

Testimony Of

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Before the

**United States House of Representatives
Financial Services Committee**

Minneapolis, Minnesota

August 9, 2007

Chairman Frank, Congressman Ellison, thank you for the invitation to testify today.

I am Pat Hanson and I am the President of Community Development and Specialized Lending for Wells Fargo. In this capacity, I am able to serve my community through work on affordable housing and neighborhood revitalization initiatives on a daily basis. In addition to my professional community development work at Wells Fargo, I also serve on the board of Junior Achievement of the Upper Midwest and as Vice President of the Family Housing Fund.

Like you, we are concerned about preserving homeownership and appreciate this opportunity to talk about our commitment to responsible lending and servicing, and the specific actions we take to assist homeowners and prevent foreclosures in the Twin Cities. As a portfolio lender for over 15 years, I know that no one wins in a foreclosure situation.

In the Twin Cities of Minneapolis and St Paul, we work daily in our communities to understand the needs of our customers. Wells Fargo was the first bank in Minnesota to introduce a portfolio product, called the Community Development Mortgage Program (CDMP) that met the needs of low and moderate income borrowers here in the Twin Cities in 1990. Since that time, we have originated, and held in our portfolio, over a half of billion dollars of loans to low and moderate income customers in the state. This same program has been launched in 21 of our 23 banking states and we have originated, and held in our portfolio, over a billion dollars of our CDMP loans. In 2006, average income of our borrowers is \$38.8 thousand, 90% of our customers are first time homebuyers, 50% of our customers had no or low credit score.

CDMP in Minnesota allows 100% LTV with no mortgage insurance required, making it more affordable to achieve the dream of home ownership. We have also resisted the market temptations to do ARMs with this product especially when rates were low, understanding that our borrowers could have been at risk if interest rates rose and a reset occurred.

Responsible Lending Principles

In 2004, Wells Fargo formally adopted responsible lending principles that we live by for our U.S. residential real estate lending. Accompanied by prudent underwriting, our principles include:

- Making only those loans that have a demonstrable benefit to the consumer, such as reducing the monthly payment on debt, obtaining significant new money, paying off delinquent real estate secured debt, converting an adjustable rate to a fixed rate, or purchasing a home.
- Only approving applications for loans that we believe the borrower has the ability to repay.
- Providing consumers with the information needed to make fully informed decisions about the terms of our loans. Not making pay option ARM's or negative amortization loans.
- Having controls in place to ensure that first mortgage customers are offered prime pricing options when they qualify, based on their credit characteristics and the terms of their loan transaction.
- And, advising consumers who apply for loans with prepayment fees of the availability of loans without them, and the associated impact on the interest rate. We also limit our prepayment fees to the lesser of three years or the fixed term of an adjustable rate loan.

As the nation's largest servicer of residential mortgage loans – serving more than 7.8 million customers – we also live by a set of responsible servicing principles that I will provide with my statement for the record. They include tenets such as approaching every interaction from the customers' point of view, and doing all that we can to keep customers in their homes.

Foreclosure Prevention: Importance of Early Customized Solutions for Borrowers

Preventing foreclosures is critical to all parties involved in a mortgage. We work hard to help customers who encounter financial difficulties and to prevent foreclosures where possible, because doing so is in the best interest of our customers, communities, investors, and company.

Wells Fargo believes that it is important to have an outreach plan to work with borrowers early, and often, knowing that this helps avoid foreclosure. It is also important to have a plan for orderly transfer of homes to further assist borrowers as well as ensure integrity of neighborhoods.

Some of the proactive steps we take to prevent foreclosures include:

- Making repeated attempts to contact customers with delinquencies in order to find a workable solution.
- We have identified all prime and nonprime ARM customers in our portfolio and we have already begun contacting these customers to ensure that they receive a communication from Wells Fargo at least 6 months before their reset date. I have attached a sample Wells Fargo letter to borrowers in my written statement.
- I would emphasize that it is critical that the borrower communicate with their lender or a recommended non-profit. We strongly support working with local non-profits to ensure that borrowers get in touch with lenders in a way that they feel most comfortable. All of Wells Fargo's communicated materials provide a dedicated 800 number for direct assistance.
- We have a dedicated Wells Fargo expert staff trained to work with borrowers seeking ARM reset assistance, including an office in Minneapolis. The 800-number dedicated to this outreach is 866-398-7556. Once a borrower contacts us, we work with customers on a case-by-case basis to find solutions and protect their credit.
- With further analysis, we can then identify which borrowers are likely to be eligible for refinancing, or most likely be in need of a workout solution;

Local Twin City Foreclosure Prevention Efforts

As mentioned, we believe collaboration with local non-profits is very important to assist borrowers. As part of this collaboration, I also thank Mayors Rybak and Coleman for their support and creation of the Twin Cities Prevention Funders Council – which Wells Fargo strongly encouraged and we are pleased that this was established in 2006.

