrower's interest rate to the applicable rate at Home Mortgage for comparable prime loans at the time of origination;

ii. appropriate adjustments (as approved by the Reserve Bank as part of Remedial Plan B) for remediation previously received by the borrower from Financial specifically because the borrower's application was improperly prepared or processed so as not to pass the "A-Paper Filter"; and

iii. supplemental appropriate remedial compensation to borrowers, based on additional information submitted by the borrower (which may include the borrower's CBR relied on by Financial in underwriting the loan, which Financial shall provide to the borrower at the borrower's request if still available in Financial's file, and the borrower's subsequent CBRs) that he or she suffered other financial damage as a result of not having been offered or otherwise advised of the availability of a prime priced home mortgage loan as follows:

(A) if, primarily as a result of the additional payment obligation on the nonprime loan, on or before the date of this Order the borrower was unable to make payments on the loan and suffered a materially reduced credit standing, Administrator B shall provide an additional \$2,000 in appropriate remedial compensation; or

(B) if, primarily as a result of the additional payment obligation on the nonprime loan, on or before the date of this Order, the borrower's home was foreclosed on or the borrower sold the home in a short sale, Administrator B shall provide an additional amount up to

\$7,000 in appropriate remedial compensation to reimburse the borrower for any expenses attributable to the foreclosure or short sale; and

e. a communications strategy implementing the borrower remediation process set forth in subparagraphs 7.b., c. and d. of this Order. The communications strategy shall, at a minimum, address, consider and include:

i. specimen copies of letters notifying borrowers that they qualify for and will receive remedial compensation, and specifying any information or documents that the borrowers must provide in order to obtain such remedial compensation (including an appropriate form of release not to be executed earlier than notification of the borrower of the amount of remedial compensation offered), which letters shall be sent to all borrowers identified as qualifying for some amount of remedial compensation pursuant to the methodology or methodologies specified in subparagraph 7.d. of this Order;

ii. specimen copies of other communications between Administrator B and borrowers, such as requests for additional information;

iii. a strategy designed to ensure that borrowers who are not fluent in English receive language-appropriate communications with respect to Remedial Plan B;

iv. time deadlines for the dissemination of communications so that notices are sent to the borrowers identified as qualifying for some amount of remedial compensation pursuant to the methodology or methodologies specified in paragraph 7.d. above within 120 days of approval of Remedial Plan B by the Reserve Bank;

f. provisions for circumstances in which, prior to the date of this Order, the borrower's loan (where the borrower's loan otherwise qualifies for remedial compensation under this paragraph) was delinquent, modified, in default, foreclosed on, or paid-off, or the borrower

was in bankruptcy, and for any other special circumstances, which provisions may either increase or decrease the amount of remedial compensation owed to the borrower and are designed to ensure that the borrower receives any remedial compensation owed in a form that will provide benefits to the borrower regardless of the borrower's payment status;

g. a process to permit Financial home mortgage borrowers, who are not identified by Administrator B pursuant to the methodology specified in subparagraph 7.d. as qualifying to receive some amount of remedial compensation under Remedial Plan B, to request that the Plan B Independent Party individually review whether the borrower's loan was properly processed in accordance with the methodologies specified in subparagraphs 7.b., c. and d. and qualifies for some amount of remediation in accordance with such methodologies, which process shall include acceptable time limits for such reviews so that the majority of reviews are determined within 60 days of the borrower's request (with extensions if the borrower does not timely submit necessary information). The review process shall include the form and substance of communications on Wells Fargo's website regarding the availability of the review process (including a toll-free telephone number to call for information regarding the review process). The review process may require the borrower to provide additional documents and information to enable the Plan B Independent Party to determine whether the borrower's loan was properly processed in accordance with the methodologies specified in subparagraphs 7.b., c. and d. The review process shall give priority treatment to borrowers whose mortgage loans are currently past due or in the process of foreclosure;

h. for borrowers who receive remedial compensation pursuant to subparagraph 7.d provisions to establish an impartial informal appeal process with respect to the amount and form of remedial compensation awarded. The appeal process shall not permit Financial to contest a

final determination by Plan B Independent Party to pay all or any part of a claim, but shall permit Financial to provide information regarding its position on a claim to the impartial decisionmaker, which shall also be provided to the claimant, in an appeal initiated by the borrower;

- i. a plan for the audit of the implementation process of Remedial Plan B.
- j. provisions requiring that Financial (and any other Wells Fargo entities) provide full cooperation in providing information to the Plan B Independent Party;
- k. a provision requiring that Financial shall provide appropriate remedial compensation to borrowers within fifteen business days (ten business days for cash payments) of a determination that the borrower qualifies for a certain amount of remedial compensation pursuant to the methodology specified in subparagraph d. above;

l. a monthly report by Administrator B submitted to the Reserve Bank concerning the determinations made under Remedial Plan B. This report is in addition to the quarterly Remedial Payment Summary Report required under paragraph 3.b. above and the monthly report required for Remedial Plan A under paragraph 5.k. above; and

m. a date by which the borrower communications and notification processes contemplated by paragraph 7.e., above, and the borrower claim determination processes contemplated by paragraph 7.b., c., d., f. and g., above, are to be completed.

