The Runaway Stagecoach: Racial and Economic Inequality in Wells Fargo's Subprime Lending

ACORN Report

The Association of Community Organizations for Reform Now

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Introduction and Summary of Findings

In November 2004, the Federal Reserve Bank named Wells Fargo CEO, Richard Kovacevich, to the Federal Reserve Advisory Council in Washington, DC. The Federal Reserve made this appointment despite their knowledge of the numerous ways that Wells Fargo, perhaps even more than any other major bank in the country, has supported and even engaged in predatory financial practices.

Wells Fargo has financed the largest payday lenders, check cashers, and pawn shops in the country, such as Ace Cash Express, Dollar Financial, Advance America, and Cash America. Wells has facilitated the abusive and harmful lending of one of the nation's most notorious mortgage companies, First Alliance Mortgage Company (FAMCO). Wells Fargo has also directly victimized hundreds of thousands of innocent homeowners with its own predatory loans.

While it should be unacceptable for any company to carry out these practices, it is especially alarming coming from Wells Fargo, the fourth largest bank in the country. In doing so, Wells Fargo is enforcing its own brand of economic apartheid and maintaining two separate and very unequal financial systems.

Wells Fargo invites some customers to enter through the front door, to have a checking or savings account, to protect it from overdrafts, to receive home equity loans at prime rates, to receive mortgages on beneficial terms, and to invest in the profits from those customers who enter through the back door. Those customers can be found on the other side of town, hocking their limited possessions, paying triple digit interest rates for short term loans, and getting tricked into taking out subprime mortgages that may cost their homes.

This report, as well as several others, document the startling racial and economic inequality regarding which door customers are allowed to enter. For instance, the HUD-Treasury Task Force found that subprime loans are three times more likely in low-income neighborhoods than in high-income neighborhoods and are five times more likely in black neighborhoods than in white neighborhoods[1].

While not all subprime lenders are predatory, the overwhelming majority of predatory loans are subprime, and the subprime industry is a fertile breeding ground for predatory practices. Subprime loans are intended for people who are unable to obtain a conventional prime loan, and the higher interest rates are supposedly to compensate for the potentially greater risk that these borrowers represent. Predatory lending occurs when loan terms or conditions become abusive or when borrowers who would qualify for credit on better terms are targeted instead for these higher cost loans.

Fannie Mae has estimated that as many as half of the borrowers in subprime loans could have instead qualified for a lower cost mortgage[i]. Other borrowers who are not in a position to qualify for an "A" loan are also routinely overcharged in the subprime market, with rates and fees that reflect what a lender or broker thought they could get away with, rather than any careful assessment of the actual credit risk. Incentive systems that reward brokers and loan officers for charging more make this a widespread problem.

Too often higher rate subprime loans are also loaded with abusive features – such as high fees, large and extended prepayment penalties, financed single premium credit insurance – which cost borrowers even more money, and can keep them trapped into the higher interest rate.

The involvement of mainstream financial institutions (banks, wall street investment firms, etc.) has also been noted in fueling the growth of the fringe economy and subprime lending, and consequently predatory lending. However,

[1] HUD-Treasury National Predatory Lending Task Force, 2000

most mainstream financial institutions do not engage in predatory mortgage lending practices directly. Wells Fargo is the exception to this, both through its Wells Fargo Home Mortgage subsidiary and even more so through its affiliate Wells Fargo Financial.

Wells Fargo Financial's loans include many of the usual predatory practices (pre-payment penalties, single-premium credit insurance, adjustable interest rates, high fees) as well as some which are unique to Wells Fargo (securing a borrower's mortgage with their cars as well as their home, reporting inflated loan amounts to the credit bureaus, and giving homeowners an unsolicited credit card attached to a home equity line of credit.)

In this report we examined the refinance lending in forty-two individual metropolitan areas and found that the higher cost subprime loans made by Wells Fargo Financial are unequally concentrated in lower-income and minority neighborhoods, especially when compared to the lending pattern of Wells Fargo Home Mortgage, which is primarily, although not exclusively, a prime lender.

Overall, Wells Fargo Financial made 3.3 times as many of its refinance loans in low income neighborhoods than Wells Fargo Home Mortgage did, and 2.7 times more than Wells Fargo Home Mortgage in moderate income neighborhoods[2].

- One out of every four of the refinances made by Wells Fargo Financial (27%) were in low and moderate-income neighborhoods, compared to one out of every ten of those by Wells Fargo Home Mortgage (10%).

- In contrast, more than half of the refinances made by Wells Fargo Home Mortgage were in upper income neighborhoods (52%), while the percentage of refinances made by Wells Fargo Financial in such neighborhoods was only half as great – 25%.

The disparity was especially startling in reviewing individual metropolitan areas. In twelve of the forty-two areas examined, the percentage of Wells Fargo Financial loans made in low-income neighborhoods was at least five times greater than that of Wells Fargo Home Mortgage.

Compared to Wells Fargo Home Mortgage, Wells Fargo Financial was 3.6 times more likely to make one of its loan in a predominantly minority neighborhood[3].

- One out of every five of the refinances made by Wells Fargo Financial (19%) were made in predominantly minority neighborhoods. In contrast, just one out of every twenty (5%) of the refinances made by Wells Fargo Home Mortgage were made in these neighborhoods.

In ten of the individual metropolitan areas, Wells Fargo Financial was at least seven times more likely than Wells Fargo Home Mortgage to make one of its loans in a predominantly minority neighborhood.

The obvious inequality in Wells Fargo's lending should be raising grave concerns among federal regulators. However, rather than sanctioning Wells Fargo, the Federal Reserve has, as noted above, honored the bank, awarding Wells' CEO with a prestigious position on the Advisory Council of the country's central bank.

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[2] Low-income neighborhoods are defined as census tracts in which the median income is less than 50% of the Area Median Income (AMA). Moderate-income neighborhoods are defined as census tracts in which the median income is 50%-80% of the AMA. Upper-income neighborhoods are defined as census tracts in which the median income is above 120% of the AMA.

[3] Minority neighborhoods are defined as census tracts in which minorities make up more than 80% of the population.

Methodology

In this report, we analyzed the Home Mortgage Disclosure Act (HMDA) data for over 592,000 refinance loans made in 2003 by Wells Fargo Financial and Wells Fargo Home Mortgage. The loans were made to homeowners in 42 metropolitan areas located in 24 different states and covering the different geographic regions of the country[4]. In addition to examining the lending records in each of the individual metropolitan areas, we combined the loans made in these individual metropolitan areas for each of the two Wells Fargo companies and used these figures as a representative national aggregates to compare the lending of the two companies.

Previously, Wells Fargo Financial did not report its loans separately under HMDA, but rather pooled them with those made by Wells Fargo Home Mortgage. This report takes advantage of the first opportunity to compare the two lenders.

While the report shows a startling disparity between Wells Fargo's prime and subprime lending, the actual inequity is much greater. For this report, we consider all of the loans originated by Wells Fargo Home Mortgage to be prime, when in fact a significant number of them are subprime, but the HMDA data does not distinguish between prime and subprime. In fact, Wells Fargo Home Mortgage was the ninth largest subprime originator in 2003[5].

HMDA reporting includes the number and type of loans correlated by the race, gender, income, and census tract of the applicants, and the disposition of those applications, in each Metropolitan Statistical Area (MSA) where loans are originated. However, a large number of Wells Fargo Financial's loans did not include the individual borrowers' race, listing it instead as "race not available."[6] This prevents us from accurately comparing the lending based on the borrowers' race by the different Wells Fargo companies. Therefore, we compared their lending based on the income level and minority population of the neighborhoods where the loans are made.

