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United States Senate

COMMITTEE ON COMMERCE, SCIENCE,
AND TRANSPORTATION

WASHINGTON, DC 20510-6125

WEBSITE: <http://commerce.senate.gov>

NICK ROSSI, STAFF DIRECTOR
KIM LIPSKY, DEMOCRATIC STAFF DIRECTOR

August 9, 2017

Mr. Timothy J. Sloan
President and Chief Executive Officer
Wells Fargo & Company
420 Montgomery Street
San Francisco, CA 94104

Dear Mr. Sloan:

We write regarding Wells Fargo & Company's auto insurance practices. Recent news reports indicate that Wells Fargo has charged its automobile loan customers for collision insurance they did not need, often without obtaining their consent.

On July 27, 2017, the *New York Times* reported that Wells Fargo charged more than 800,000 automobile loan customers for unnecessary collision insurance, in many cases without their knowledge.¹ While it is understandable for lenders to take steps to protect loan collateral, it appears that Wells Fargo purchased additional coverage, and charged its loan customers for the premiums, in instances in which those loan customers were already in compliance with the terms of their loan agreements. Apparently, more than a quarter of those customers reportedly fell into delinquency due to these charges, and as many as 25,000 of them faced wrongful repossession of their vehicles as a result. The *Wall Street Journal* has subsequently reported that Wells Fargo plans to refund 570,000 customers approximately \$80 million.²

The Commerce Committee and its Subcommittee on Consumer Protection, Product Safety, Insurance, and Data Security have jurisdiction over the regulation of consumer products and services,³ including automobile insurance. Protecting American consumers is a key priority of the Committee.

To assist the Committee in its oversight efforts, please provide responses to the following:

1. When and how did Wells Fargo first learn of the aforementioned practices?

¹ Gretchen Morgensen, *Wells Fargo Forced Unwanted Auto Insurance on Borrowers*, N.Y. TIMES, July 27, 2017, <https://www.nytimes.com/2017/07/27/business/wells-fargo-unwanted-auto-insurance.html>.

² Emily Glazer, *Wells Fargo to Refund \$80 Million to Auto-Loan Customers for Improper Insurance Practices*, WALL ST. J., July 28, 2017, <https://www.wsj.com/articles/wells-fargo-to-refund-80-million-to-auto-loan-customers-for-improper-insurance-practices-1501252927>.

³ See S. Comm. on Rules & Admin., Standing Rules of the Senate, Rule XXV(f)(1), S. Doc. No. 113-18, at 21 (2013).

2. What is the exact number of Wells Fargo customers that the aforementioned practices affect? How many customers fell into delinquency as a result? How many will receive refunds?
3. Describe the relationship between Wells Fargo and the National General Holdings Corporation, including any commission or revenue sharing agreements with respect to the purchase of insurance coverage for Wells Fargo loan customers, as well as the effective dates of such agreements.
4. Did Wells Fargo employees or loan officers receive commissions, incentives, or other benefits for purchasing – or securing the purchase of – insurance coverage for Wells Fargo loan customers? If so, how were these commissions, incentives, or other benefits, awarded or conveyed?
5. Describe Wells Fargo's process for determining whether a customer was in compliance with any collateral insurance requirements.
6. Where Wells Fargo determined that certain loan customers were not in compliance with a requirement to insure loan collateral, describe Wells Fargo's process for notifying such loan customers of its intention to purchase insurance policies on the customers' behalf.
7. Describe Wells Fargo's process for issuing refunds and compensation to affected individuals, including the anticipated issuance schedule.
8. What policy changes has Wells Fargo made to prevent the recurrence of this type of incident?
9. Please provide a copy of the report prepared by the consulting firm Oliver Wyman, which concerned insurance policies sold to Wells Fargo customers.

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Please provide your responses as soon as possible, but by no later than August 23, 2017. Thank you for your prompt attention to this matter.

Sincerely,



JOHN THUNE
Chairman
Committee on Commerce,
Science, and Transportation



JERRY MORAN
Chairman
Subcommittee on Consumer
Protection, Product Safety,
Insurance, and Data Security



BILL NELSON
Ranking Member
Committee on Commerce,
Science, and Transportation



RICHARD BLUMENTHAL
Ranking Member
Subcommittee on Consumer
Protection, Product Safety,
Insurance, and Data Security