IV. APPROVALS AND PROGRESS REPORTS

8. The plans and remedial measures required by paragraphs 1 through 7 of this Order shall be submitted to the Reserve Bank for review and approval. Acceptable plans and remedial measures shall be submitted to the Reserve Bank within the time periods set forth in this Order. Wells Fargo shall adopt and implement the approved plans and remedial measures within 10 days of approval. Upon adoption, Wells Fargo shall promptly implement the approved plans and remedial measures, unless otherwise set forth in an approved schedule of implementation, and

thereafter fully comply. During the term of this Order, the approved plans and remedial measures shall not be amended or rescinded without the prior written approval of the Reserve Bank.

9. Within 90 days following this Order, and every calendar quarter thereafter, Wells Fargo shall submit a written progress report to the Reserve Bank. The progress report shall detail the actions taken to comply with each provision of this Order and the results of those actions. This report is in addition to the quarterly Remedial Payment Summary Report required under paragraph 3.b. above and the monthly reports required for Remedial Plan A under paragraph 5.k. above and Remedial Plan B under paragraph 7.l. above. The Reserve Bank, at its discretion, may require additional progress reports if necessary. Such reports may be discontinued when the Reserve Bank, in writing, releases Wells Fargo from making further reports.

V. ASSESSMENT OF CIVIL MONEY PENALTY

10. Wells Fargo and Financial are hereby assessed a civil money penalty (“CMP”) in the sum of \$85 million to be paid to the Board of Governors at the time of the execution of this Order by Fedwire transfer of immediately available funds to the Federal Reserve Bank of Richmond, ABA No. 05 1000033, beneficiary, Board of Governors of the Federal Reserve System. The Board of Governors or the Federal Reserve Bank of Richmond on its behalf shall remit the funds to the United States Treasury, pursuant to section 8(i) of the FDI Act, 12 U.S.C. § 1813(i).

VI. NOTICES

11. All communications regarding this Order shall be sent to:

(a) Richard M. Ashton, Esq.
Deputy General Counsel
Board of Governors of the Federal Reserve System
20th & C Sts. N.W.
Washington, D.C. 20551

(b) Patrick Loncar
Vice President
Banking Supervision & Regulation
Federal Reserve Bank of San Francisco
101 Market Street
San Francisco, California 94105

(c) Wells Fargo & Co.
Douglas R. Edwards, Esq.
Assistant General Counsel
301 S. College Street
Charlotte, NC 28202-6000

(d) Wells Fargo Financial, Inc.
Douglas R. Edwards, Esq.
Assistant General Counsel
301 S. College Street
Charlotte, NC 28202-6000

with a copy to

Stuart C. Stock, Esq.
Covington & Burling LLP
1201 Pennsylvania Ave., NW
Washington, D.C. 20004

VII. MISCELLANEOUS

12. The provisions of this Order shall be binding, where applicable, on Wells Fargo and Financial and each of their institution-affiliated parties, in their capacities as such, and their successors and assigns.

13. Each provision of this Order shall remain in effect and enforceable until stayed, modified, terminated or suspended in writing by the Board of Governors.

14. Notwithstanding any provision of this Order, the Board of Governors may, at its sole discretion, grant written extensions of time to Wells Fargo and Financial to comply with any provision of this Order. The Board of Governors delegates to the Reserve Bank its authority to grant, in the Reserve Bank's sole discretion, written extensions of time to comply with the provisions of this Order.

15. The provisions of this Order shall not bar, estop or otherwise prevent the Board of Governors, the Reserve Bank, or any federal or state agency from taking any further action affecting Wells Fargo or Financial, or any of their current or former institution-affiliated parties, as defined in Sections 3(u) and 8(b)(3) of the FDI Act, 12 U.S.C. §§ 1813(u) and 1818(b)(3).

By order of the Board of Governors of the Federal Reserve effective this 20th day of July 2011.

WELLS FARGO & COMPANY
San Francisco, California

BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM

By: /s/ James Strother

By: /s/ Jennifer J. Johnson

WELLS FARGO FINANCIAL, INC.
Des Moines, Iowa

By: /s/ Dean R. Anderson