[4] The areas examined in this study include nine of the country's ten largest cities and twenty of the largest thirty cities. Wells Fargo Financial did not report mortgages in a number of metropolitan areas where they are active lenders, such as Philadelphia. We have excluded metropolitan areas in which Wells Fargo Financial reported less than 100 refinance loans.
[5] Future HMDA analysis, beginning this year, will be more accurate as mortgage lenders are required to report more information, such as the Annual Percentage Rate (APR) of the loan.
[6] For example, more than half of the refinances made by Wells Fargo Financial in 2003 in the Los Angeles metro area were listed as "race not available."

Low and Moderate Income Neighborhoods

TOTAL OF METROPOLITAN AREAS

Wells Fargo Financial made a 3.3 times greater percentage of its refinance loans in low income neighborhoods than Wells Fargo Home Mortgage did, and a 2.7 times greater percentage than Wells Fargo Home Mortgage in moderate income neighborhoods.

As shown in the chart below, more than one out of every four of the refinances made by Wells Fargo Financial (26.7%) were in low- and moderate- income neighborhoods, compared to less than one out of every ten of those by Wells Fargo Home Mortgage (9.7%).

In contrast, more than half of the refinances made by Wells Fargo Home Mortgage were in upper-income neighborhoods (51.8%), while the percentage of refinances made by Wells Fargo Financial in such neighborhoods was less than half as much – 24.9%.

Percentage of Refinances Made in Neighborhoods By Income Level		
Neighborhood Income Level[7]	**Wells Fargo Financial**	**Wells Fargo Home Mortgage**
Low Income	2.98%	0.90%
Moderate Income	23.73%	8.80%
Middle Income	48.38%	38.52%
Upper Income	24.90%	51.77%

INDIVIDUAL METROPOLITAN AREAS

In all of the forty-two examined metropolitan areas Wells Fargo Financial, with its higher cost mortgages, was at least 1.6 times more likely than Wells Fargo Home Mortgage to make one of its loans in a low or moderate income neighborhood.

In the vast majority of the metropolitan areas, the difference between Wells Fargo Financial and Wells Fargo Home Mortgage is significant.

- In twenty metro areas, Wells Fargo Financial made four times as many of its loans in low-income neighborhoods than Wells Fargo Home Mortgage did.
- In more than half of the forty-two areas, Wells Fargo Financial was three times more likely than Wells Fargo Home Mortgage to make one of its loans in a low-income neighborhood.

[7] Low-income neighborhoods are defined as census tracts in which the median income is less than 50% of the area median income. Moderate-income neighborhoods are defined as census tracts in which the median income is between 50% and 80% of the area median income. Middle-income neighborhoods are defined as census tracts in which the median income is between 80% and 120% of the area median income. Upper-income neighborhoods are defined as census tracts in which the median income is more than 120% of the area median income.

- In thirty-eight of the forty-two areas reviewed, the percentage of Wells Fargo Financial's loans made in low-income neighborhoods was at least twice as large as that of Wells Fargo Home Mortgage.

In several of the metropolitan areas, the disparity is extremely high, such as in Fort Worth where Wells Fargo Financial made more than a ten times greater percentage of its loans in low income neighborhoods compared to Wells Fargo Home Mortgage, and in San Antonio where Wells Fargo Financial made more than a seventeen times greater percentage of is loans in low-income neighborhoods than did Wells Fargo Home Mortgage.

A serious disparity is also present with regard to moderate-income neighborhoods. In all of the metropolitan areas, Wells Fargo Financial made at least a 1.5 times as many of its loans in moderate-income neighborhoods than Wells Fargo Home Mortgage did.

- In ten metropolitan areas, Wells Fargo Financial made at least a three times greater percentage of its loans in moderate-income neighborhoods than Wells Fargo Home Mortgage.

- In thirty-five of the forty-two metro areas reviewed, the percentage of Wells Fargo Financial loans in moderate-income neighborhoods was at least twice as large as that of Wells Fargo Home Mortgage.

Percentage of Refinances Made in Low-Income Neighborhoods			
Metropolitan Area	Wells Fargo Financial	Wells Fargo Home Mortgage	Disparity
San Antonio	3.79%	0.22%	17.23
Fort Worth	6.87%	0.65%	10.57
Nassau-Suffolk	1.21%	0.15%	8.07
Charlotte	3.81%	0.57%	6.68
Phoenix	2.35%	0.36%	6.53
Birmingham	7.39%	1.19%	6.21
Detroit	6.16%	1.00%	6.16
New York City	4.92%	0.81%	6.07
San Jose	3.01%	0.50%	6.02
Dallas	4.27%	0.71%	6.01
Des Moines	2.68%	0.45%	5.96
Memphis	7.04%	1.24%	5.68
El Paso	1.82%	0.38%	4.79
Oakland	8.46%	1.77%	4.78
Ft Lauderdale	1.99%	0.43%	4.63
Orlando	1.34%	0.29%	4.62
Los Angeles	3.40%	0.75%	4.53
Fresno	1.94%	0.47%	4.13
Tucson	1.92%	0.47%	4.09
Tampa-St. Pete	0.92%	0.23%	4.00
Jacksonville	3.64%	1.07%	3.40
Kansas City	3.64%	1.13%	3.22
Hartford	3.36%	1.05%	3.20
Atlanta	3.24%	1.07%	3.03
Nashville	2.10%	0.72%	2.92
Indianapolis	3.17%	1.09%	2.91
Columbia	1.56%	0.54%	2.89
Miami	1.01%	0.35%	2.89
Tulsa	3.35%	1.18%	2.84
Chicago	1.99%	0.78%	2.55
Saint Louis	1.86%	0.75%	2.48
San Diego	4.87%	1.98%	2.46
Milwaukee	3.61%	1.49%	2.42
Bakersfield	1.54%	0.64%	2.41
Houston	3.35%	1.47%	2.28
Portland	1.11%	0.51%	2.18
Louisville	2.61%	1.22%	2.14
Sacramento	3.77%	1.84%	2.05
Providence	4.26%	2.28%	1.87
Boston	4.47%	2.49%	1.80
Minneapolis-St. Paul	1.71%	0.96%	1.78
Las Vegas	0.13%	0.24%	0.54

Percentage of Refinances Made in Moderate-Income Neighborhoods			
Metropolitan Area	Wells Fargo Financial	Wells Fargo Home Mortgage	Disparity
San Antonio	48.48%	7.75%	6.26
Houston	29.90%	6.63%	4.51
San Jose	39.10%	9.19%	4.25
Fort Worth	35.05%	8.53%	4.11
Milwaukee	28.35%	7.12%	3.98
Birmingham	31.83%	8.26%	3.85
Detroit	25.34%	6.89%	3.68
Memphis	30.00%	8.64%	3.47
Des Moines	28.13%	8.66%	3.25
Los Angeles	25.40%	8.21%	3.09
Tucson	39.08%	13.05%	2.99
Dallas	25.95%	8.90%	2.92
Oakland	22.79%	7.86%	2.9
Hartford	18.79%	6.56%	2.86
Columbia	32.29%	11.28%	2.86
Charlotte	25.85%	9.12%	2.83
El Paso	25.97%	9.17%	2.83
Atlanta	25.09%	8.89%	2.82
Sacramento	31.76%	11.35%	2.8
Chicago	17.08%	6.19%	2.76
Nashville	19.75%	7.39%	2.67
Indianapolis	22.62%	8.63%	2.62
Saint Louis	19.73%	7.55%	2.61
Kansas City	20.37%	7.96%	2.56
Orlando	22.32%	8.90%	2.51
Phoenix	28.45%	11.35%	2.51
Louisville	25.16%	10.09%	2.49
Bakersfield	21.54%	8.67%	2.48
Fresno	24.52%	10.08%	2.43
Jacksonville	20.52%	8.63%	2.38
Tampa	23.76%	10.40%	2.28
New York City	12.70%	5.79%	2.19
Tulsa	22.91%	10.58%	2.17
San Diego	20.69%	9.79%	2.11
Nassau-Suffolk	17.82%	8.66%	2.06
Mpls-Saint Paul	17.65%	9.04%	1.95
Miami	19.10%	9.92%	1.93
Providence	18.69%	9.86%	1.9
Portland	23.11%	12.26%	1.88
Ft Lauderdale	17.22%	9.53%	1.81
Las Vegas	20.36%	11.32%	1.8
Boston	17.25%	10.89%	1.58