- Wells Fargo is an active participant of the Twin Cities Foreclosure Council's Lender Subcommittee. As part of this group we are working to find solutions for homeowners facing foreclosure in the twin cities, specifically to ensure that homes that are in foreclosure are properly maintained, and taxes/assessments paid on a timely basis until the home can be sold. We are also participating this fall in an education seminar with lenders, non profits and local governments for counselors and borrowers to address this issue. We have a designated contact for our Minnesota non-profit partners to contact for

inquiries about vacant properties and how to once again make them available for new homebuyers.

- We are working with many partners at the local government and non-profit agencies to provide as many resources as possible to this issue. Wells Fargo was one of the founding members of the Minnesota Homeownership Center which ensures that our customers are making informed decisions. In the current situation, we are supporting the Minnesota Homeownership Center's pre-purchase and post-purchase counseling as well as mortgage foreclosure assistance with extra grants. Through a network of local community agencies throughout the state, the Home Ownership's Foreclosure Prevention Program can provide counseling, advocacy, referrals to additional resources and other assistance to families facing foreclosure. The Center's promotion of community messaging to encourage homeowners to contact their servicer in the event of financial stress plays an important role in early intervention.
- We are the largest investor in the Family Housing Fund LLC that was created to assist with foreclosure in north Minneapolis. Part of these funds will assist the Greater Metropolitan Housing Corporation (GMHC) in buying and remediating abandoned or foreclosed properties and placing them back on the market for resale. We are working with Minneapolis non-profit organizations, including GMHC, Dayton's Bluff and 7th Street/Fort Road Federation to have properties in foreclosure donated or discounted by the investor.
- We are working with Minneapolis Neighborhood Housing Services to examine refinance options homeowners who have mortgage products that could soon put them into foreclosure into a better product. We have also established a dedicated toll free number for foreclosure counselors assisting customers that are delinquent: 877-216-8448.

Customer Education

To reach out to potential new non-prime borrowers or those refinancing, we launched our Steps to SuccessSM program in mid-2006. This free program provides access to tools, tips, and resources that can help them manage their money, products that can make late payments a thing of the past, advice on getting the most from their bank, and an easy-to-read credit report.

Wells Fargo also takes very seriously Congressman Ellison's call for more financial literacy and that is a priority Wells Fargo has had since the mid 1990's. In 2004, Wells Fargo launched *Hands on Banking* is a financial education program that teaches the basics of good money management. Developed by Wells Fargo as a free public service, it is available on the Internet, CD-ROM, and printed curriculum for four age groups – Kids, Teens, Young Adults, and Adults – with no commercial content. The program is in both English and Spanish and has been approved for use by many state Boards of Education. Wells Fargo has partnered with the following organizations in Minneapolis to use the program with their clients: Pillsbury United Communities, Project for Pride in Living's Learning Center, the City of Minneapolis Hosmer library located in the Phillips neighborhood, and with the Jerimah Project staff at their Minneapolis Learning Center.

In closing, let me reiterate that Wells Fargo is firmly committed to continuing to lead the industry in advocating and conducting fair and responsible lending and servicing. We know that it works. It is critical that all mortgage providers and servicers live by principles that eliminate troublesome practices and help consumers through challenging times – this includes adhering to the new national guidance which has recently been enacted.

As part of Wells Fargo's long-standing commitment to the communities of Minneapolis and St Paul, we will remain committed to working with borrowers to find alternatives for each of their individual situations.

Thank you again, Chairman Frank, Congressman Ellison, for the opportunity to testify today. I look forward to your questions.

Wells Fargo Home Mortgage is part of Wells Fargo Bank, N.A. and Wells Fargo & Company, a diversified financial services company with \$540 billion in assets. Wells Fargo Bank, N.A. is the only bank in the U.S., and one of only two banks worldwide, to have the highest credit rating from both Moody's Investors Service, "Aaa," and Standard & Poor's Ratings Services, "AAA."

Wells Fargo & Company Responsible Servicing Principles for Residential Real Estate Lending

Wells Fargo's vision to satisfy all our customers' financial needs and help them succeed financially includes helping as many people as possible achieve and maintain the dream of being a homeowner. We have long applied responsible lending principles in creating homeownership opportunities for consumers across a wide credit spectrum. Similarly, we have long adhered to the responsible servicing practices summarized below to help customers handle the financial aspects of owning a home.

Wells Fargo services the loans it originates, as well as loans acquired from other lenders. The majority of these loans are owned by investors who provide guidelines we must follow in servicing them. We continuously collaborate with our investors to introduce helpful solutions for our customers while complying with our contract commitments.

A home is often a customer's most valuable asset. We proactively help our customers manage and protect their homes. A number of obligations accompany homeownership: making mortgage payments, paying property taxes, maintaining insurance, and repairing and preserving the home. We strive to make meeting these responsibilities as easy and convenient as possible.

The vast majority of our servicing customers make all of their mortgage payments on time. For customers who encounter financial difficulties and fall behind on payments, our goal is to help them keep their homes whenever possible. This support is a key factor in the recognition we receive for our top-tier servicing practices from Fannie Mae, Freddie Mac and HUD, as well as from private investors and rating agencies. Our efforts are driven by the understanding that all constituents in the lending cycle benefit when homeownership is preserved.

Our Responsible Servicing Principles

We approach every interaction from the *customer's* point of view – putting *his or her* needs first.

