June 20, 2017

Dear Chairman Hensarling and Ranking Member Waters:

The Center for Responsible Lending has reviewed the June 6, 2017 Interim Majority Staff Report on the Wells Fargo Fraudulent Accounts Scandal, wherein the staff casts unsubstantiated doubt on, among other things, the importance of the Consumer Financial Protection Bureau's part in addressing the Wells Fargo scandal.

The evidence, as publicly available prior to the issuance of the staff report, and as illuminated by the Consumer Bureau's June 14 response to staff, makes clear the critical role the Consumer Bureau played in the investigation and simultaneous settlements of CFPB, the Los Angeles City Attorney, and the OCC, with Wells Fargo.

Wells Fargo engaged in outrageous, illegal practices in efforts to meet aggressive sales goals, causing real harm to its customers. It opened fraudulent deposit and credit card accounts without consumers' consent or knowledge, which led to a host of collateral consequences for account holders, including overdraft fees through the bank's abusive overdraft program, annual fees, finance charges, and damaged credit.

As the L.A. City Attorney's press release announcing its settlement notes, the Consumer Bureau conducted its own investigation into the activity at Wells Fargo.[1] As the Consumer Bureau explains, the Bureau significantly furthered the investigation by, among other things, issuing Civil Investigative Demands that led to the PricewaterhouseCoopers analysis that quantified the scope of the abusive activity. The Consumer Bureau also took testimony from Wells Fargo officials about their sales practices, which it shared with the committee.

Moreover, and critically, the Bureau's involvement in the settlement, as the L.A. City's Attorney has also emphasized,[2] enabled consumers to obtain relief on a nationwide scale.

Ultimately, the simultaneous settlements demonstrate the Bureau's engagement with local regulators to address abusive practices and bring nationwide relief to consumers; its capacity to penalize illegal behavior (imposing $100 million of the total $180 million fine levied, in this instance); and its ongoing fulfillment of its statutory obligation to coordinate its supervisory activities with the prudential regulators.

The majority staff's report attacking the Consumer Bureau and Director Cordray was released contemporaneously with the Committee majority's broader efforts to defang CFPB. Chairman Hensarling's "Financial CHOICE Act" would dramatically weaken the Bureau, eliminating the Bureau's independent funding; rescinding the Bureau's authority to stop unfair, deceptive, and abusive acts and practices, which was used to stop the Wells Fargo scam; stripping the Bureau of its supervisory and enforcement authority over large banks like Wells Fargo; and preventing it from setting rules for predatory payday loans. It would, in important ways, send Main Street back to a time, pre-financial crisis, when there was no cop on the beat.

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[1] Press Release, *Los Angeles City Attorney Mike Feuer Achieves Historic Result in Consumer Action Against Wells Fargo; Bank to Make Restitution to Customers, Pay $50-million in Penalties; Unprecedented Coordination with Federal Regulators to Benefit Consumers Nationwide*, Sept. 8, 2016, *available at* https://tinyurl.com/yb22qmze.
[2] Matt Egan, *Guy who fought Wells Fargo is angry about Republican attack on CFPB*, CNN Money, May 15, 2017, *available at* http://money.cnn.com/2017/05/15/investing/wells-fargo-city-attorney-cfpb/index.html.

The Consumer Bureau has returned $12 billion to consumers who were the victims of fraud, abusive practices and illegal conduct in financial transactions, despite the efforts of the majority staff to hamper its work. This success, while building an agency from scratch, has surpassed that of any other regulator, and has finally put consumer protection at the forefront of financial services regulation.

Instead of criticizing the Consumer Bureau for working in conjunction with other regulators to stop one of the most widespread consumer frauds in the nation's history, the Committee should be working to ensure it remains a strong agency with the tools it needs to prevent, stop, and remedy abusive practices. Indeed, as the L.A. City Attorney has recently noted, "one of the key lessons of the Wells Fargo (WFC) scandal is the need to have a 'very viable and muscular CFPB.'"[3]

Sincerely,

Center for Responsible Lending

[3] *Id.*