Percentage of Refinances Made in Low and Moderate Income Neighborhoods			
Metropolitan Area	Wells Fargo Financial	Wells Fargo Home Mortgage	Disparity
San Antonio	52.27%	7.98%	6.55
Fort Worth	41.92%	9.18%	4.57
San Jose	42.11%	9.69%	4.35
Birmingham	39.22%	9.45%	4.15
Houston	33.25%	8.11%	4.10
Detroit	31.51%	7.89%	3.99
Memphis	37.04%	9.88%	3.75
Milwaukee	31.96%	8.61%	3.71
Des Moines	30.80%	9.12%	3.38
Oakland	31.25%	9.63%	3.25
Los Angeles	28.80%	8.96%	3.21
Dallas	30.23%	9.61%	3.15
Charlotte	29.66%	9.69%	3.06
Tucson	41.00%	13.52%	3.03
Kansas City	26.32%	8.77%	3.00
Hartford	22.15%	7.61%	2.91
El Paso	27.79%	9.55%	2.91
Columbia	33.85%	11.82%	2.86
Atlanta	28.33%	10.01%	2.83
Nashville	21.85%	8.11%	2.69
Sacramento	35.53%	13.19%	2.69
Chicago	18.74%	6.97%	2.69
New York City	17.62%	6.60%	2.67
Indianapolis	25.79%	9.72%	2.65
Phoenix	30.79%	11.71%	2.63
Orlando	23.66%	9.19%	2.57
Fresno	26.45%	10.56%	2.50
Jacksonville	24.16%	9.70%	2.49
Bakersfield	23.08%	9.31%	2.48
Saint Louis	20.57%	8.71%	2.36
Tampa	24.68%	10.64%	2.32
Tulsa	26.26%	11.77%	2.23
San Diego	25.56%	11.77%	2.17
Nassau-Suffolk	19.03%	8.80%	2.16
Louisville	23.53%	11.39%	2.07
Miami	20.10%	10.26%	1.96
Mpls-Saint Paul	19.53%	9.99%	1.95
Ft Lauderdale	19.21%	9.95%	1.93
Portland	24.22%	12.77%	1.90
Providence	22.67%	12.14%	1.87
Las Vegas	20.49%	11.57%	1.77
Boston	21.73%	13.37%	1.63

Minority Neighborhoods

TOTAL OF METROPOLITAN AREAS

Compared to Wells Fargo Home Mortgage, Wells Fargo Financial made a 3.6 times greater percentage of its refinances in predominantly minority neighborhoods[8].

As shown in the chart below, about one out of every five of the refinances made by Wells Fargo Financial (18.82%) were made in predominantly minority neighborhoods. In contrast just one out of every nineteen (5.24%) of the refinances made by Wells Fargo Home Mortgage were made in these neighborhoods.

Conversely, more than half of the refinances made by Wells Fargo Home Mortgage (54.63%) were in neighborhoods in which whites make up more than 80% of the population, while just 39.84% of the Wells Fargo Financial loans were in these areas.

Percentage of Refinance Loans Made in Census Tracts By Minority Population

Neighborhood Minority Population	Wells Fargo Financial	Wells Fargo Home Mortgage
< 10% Minority	21.87%	28.29%
10-19% Minority	17.97%	26.34%
20-49% Minority	25.65%	29.89%
50-79% Minority	15.68%	10.25%
80-100% Minority	18.82%	5.24%

INDIVIDUAL METROPOLITAN AREAS

Neighborhoods in which minorities make up more than 80% of the population

When we review neighborhoods in which minorities make up more than 80% of the population, the disparity is even greater. In all of the forty-two metropolitan areas, Wells Fargo Financial made at least a 1.4 times greater percentage of its loans in these neighborhoods compared to Wells Fargo Home Mortgage[9].

- In ten of the metro areas, Wells Fargo Financial made more than a seven times greater percentage of its loans in predominantly minority neighborhoods than Wells Fargo Home Mortgage did.

- In fourteen metropolitan areas, Wells Fargo Financial made more than a five times greater percentage of its loans in predominantly minority neighborhoods than Wells Fargo Home Mortgage did.

- In thirty-three of the examined metro areas, the percentage of Wells Fargo Financial loans in predominantly minority neighborhoods was at least three times as large as that of Wells Fargo Home Mortgage.

Neighborhoods in which minorities make up more than 50% of the population

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[8] Predominantly minority neighborhoods refers to census tracts in which minorities make up more than 80% of the population.
[9] In Portland and Des Moines there are no census tracts with greater than 80% minority population

In each of the forty-two examined metropolitan areas, Wells Fargo Financial made a greater percentage of its loans in minority neighborhoods than did Wells Fargo Home Mortgage.

- In twenty-one metro areas, half of those examined, Wells Fargo Financial made at least a three times greater percentage of its refinances in minority neighborhoods than did Wells Fargo Home Mortgage.

- In thirty-five of the metro areas, the percentage of Wells Fargo Financial loans in predominantly minority neighborhoods was at least twice as large as that of Wells Fargo Home Mortgage.

In several of the cities, the disparity is even higher, such as in Des Moines, Jacksonville, and Detroit where Wells Fargo Financial made more than a five times greater percentage of its loans in these neighborhoods compared to Wells Fargo Home Mortgage.

Percentage of Refinances made in neighborhoods in which minorities make up more than 50% of the population

Metropolitan Area	State	Wells Fargo Financial	Wells Fargo Home Mortgage	Disparity
Des Moines	IA	2.23%	0.37%	6.03
Jacksonville	FL	22.60%	3.87%	5.84
Detroit	MI	38.36%	6.70%	5.73
Nassau-Suffolk	NY	30.21%	6.50%	4.65
Milwaukee	WI	26.55%	6.10%	4.35
Tucson	AZ	44.06%	10.20%	4.32
Phoenix	AZ	29.77%	7.37%	4.04
Hartford	CT	16.78%	4.30%	3.90
Tulsa	OK	12.85%	3.33%	3.86
Fort Worth	TX	32.65%	8.53%	3.83
Birmingham	AL	44.15%	12.15%	3.63
Columbia	SC	43.23%	12.29%	3.52
Las Vegas	NV	27.53%	7.85%	3.51
Portland	OR	4.89%	1.40%	3.49
Louisville	KY	11.76%	3.50%	3.36
Memphis	TN	57.78%	17.30%	3.34
Kansas City	MO	12.14%	3.77%	3.22
Charlotte	NC	26.69%	8.54%	3.13
New York City	NY	69.67%	22.35%	3.12
Nashville	TN	11.34%	3.68%	3.08
Tampa-St. Petersburg	FL	14.36%	4.72%	3.04
Dallas	TX	35.11%	12.64%	2.78
Chicago	IL	27.72%	10.61%	2.61
Saint Louis	MO	12.34%	4.90%	2.52
San Diego	CA	52.74%	21.12%	2.50
Houston	TX	55.15%	22.21%	2.48
Atlanta	GA	35.89%	14.85%	2.42
Bakersfield	CA	37.95%	15.92%	2.38
Minneapolis-St. Paul	MN	4.11%	1.74%	2.36
Indianapolis	IN	12.67%	5.38%	2.36
San Antonio	TX	74.62%	33.41%	2.23
San Jose	CA	76.69%	36.26%	2.12
Sacramento	CA	32.70%	15.67%	2.09
Boston	MA	10.22%	4.90%	2.09
Fresno	CA	61.29%	29.90%	2.05
Los Angeles-Long Beach	CA	78.95%	40.05%	1.97
Fort Lauderdale	FL	39.74%	20.81%	1.91
Orlando	FL	23.66%	12.68%	1.87
Oakland	CA	56.62%	31.72%	1.78
Providence	RI	6.56%	4.73%	1.39
Miami	FL	91.96%	77.90%	1.18
El Paso	TX	98.96%	92.95%	1.06