Our goal is to build a bridge to our customers based on respect and attention to individual needs. When we connect with a customer – via phone, mail or online – we treat him or her as a person, not a loan number.

- We do not sell customer information to third parties, and do not share it with outside parties who may want to market products.
- We continuously strive to improve our processes.
- We promptly research and resolve complaints.
- If we err, we do what is right for the customer.

We work hard to have our customers know that we appreciate them and value their business.

We provide clear, simple and timely information to consumers, understanding how complex homeownership and financing can be.

Home financing – and all that entails – is second nature to those who work here, but it isn't for many customers. We want to help our customers, and understanding them is the first step in that mission.

- We strive for deeper insight so we can anticipate our customers' needs and proactively serve them.
- We make it easy for our customers to access and use a bounty of helpful information through clear, detailed mortgage statements, and our comprehensive website.
- Our expert service representatives are standing by to answer questions, resolve issues and make it comfortable for customers to contact us, especially when they experience financial challenges.

We believe our customers deserve a dedicated and knowledgeable service team; we strive to hire and retain the best.

It is our responsibility and privilege to help our customers, and our team members are prepared to do that professionally. We train our team members extensively, monitor performance and routinely provide feedback to them to ensure they are doing the best job they can. It is because of our dedicated and expert team members that we are consistently industry-recognized as a top servicer.

We provide tools, services and information that help our customers manage their credit.

Disciplined money management is key to better credit management and a brighter future. We offer education programs – both at Wells Fargo and through local organizations and credit counselors – that can help our customers better understand money management, their credit reports and the importance of maintaining good credit. We provide free tools and advice to help customers on this journey, and to help them make managing their money easy and routine.

We believe in homeownership, and do all we can to keep people in their homes.

Homeownership builds communities and families, and is a key contributor to personal success. We have an excellent track record of helping borrowers stay in their homes even when they experience financial difficulties.

- We are committed to contacting customers early and often who need assistance, and actively work with him/her to help them avoid delinquency.
- Once we determine that a customer can't make payments, we immediately work with the customer to find potential solutions. We recognize that all customers have unique financial situations, and options are reviewed case-by-case.
- We foreclose only as a last resort, and typically stay with the customer up to the home's final sale. As a result, our foreclosure rates historically are below industry averages.

Wells Fargo remains committed to living by *fair and responsible lending and servicing principles* that eliminate questionable practices and ensure consumers are treated with respect. We are there for our customers in good times and in bad. We constantly work with all the participants in the housing finance industry to find ways to expand and preserve homeownership.

We believe in making the dream of homeownership achievable and helping our customers to sustain the dream.

A rate adjustment can mean higher mortgage payments.
Talk to us before your rate adjusts.

John A. Sample
123 Main Street
New York, NY 10014-4438



Call 866-398-7556

Dear <first name ><last name>:

Because we value you as a Wells Fargo Home Mortgage customer, we take pride in doing all we can to ensure your home financing meets your needs. We're writing to let you know that the rate on your mortgage is scheduled to change soon. You have an adjustable-rate mortgage (ARM) with an interest rate that changes periodically. So, when your rate changes, your monthly payments will change too. This could amount to a significant payment change for you. The illustration to the right shows how an interest rate adjustment may impact the monthly payment.

We're Here To Help You Now

Since a change may present concerns and challenges for you, we'd like to help you better understand your home financing options as soon as possible. And because Wells Fargo Home Mortgage is a name you already know and trust, we'll make it easy for you to talk to us about your unique financial situation. Rely on our team of adjustable-rate mortgage specialists to work closely with you to find a solution.

Be On Top Of Your Home Financing

Whether you have a plan of action or need assistance in deciding what's right for you, we're here to help you with your adjustable-rate mortgage. And there's no reason to delay — our specialists are ready to help you develop a plan for your particular situation.

Make A Smart Move — Call Us Today

Before your mortgage payments change, understand the options Wells Fargo can offer you. Call us toll-free at 866-398-7556 Monday – Friday, 8 a.m. – 8 p.m. and Saturday 8 a.m. – 2 p.m., Central Time and speak to a Wells Fargo adjustable-rate mortgage specialist.

Sincerely,

Leesa Whitt-Potter
Senior Vice President
Wells Fargo Home Mortgage

P.S. Don't delay. Call 866-398-7556 now before your adjustable-rate mortgage changes.

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This illustration shows how a rate adjustment may increase monthly payments on a \$xxx,xxx mortgage.*

	Current ARM Loan	Loan After Adjustment
Interest Rate	X.XX%	X.XX%
Monthly Payment (Principal and Interest)	\$XXX.XX	\$XXX.XX
Monthly Payment Increase		\$XXX.XX

*The above illustration is based on an ARM that adjusts every six months after the initial 2-year fixed-rate term with a change date of 3/9/07. The actual impact to your loan's rate at the next adjustment will depend on your loan's terms, remaining loan balance and the current interest rate in effect on the rate change date.

Understand your financial options.

**Call us today toll-free
866-398-7556 Central Time
Monday – Friday: 8 a.m. – 8 p.m.
Saturday: 8 a.m. – 2 p.m.**

