

FRB Consent Order Implementation Report
12/23/11
Section 4 – Compliance Risk Management

Consent Order Requirement – 4b

The plan shall, at a minimum, be designed to: ensure compliance with the Legal Requirements and supervisory guidance of the Board of Governors;

Status: Complete

Requirements Summary

Summary. Wells Fargo has a long-standing corporate compliance program that is designed to ensure compliance with laws, regulations, and supervisory guidance, including that of the Board of Governors. This program contains a comprehensive set of requirements, processes, and specifies roles and responsibilities, the primary goal of which is to ensure compliance. This corporate compliance policy has always applied to mortgage servicing, foreclosure and loss mitigations activities, but we have identified reasons why it did not surface the issues contained in the Consent Orders, and have taken steps to remedy those.

An analysis of Wells Fargo’s compliance program against the Consent Order and SR08-8 was performed. The program’s framework, processes and requirements, per se, appeared sufficient to meet the programmatic requirements under the consent order: they require annual risk assessment, including assessment of the control environment, monitoring/testing, reporting, escalation of issues, and (if necessary) formal corrective actions

Therefore, we analyzed why the issues identified in the consent orders occurred, but were not surfaced and addressed by the compliance program. The analysis determined that, in the case of the compliance program, there were two causes.

First, certain risks were not part of the formal compliance program. The compliance program had been based primarily on federal and state financial services law and regulation. For some of the compliance-related issues in the consent orders, there is no specific underlying federal or state financial services law and regulation. In the Wells Fargo structure, by policy and practice, these risks were the responsibility of management, to apply sound management principles, but had not been explicitly identified in the compliance program. The particular risks, as a result, were not subject to the standard compliance disciplines of formal risk assessment, control documentation and evaluation, ongoing testing, and reporting. This issue has been addressed by adding the consent order requirements into our compliance management tool (CRAS+) as of 9/1/11, making these requirements subject to our compliance management processes including risk assessment, control documentation and evaluation, ongoing testing, and reporting as well as oversight by the corporate compliance function.

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██████████ for purposes of our compliance program, we are treating the two primary businesses- Home Mortgage and Home Equity-as if they were each three businesses, splitting out Mortgage Servicing and Default Management (Loss Mitigation and Foreclosure) from the main business. This means that the programmatic requirements, including reporting on condition, will apply separately, thereby providing transparency.

With these measures, Wells Fargo's response to the consent order is incorporated into the standard, ongoing operations of compliance risk management, which has demonstrated itself as sustainable.

Task Summary and Status

Complete

1. Assess current policies for oversight with respect to compliance with all legal requirements and supervisory standards and guidance, including those of the Federal Reserve Board of Governors and evaluate need for new policies. Complete 11/30/11.
2. Analyze Compliance Risk Management program against SR08-8. Complete 9/19/11.
3. Analyze why the issues identified in the consent orders occurred, but were not surfaced and addressed by the compliance program. Complete 6/10/11.
4. Disaggregate the consumer residential mortgage businesses to provide visibility to the mortgage loan servicing, loss mitigation, and foreclosure activities and incorporate the risks identified in the Consent Orders into our tools as explicit requirements. Complete for 3rd quarter 2011 risk reporting. Results were reviewed 12/5/11, and ongoing process refinements are being applied for 4th quarter 2011 reporting.