Percentage of Refinances Made in neighborhoods in which minorities make up more than 80% of the population

Metropolitan Area	State	Wells Fargo Financial	Wells Fargo Home Mortgage	Disparity
Fort Worth	TX	20.27%	1.30%	15.59
San Antonio	TX	43.94%	4.24%	10.36
Phoenix	AZ	9.82%	1.02%	9.63
Columbia	SC	23.96%	2.86%	8.38
Jacksonville	FL	15.06%	1.84%	8.18
Las Vegas	NV	11.78%	1.45%	8.12
Charlotte	NC	13.98%	1.74%	8.03
Tucson	AZ	24.52%	3.28%	7.48
Detroit	MI	29.45%	4.00%	7.36
Nassau-Suffolk	NY	12.69%	1.78%	7.13
Birmingham	AL	35.32%	6.08%	5.81
Dallas	TX	17.10%	3.30%	5.18
Nashville	TN	5.88%	1.15%	5.11
Milwaukee	WI	10.82%	2.15%	5.03
San Jose	CA	42.11%	8.59%	4.90
Memphis	TN	34.07%	7.06%	4.83
Hartford	CT	5.37%	1.13%	4.75
Tampa-St. Petersburg	FL	4.60%	0.97%	4.74
Kansas City	MO	5.92%	1.26%	4.70
Louisville	KY	8.82%	1.91%	4.62
San Diego	CA	17.44%	3.79%	4.60
Ft Lauderdale	FL	11.92%	2.62%	4.55
New York City	NY	57.38%	12.65%	4.54
Indianapolis	IN	4.98%	1.15%	4.33
Tulsa	OK	10.61%	2.52%	4.21
Sacramento	CA	6.92%	1.65%	4.19
Houston	TX	29.90%	7.13%	4.19
Orlando	FL	3.13%	0.77%	4.06
Chicago	IL	14.19%	3.88%	3.66
Oakland	CA	23.53%	6.89%	3.42
Fresno	CA	15.16%	4.66%	3.25
Saint Louis	MO	5.88%	1.85%	3.18
Bakersfield	CA	15.38%	5.07%	3.03
Los Angeles-Long Beach	CA	52.23%	17.59%	2.97
Atlanta	GA	24.37%	8.26%	2.95
Providence	RI	2.30%	0.82%	2.80
Minneapolis-St. Paul	MN	0.86%	0.42%	2.05
Boston	MA	4.15%	2.29%	1.81
Miami	FL	62.81%	39.42%	1.59
El Paso	TX	67.27%	47.54%	1.42
Des Moines	IA	0.00%	0.00%	#DIV/0!
Portland	OR	0.00%	0.00%	#DIV/0!

Compared to Other Lenders

TOTAL OF METROPOLITAN AREAS

When we compare the lending of Wells Fargo Financial and Wells Fargo Home Mortgage to that of other lenders in both prime and subprime markets (prime and subprime), we find two things:

1) Wells Fargo Financial made a higher percentage of its loans in low-income and minority neighborhoods than the aggregate of other lenders; and
2) Wells Fargo Home Mortgage made a smaller percentage of its loans in low-income and minority neighborhoods than the aggregate of other lenders.

As seen in the chart below, 8.61% of the refinances made by all other lenders were in neighborhoods in which minority residents account for more than 80% of the population. Wells Fargo Financial made more than twice as large a percentage of its loans (18.77%) in these neighborhoods, while Wells Fargo Home Mortgage made a significantly smaller percentage of its loans, just 5.20%, in these areas.

Percentage of Loans Made In Neighborhoods By Minority Population

Neighborhood Minority Population	Wells Fargo Financial	Aggregate of All Other Lenders	Wells Fargo Home Mortgage
< 10% Minority	21.99%	28.98%	29.42%
10-19% Minority	18.04%	23.39%	26.18%
20-49% Minority	25.56%	27.18%	29.21%
50-79% Minority	15.65%	11.85%	9.99%
80-100% Minority	18.77%	8.61%	5.20%

Whereas all other lenders made 14.00% of their refinances in low and moderate income neighborhoods, Wells Fargo Financial made 26.64% of its refinances in these neighborhoods and Wells Fargo Home Mortgage made just 9.76% of its loans in these areas.

Percentage of Loans Made In Neighborhoods By Income Level

Neighborhood Income Level	Wells Fargo Financial	Aggregate of All Other Lenders	Wells Fargo Home Mortgage
Low Income	3.00%	1.59%	0.91%
Moderate Income	23.64%	12.40%	8.85%
Middle Income	48.47%	42.19%	39.11%
Upper Income	24.89%	43.82%	51.12%

INDIVIDUAL METROPOLITAN AREAS

Low Income Neighborhoods

In only one of the forty-two metropolitan areas, Miami, did Wells Fargo Financial make a smaller percentage of its loans in low-income neighborhoods than the aggregate of all other lenders. Wells Fargo surpassed all other lenders by a large degree in the percentage of its loans made in low-income neighborhoods

- In more than half the metropolitan areas, twenty-five, the percentage of Wells Fargo Financial loans made in low-income neighborhoods was more than twice as large as the percentage of all other lenders.
- In eleven metropolitan areas, Wells Fargo Financial made more than a four times greater percentage of its loans in low-income neighborhoods as compared to all other lenders.
- In six metropolitan areas, Wells Fargo Financial made more than a five times greater percentage of its loans in low income neighborhoods than all other lenders did.

In just eight of the forty-two markets, Wells Fargo Home Mortgage made a larger percentage of its loans in low-income neighborhoods than the aggregate of all other lenders.

Minority Neighborhoods

In all of the examined cities, Wells Fargo Financial made at least a 1.23 times greater share of its loans in predominantly minority neighborhoods (census tracts in which minorities make up more than 80% of the population) compared to the aggregate of all other lenders[10].

- In thirty-five of the metro areas, the percentage of Wells Fargo Financial loans made in minority neighborhoods was more than twice as large as the percentage of all other lenders.
- In almost half of the metropolitan areas, twenty, Wells Fargo Finacial made at least a four times greater percentage of its loans in minority neighborhoods compared to the aggreagate of all other lenders.
- And in six of the metropolitan areas, Wells Fargo Finacial made at least a ten times greater percentage of its loans in minority neighborhoods compared to the aggreagate of all other lenders.

<u>In thirty-two metro areas, Wells Fargo Home Mortgage made a smaller percentage of its loans in minority neighborhoods as compared to the aggregate of all other lenders.</u>

[10] In Portland and Des Moines there are no census tracts with greater than 80% minority population.

Percentage of Refinance Loans Made in Low-Income Census Tracts

Metropolitan Area	State	Wells Fargo Financial	Wells Fargo Home Mortgage	Aggregate of all other lenders
Birmingham	AL	7.39%	1.19%	1.29%
Phoenix	AZ	2.35%	0.36%	0.76%
Tucson	AZ	1.92%	0.47%	0.73%
Bakersfield	CA	1.54%	0.64%	1.10%
Fresno	CA	1.94%	0.47%	1.12%
Los Angeles-Long Beach	CA	3.40%	0.75%	1.73%
Oakland	CA	8.46%	1.77%	3.42%
Sacramento	CA	3.77%	1.84%	3.05%
San Diego	CA	4.87%	1.98%	3.05%
San Jose	CA	3.01%	0.50%	1.24%
Hartford	CT	3.36%	1.05%	1.79%
Ft Lauderdale	FL	1.99%	0.43%	0.86%
Jacksonville	FL	3.64%	1.07%	0.82%
Miami	FL	1.01%	0.35%	1.11%
Orlando	FL	1.34%	0.29%	0.27%
Tampa-St. Petersburg	FL	0.92%	0.23%	0.56%
Atlanta	GA	3.24%	1.07%	1.83%
Des Moines	IA	2.68%	0.45%	0.94%
Chicago	IL	1.98%	0.78%	1.80%
Indianapolis	IN	3.17%	1.09%	1.31%
Louisville	KY	2.61%	1.22%	1.28%
Boston	MA	4.47%	2.49%	2.32%
Detroit	MI	6.16%	1.00%	2.05%
Minneapolis-St. Paul	MN	1.71%	0.96%	1.45%
Kansas City	MO	3.64%	1.13%	1.33%
Saint Louis	MO	1.86%	0.75%	1.39%
Charlotte	NC	3.81%	0.57%	0.56%
Las Vegas	NV	0.13%	0.24%	0.09%
Nassau-Suffolk	NY	1.21%	0.15%	0.28%
New York City	NY	4.92%	0.81%	1.96%
Tulsa	OK	3.35%	1.18%	0.62%
Portland	OR	1.11%	0.51%	0.72%
Providence	RI	4.26%	2.28%	2.74%
Columbia	SC	1.56%	0.54%	0.60%
Memphis	TN	7.04%	1.24%	1.94%
Nashville	TN	2.10%	0.72%	0.95%
Dallas	TX	4.27%	0.71%	0.87%
El Paso	TX	1.82%	0.38%	0.18%
Fort Worth	TX	6.87%	0.65%	0.73%
Houston	TX	3.35%	1.47%	0.94%
San Antonio	TX	3.79%	0.22%	0.33%
Milwaukee	WI	3.61%	1.49%	3.03%

Percentage of Refinance Loans Made In Minority Census Tracts

Metropolitan Area	State	Wells Fargo Financial	Wells Fargo Home Mortgage	Aggregate of all other lenders
Birmingham	AL	35.32%	6.08%	6.34%
Phoenix	AZ	9.82%	1.02%	2.51%
Tucson	AZ	24.52%	3.28%	2.32%
Bakersfield	CA	15.38%	5.07%	7.74%
Fresno	CA	15.16%	4.66%	8.13%
Los Angeles-Long Beach	CA	52.23%	17.59%	28.57%
Oakland	CA	23.53%	6.89%	10.36%
Sacramento	CA	6.92%	1.65%	2.74%
San Diego	CA	17.44%	3.79%	2.41%
San Jose	CA	42.11%	8.59%	16.17%
Hartford	CT	5.37%	1.13%	1.87%
Ft Lauderdale	FL	11.92%	2.62%	6.27%
Jacksonville	FL	15.06%	1.84%	3.23%
Miami	FL	62.81%	39.42%	50.95%
Orlando	FL	3.13%	0.77%	1.24%
Tampa-St. Petersburg	FL	4.60%	0.97%	1.73%
Atlanta	GA	24.37%	8.26%	10.49%
Des Moines	IA	0.00%	0.00%	0.00%
Chicago	IL	14.19%	3.88%	7.82%
Indianapolis	IN	4.98%	1.15%	2.07%
Louisville	KY	8.82%	1.91%	1.28%
Boston	MA	4.15%	2.29%	1.99%
Detroit	MI	29.45%	4.00%	6.43%
Minneapolis-St. Paul	MN	0.86%	0.42%	0.58%
Kansas City	MO	5.92%	1.26%	1.86%
Saint Louis	MO	5.88%	1.85%	2.01%
Charlotte	NC	13.98%	1.74%	1.97%
Las Vegas	NV	11.78%	1.44%	1.72%
Nassau-Suffolk	NY	12.69%	1.78%	0.28%
New York City	NY	57.38%	12.65%	1.96%
Tulsa	OK	10.61%	2.52%	0.62%
Portland	OR	0.00%	0.00%	0.00%
Providence	RI	2.30%	0.82%	1.00%
Columbia	SC	23.96%	2.86%	2.92%
Memphis	TN	34.07%	7.06%	1.94%
Nashville	TN	5.88%	1.15%	0.95%
Dallas	TX	17.10%	3.30%	3.95%
El Paso	TX	67.27%	47.54%	49.74%
Fort Worth	TX	20.27%	1.30%	1.62%
Houston	TX	29.90%	7.13%	10.67%
San Antonio	TX	43.94%	4.24%	9.30%
Milwaukee	WI	10.82%	2.15%	3.03%

Market Share

TOTAL OF METROPOLITAN AREAS

Wells Fargo Financial has a much greater market share in low income and minority areas than it does in upper income and white neighborhoods, while Wells Fargo Home Mortgage has a greater market share in upper income and minority neighborhoods than it does in low income and minority neighborhoods.

Wells Fargo Financial has a three times greater market share in the neighborhoods with the greatest minority population compared to those neighborhoods with the highest white population.

In contrast, Wells Fargo Home Mortgage has a 10.47% market share in white neighborhoods (census tracts with less than 20% minority population), 1.65 times greater than their 6.36% market share in minority neighborhoods.

Market Share of Refinance Loans Made in Neighborhoods By Minority Population

Neighborhood Minority Population	Wells Fargo Financial	Wells Fargo Home Mortgage
< 10% Minority	0.24%	9.85%
10-19% Minority	0.24%	11.25%
20-49% Minority	0.30%	11.02%
50-79% Minority	0.43%	8.86%
80-100% Minority	0.72%	6.36%

Wells Fargo Financial has a 0.62% market share in low-income census tracts, 3.49 times greater than their market share in upper-income neighborhoods.

In contrast, Wells Fargo Home Mortgage has an 11.75% market share in upper-income neighborhoods, double the 5.97% market share they have in low-income neighborhoods.

Market Share of Refinances Made in Neighborhoods By Income Level

Neighborhood Income Level[11]	Wells Fargo Financial	Wells Fargo Home Mortgage
Low Income	0.62%	5.97%
Moderate Income	0.62%	7.35%
Middle Income	0.37%	9.28%
Upper Income	0.18%	11.75%

[11] Low-income neighborhoods are defined as census tracts in which the median income is less than 50% of the area median income. Moderate-income neighborhoods are defined as census tracts in which the median income is between 50% and 80% of the area median income. Middle-income neighborhoods are defined as census tracts in which the median income is between 80% and 120% of the area median income. Upper-income neighborhoods are defined as census tracts in which the median income is more than 120% of the area median income.

INDIVIDUAL METROPOLITAN AREAS

Market Share – Low and Moderate Income Neighborhoods

In all of the examined metropolitan areas, Wells Fargo Financial had a much larger market share of loans in low-income neighborhoods than in upper income neighborhoods.

- In fifteen metropolitan areas Wells Fargo Financial's market share of loans made in low-income neighborhoods was at least six times greater than their market share in upper-income neighborhoods.

- In more than half of the metro areas (twenty-six) Wells Fargo Financial's market share of loans made in low-income neighborhoods was at least four times greater than their market share in upper-income neighborhoods.

- In thirty-nine of the metropolitan areas, Wells Fargo Financial's market share of loans made in low-income neighborhoods was more than twice as large as their market share in upper income neighborhoods.

In all but five of the forty-two metropolitan areas, Wells Fargo Home Mortgage had a larger market share in upper income neighborhoods than in lower-income neighborhoods. In thirteen of the metropolitan areas, Wells Fargo Home Mortgage's market share in upper-income neighborhoods was at least twice as large as their share in low-income neighborhoods.

Wells Fargo Financial Market Share

Metropolitan Area	State	Low-Income Census Tracts	Upper-Income Census Tracts	Disparity Ratio
San Antonio	TX	5.99%	0.14%	42.79
Fort Worth	TX	3.49%	0.12%	29.08
Charlotte	NC	1.80%	0.10%	18.00
Birmingham	AL	7.00%	0.48%	14.58
El Paso	TX	20.59%	1.49%	13.82
Tulsa	OK	2.87%	0.25%	11.48
Dallas	TX	1.88%	0.17%	11.06
Nassau-Suffolk	NY	1.02%	0.11%	9.27
Jacksonville	FL	2.68%	0.29%	9.24
San Jose	CA	0.23%	0.03%	7.67
Orlando	FL	1.22%	0.16%	7.63
Memphis	TN	2.48%	0.35%	7.09
Houston	TX	0.91%	0.13%	7.00
Detroit	MI	0.13%	0.02%	6.50
Des Moines	IA	2.18%	0.34%	6.41
Tucson	AZ	0.28%	0.05%	5.60
Phoenix	AZ	0.89%	0.16%	5.56
Columbia	SC	2.05%	0.40%	5.13
Oakland	CA	0.30%	0.06%	5.00
Nashville	TN	0.82%	0.17%	4.82
Kansas City	MO	1.57%	0.33%	4.76
Boston	MA	0.22%	0.05%	4.40
San Diego	CA	0.44%	0.10%	4.40
Indianapolis	IN	0.52%	0.12%	4.33
Atlanta	GA	0.57%	0.14%	4.07
New York City	NY	0.36%	0.09%	4.00
Milwaukee	WI	0.63%	0.16%	3.94
Fresno	CA	1.18%	0.32%	3.69
Hartford	CT	0.40%	0.11%	3.64
Los Angeles-Long Beach	CA	0.54%	0.15%	3.60
Providence	RI	0.55%	0.18%	3.06
Tampa-St. Petersburg	FL	0.75%	0.27%	2.78
Ft Lauderdale	FL	0.38%	0.14%	2.71
Louisville	KY	1.02%	0.39%	2.62
Saint Louis	MO	1.41%	0.58%	2.43
Bakersfield	CA	0.91%	0.40%	2.28
Portland	OR	0.52%	0.23%	2.26
Sacramento	CA	0.25%	0.12%	2.08
Minneapolis-St. Paul	MN	0.56%	0.27%	2.07
Las Vegas	NV	0.79%	0.45%	1.76
Chicago	IL	0.24%	0.14%	1.71
Miami	FL	0.20%	0.17%	1.18

Wells Fargo Home Mortgage Market Share

Metropolitan Area	State	Low-Income Census Tracts	Upper-Income Census Tracts	Disparity Ratio
Miami	**FL**	2.75%	10.10%	3.67
San Jose	**CA**	6.24%	18.76%	3.01
Los Angeles-Long Beach	**CA**	3.73%	10.02%	2.69
Chicago	**IL**	4.19%	11.15%	2.66
Tampa-St. Petersburg	**FL**	5.87%	15.43%	2.63
New York City	**NY**	4.86%	12.77%	2.63
Fresno	**CA**	7.27%	18.56%	2.55
Nassau-Suffolk	**NY**	5.37%	13.39%	2.49
Des Moines	**IA**	11.64%	28.75%	2.47
Ft Lauderdale	**FL**	4.68%	11.54%	2.47
Detroit	**MI**	2.73%	6.39%	2.34
Oakland	**CA**	6.40%	14.73%	2.30
Phoenix	**AZ**	5.55%	12.15%	2.19
Saint Louis	**MO**	8.28%	16.16%	1.95
Hartford	**CT**	3.19%	5.98%	1.87
Atlanta	**GA**	7.44%	13.93%	1.87
Sacramento	**CA**	6.65%	12.40%	1.86
Bakersfield	**CA**	7.93%	14.33%	1.81
Tucson	**AZ**	1.61%	2.83%	1.76
Memphis	**TN**	6.27%	10.97%	1.75
San Antonio	**TX**	5.39%	8.96%	1.66
Minneapolis-St. Paul	**MN**	15.57%	25.80%	1.66
Milwaukee	**WI**	5.91%	9.28%	1.57
Nashville	**TN**	4.89%	7.33%	1.50
Portland	**OR**	9.46%	14.04%	1.48
Indianapolis	**IN**	4.22%	5.80%	1.37
Kansas City	**MO**	6.61%	8.87%	1.34
Providence	**RI**	3.41%	4.45%	1.30
San Diego	**CA**	7.36%	9.52%	1.29
Dallas	**TX**	4.98%	6.34%	1.27
Columbia	**SC**	4.79%	5.74%	1.20
Birmingham	**AL**	3.50%	4.18%	1.19
Fort Worth	**TX**	6.11%	7.29%	1.19
Boston	**MA**	4.66%	5.21%	1.12
Louisville	**KY**	4.72%	5.26%	1.11
Orlando	**FL**	11.43%	12.71%	1.11
Charlotte	**NC**	5.99%	6.50%	1.09
Jacksonville	**FL**	13.41%	12.47%	0.93
Houston	**TX**	10.22%	7.62%	0.75
El Paso	**TX**	14.71%	9.72%	0.66
Tulsa	**OK**	7.66%	4.36%	0.57
Las Vegas	**NV**	28.57%	12.99%	0.45

Market Share Minority Census Tracts

In all of the metropolitan areas reviewed, Wells Fargo Financial had a larger market share in minority neighborhoods (more than 80% minority population) than in white neighborhoods (less than 20% minority population)[12].

- In thirty-two of the metropolitan areas, Wells Fargo Financial's market share of loans made in minority neighborhoods was more than three times as large as their market share in white neighborhoods.

- In twenty-one metropolitan areas, half of those examined, Wells Fargo Financial's market share of loans made in minority neighborhoods was at least five times greater than their market share in upper income neighborhoods.

- In eighteen metropolitan areas Wells Fargo Financial's market share of loans made in low-income neighborhoods was more than six times greater than their market share in upper income neighborhoods.

- In nine metropolitan areas Wells Fargo Financial's market share of loans made in low-income neighborhoods was at least ten times more than their market share in upper income neighborhoods.

In thirty-four metropolitan areas, Wells Fargo Home Mortgage had a larger market share in white neighborhoods than in minority neighborhoods.

In a number of individual metropolitan areas, Wells Fargo Financial made more loans in minority or low-income neighborhoods than Wells Fargo Home Mortgage, despite Wells Fargo Financial's smaller size and lower loan volume.

Wells Fargo Financial made more loans than Wells Fargo Home Mortgage in:

- low income neighborhoods in El Paso, Texas, although Wells Fargo Home Mortgage made three times more total loans as Wells Fargo Financial there.

- low income neighborhoods in San Antonio, Texas, despite the fact that Wells Fargo Home Mortgage made fifteen times more total refinances than Wells Fargo Financial.

- low-income and minority neighborhoods in Birmingham, Alabama, even though Wells Fargo Home Mortgage made fifteen times more total refinances than Wells Fargo Financial.

- minority neighborhoods in Columbia, South Carolina, although Wells Fargo Home Mortgage made fifteen times more total refinances than Wells Fargo Financial in that metropolitan area.

[12] In Portland and Des Moines there are no census tracts with greater than 80% minority population, and in El Paso there are no census tracts with less than 20% minority population.

Wells Fargo Financial Market Share

Metropolitan Area	State	Minority Census Tracts	White Census Tracts	Disparity Ratio
Tucson	AZ	1.08%	0.04%	27.00
Fort Worth	TX	4.60%	0.26%	17.69
Los Angeles-Long Beach	CA	0.50%	0.03%	16.67
Columbia	SC	6.18%	0.38%	16.26
Las Vegas	NV	4.75%	0.35%	13.57
San Antonio	TX	2.58%	0.20%	12.90
San Jose	CA	0.24%	0.02%	12.00
Birmingham	AL	6.81%	0.60%	11.35
Charlotte	NC	1.88%	0.18%	10.44
Jacksonville	FL	3.06%	0.34%	9.00
Tulsa	OK	3.02%	0.36%	8.39
Dallas	TX	1.67%	0.24%	6.96
Oakland	CA	0.27%	0.04%	6.75
Fresno	CA	1.24%	0.19%	6.53
Detroit	MI	0.19%	0.03%	6.33
Phoenix	AZ	1.13%	0.18%	6.28
Memphis	TN	2.05%	0.33%	6.21
San Diego	CA	0.55%	0.09%	6.11
Houston	TX	0.76%	0.13%	5.85
New York City	NY	0.34%	0.06%	5.67
Milwaukee	WI	1.41%	0.28%	5.04
Sacramento	CA	0.52%	0.11%	4.73
Nashville	TN	1.33%	0.31%	4.29
Ft Lauderdale	FL	0.32%	0.08%	4.00
Nassau-Suffolk	NY	0.71%	0.18%	3.94
Kansas City	MO	1.84%	0.51%	3.61
Hartford	CT	0.61%	0.17%	3.59
Tampa-St. Petersburg	FL	1.19%	0.34%	3.50
Saint Louis	MO	2.85%	0.86%	3.31
Louisville	KY	1.72%	0.54%	3.19
Atlanta	GA	0.72%	0.23%	3.13
Bakersfield	CA	1.28%	0.41%	3.12
Orlando	FL	0.66%	0.24%	2.75
Indianapolis	IN	0.52%	0.19%	2.74
Providence	RI	0.81%	0.31%	2.61
Chicago	IL	0.40%	0.17%	2.35
Boston	MA	0.24%	0.11%	2.18
Minneapolis-St. Paul	MN	0.69%	0.41%	1.68
Miami	FL	0.27%	0.24%	1.13
Des Moines	IA	N/A	0.71%	#VALUE!
Portland	OR	N/A	0.25%	#VALUE!
El Paso	TX	3.69%	N/A	#VALUE!

Market Share Wells Fargo Home Mortgage

Metropolitan Area	State	Minority Census Tracts	White Census Tracts	Disparity Ratio
Los Angeles-Long Beach	CA	5.23%	14.26%	2.73
Phoenix	AZ	4.77%	12.06%	2.53
San Jose	CA	8.02%	19.63%	2.45
Nassau-Suffolk	NY	4.30%	10.52%	2.45
Ft Lauderdale	FL	3.99%	9.66%	2.42
San Antonio	TX	3.85%	9.03%	2.35
New York City	NY	6.15%	13.47%	2.19
Chicago	IL	4.76%	10.20%	2.14
Oakland	CA	8.08%	16.13%	2.00
San Diego	CA	4.96%	9.46%	1.91
Fresno	CA	9.56%	17.38%	1.82
Indianapolis	IN	2.85%	5.11%	1.79
Jacksonville	FL	6.32%	11.33%	1.79
Tampa-St. Petersburg	FL	7.63%	13.61%	1.78
Memphis	TN	6.07%	10.68%	1.76
Houston	TX	4.64%	8.11%	1.75
Sacramento	CA	6.60%	11.45%	1.73
Hartford	CT	3.28%	5.47%	1.67
Orlando	FL	7.02%	11.43%	1.63
Detroit	MI	3.45%	5.61%	1.63
Kansas City	MO	5.28%	7.97%	1.51
Bakersfield	CA	8.83%	12.91%	1.46
Las Vegas	NV	11.05%	15.97%	1.45
Milwaukee	WI	6.36%	8.99%	1.41
Nashville	TN	4.56%	6.43%	1.41
Louisville	KY	3.69%	4.99%	1.35
Minneapolis-St. Paul	MN	16.62%	22.40%	1.35
Fort Worth	TX	5.46%	7.11%	1.30
Dallas	TX	5.12%	6.51%	1.27
Atlanta	GA	9.75%	12.29%	1.26
Providence	RI	3.34%	4.01%	1.20
Charlotte	NC	5.18%	6.07%	1.17
Saint Louis	MO	13.22%	14.58%	1.10
Birmingham	AL	3.64%	3.91%	1.07
Columbia	SC	4.97%	4.71%	0.95
Boston	MA	4.98%	4.37%	0.88
Tulsa	OK	5.41%	4.35%	0.80
Tucson	AZ	3.43%	2.11%	0.62
Miami	FL	6.57%	0.00%	0.00
Des Moines	IA	N/A	24.50%	#VALUE!
Portland	OR	N/A	13.06%	#VALUE!
El Paso	TX	8.94%	N/A	#VALUE!

Wells Fargo's Predatory Lending Practices

In our conversations with Wells Fargo borrowers around the country and our examinations of their loan paperwork, we have been troubled to find repeated patterns of some of the classic predatory lending practices. The following section provides a basic overview of some of the worst abuses engaged in by Wells Fargo's subprime lending units.

Financing Excessive Fees Into Loans

The financing of excessive fees into loans is an extremely damaging predatory lending practice – because ten or twenty thousand dollars of equity can be easily taken from a homeowner in a single transaction, greatly encouraging lenders and brokers to make loans that provide no benefit to the borrower. As recently as 2002, Wells Fargo Financial regularly charged 10% of the loan amount in fees, which were financed into the mortgage. These fees compare to typical fees of 2, 1, or even 0 percent of the loan amount on A refinance loans. To add insult to injury, Wells often labels their fees as "discount points," although borrowers end up paying very high interest rates.

In addition to stealing away huge amounts of home equity, excessive fees financed into loans greatly increase the amount of debt staked against a borrower's house and result in much higher interest costs, especially on high-rate loans. On a 30-year $100,000 loan at 12% interest, financing in $7,000 in fees will increase the monthly payments from $1,028 to $1,100. Because these fees are financed into loans (added to the loan principal), the borrower never writes out a check and often has no idea how much the fees cost.

In response to growing public attention, Wells began lowering its standard amount of fees to 7% of the loan amount[13] – an amount that would be illegal, or has recently been made illegal, to finance under state anti-predatory lending laws in North Carolina, California, New Mexico, New Jersey, and Massachusetts. Wells then lowered its fees to 5% and has since lowered them again to 4%. However, if 4% is charged as a standard fee to all borrowers and financed into loans it still remains a major drain of equity and is way out of proportion to fees charged by prime lenders.

> *The H's bought their home in 1993 with a loan at a 7.5% interest rate. In 1995 they took out a second mortgage with Norwest Financial (now Wells Fargo Finanical) to finish their basement. Wells Fargo refinanced this second mortgage several times, increasing the loan amount each time until in April 2000 they owed $58,500. In November 2001, Wells Fargo Financial refinanced their first and second mortgages. Their $212,396 loan included $16,281 in closing costs, of which $14,867 or 7% of the loan was for loan discount points. Despite how much they were charged in discount points, their new loan had a 10.88% rate.*

Charging Higher Interest Rates than a Borrower's Credit Warrants

Wells Fargo Financial loans made in the past few years routinely carry interest rates of 10% to 12%, and sometimes higher – compared to rates on A loans that have fluctuated between 5% and 6% over this period. While the higher interest rates charged by subprime lenders are intended to compensate lenders for taking a greater credit risk, customers are simply being gouged when these rates are charged to borrowers with perfectly good credit. We see Wells loans to borrowers with A credit at rates 3 to 6 points higher than the market rate for A loans, which result in much more costly monthly payments. On a 30-year $150,000 loan, a 6% interest rate will result in monthly

[13] This appears to have happened over the course of 2002; the latest loan we have seen with 10 points financed in as an origination fee was made in August 2002.

payments of $899 and total interest payments of around $173,000; by comparison, a 12% rate will result in monthly payments of $1,543 and total interest payments of over $405,000.

And for borrowers with imperfect but not bad credit, Wells regularly charges rates well above what the industry describes as standard rates for B or C borrowers. These inflated rates can also help create a vicious cycle, as the higher interest costs often directly cause the borrower to default on their mortgage and eventually lose their home.

A family had a 7.8% interest rate on their mortgage when they cashed a live check from Wells Fargo Financial to help out their unemployed adult son. They didn't understand the difference between Wells Fargo Bank and Wells Fargo Financial and when Wells Fargo Financial promised them a 6% interest rate, they decided to refinance to pay off some bills and buy new windows. A few weeks later, Wells said it would be an 8% rate and then at closing they found out that it would be 10%, despite Wells Fargo's financing 7 discount points into their loan, which stripped away $7,813 of their equity. The husband did not have one negative account on his credit report and six months after refinancing, the husband still had excellent credit with scores of 682, 731, and 680. ACORN Housing was able to help the couple refinance into a 5.3% interest rate.

Prepayment Penalties

A large portion of the subprime loans made by Wells Fargo contain prepayment penalties – additional fees for refinancing the mortgage or selling the house before a specified number of years has expired – while extremely few of their prime loans have such penalties. Their penalties typically last for the first three to five years of the loan, with an amount often set at close to six months' interest on the loan amount. To refinance out of an 11% interest rate loan with a balance of $100,000, a penalty for six months' interest would come to over $4,500, which would be financed into the new loan (increasing the loan principal). The penalty functions as an additional and expensive fee on the loan – on top of their large origination fees – trapping them in higher rates and/or robbing them of additional equity.

Lenders argue that prepayment penalties protect them against frequent turnover of loans, and that as a result of the higher rates which investors are willing to pay for loans with prepayment penalties, they are able to charge borrowers lower interest rates. First, it is difficult to appreciate interest rate "savings" when the rates remain so high. In addition, the truth is that very large and quite predictable numbers of borrowers in subprime loans do refinance within the period covered by the prepayment penalty and may well end up paying more in the penalty than they "saved" even if their interest rate was reduced. It is particularly pernicious when prepayment penalties keep borrowers trapped in the all-too-common situation of paying interest rates higher than they should be.

Wells borrowers are frequently unaware that their loans contain a prepayment penalty. Sometimes the loan officers never point it out, while others deliberately mislead borrowers, falsely telling them that their loans don't contain such penalties. And even the most knowledgeable borrowers can easily miss the prepayment penalty provision hidden amid the mounds of paperwork, and end up robbed of additional equity or trapped in an excessive rate because the penalty would boost their loan-to-value ratio beyond 100%.

Mr. and Mrs. L have lived in their home since 1994. Their original purchase loan had an adjustable rate around 5% and monthly payments of $700, including taxes and insurance. After buying furniture sometime in 2000 that was financed through Wells Fargo Financial, the Ls began to be solicited by Wells Fargo to refinance their house. The deal Wells Fargo offered sounded too good to be true; it was only at closing that the Ls discovered the interest rate increased to 8.75% and the monthly payments were now $1,170. Only when trying to refinance out of this loan did the Ls find out about the prepayment penalty, which would cost them around $5,000.

Feeling trapped by these loan terms, the Ls decided to refinance with Wells Fargo Financial again in October, 2004. Despite specifically telling the loan officer that they wanted lower monthly payments, they found out at closing that the new loan instead increased their payments to $1,235—which does not include taxes and insurance—and increased their interest rate to 11.15%. On top of this, Wells Fargo again trapped the Ls into this loan with a three-year prepayment penalty that would cost them around $5,700 to refinance.

Making Loans Without Regard to the Borrower's Ability to Pay

Wells Fargo also makes loans based solely on a homeowner's equity, even when it is obvious that the homeowner will not be able to afford their payments. Especially when there is significant equity in a home, Wells Fargo can turn a profit by reselling the house after foreclosure. Until that happens, the borrower is stuck with exorbitant monthly payments.

In other cases, the opportunity to strip away huge amounts of home equity drives the origination of clearly unaffordable mortgages. For mortgage brokers, the immediate opportunity to legally take away several thousand dollars of home equity more than offsets the eventual consequences of the loan, which will be dealt with by the holder on the secondary market. Similarly, personal commissions may push loan officers at mortgage companies to make loans that cannot be repaid.

Ms. S bought her home in 1998 with a mortgage that had an interest rate of 7.1%. She has an income of $2,037 from working two different jobs. After being heavily solicited by Wells Fargo Financial she refinanced her home with them for $102,926. The new loan had a variable interest rate starting at 9.6% and monthly payments of $1,081—not including taxes and insurance. Her new monthly payment equals 53% of her monthly income, and it is extremely difficult for her to afford this much especially when she has to pay for her taxes and insurance separately. Ms. S has to use her second job to pay mainly for taxes and insurance; the hardship of this loan forced her to file for bankruptcy to keep her mortgage intact.

Yield Spread Premiums

A yield spread premium is compensation from a lender to a mortgage broker for the broker's success in getting the borrower to accept a higher interest rate than the lender would have given the borrower at their standard, or "par" rate. Brokers usually receive this kickback on top of an already large compensation fee financed into the borrower's loan. While brokers typically try to create the impression with borrowers that they are trying to secure the best possible loan, yield spread premiums create an obvious financial incentive for brokers to increase the loan costs. In the text of a proposed rule that would change how the premiums are disclosed but would not alter their fundamentally abusive nature, HUD estimates that lenders annually pay brokers $15 billion to increase borrower's interest rates – the same amount that borrowers pay in origination charges[14].

Yield spread premiums further harm borrowers in that the financial incentives often drive lenders to insist that the loans include prepayment penalties. Since by definition a yield-spread premium pushes the borrower into an excessive interest rate, these borrowers are more likely to want to refinance out of the loan. To reduce the likelihood that borrowers will refinance out and to ensure their profits even if they do, lenders often require brokers to also include a prepayment penalty when the interest rate is inflated due to a yield-spread premium.

Mr. and Mrs. M. purchased their home in 1987 and had a loan with an 8% fixed rate and a monthly payment of $738, which included the taxes and insurance. A broker with All Fund Mortgage refinanced them into a loan with Wells Fargo Home Mortgage that had an adjustable interest rate that started at

[14] Docket No. FR-4727-P-01, *Federal Register,* July 29, 2002, p. 49170.

12.25% and could go as high as 18.25%. Their $109,200 loan included almost $10,000 in closing costs and fees, of which almost half went directly to All Fund. In addition to these fees which were included in the loan, Wells Fargo Home Mortgage paid All Fund a $3,276 yield spread premium.

Single Premium Credit Insurance

Credit insurance is insurance linked to a specific debt or loan which will supposedly pay off that particular debt if the borrower loses the ability to pay either because of sickness (credit disability insurance), death (credit life insurance), or losing their job (credit unemployment insurance).

These policies have long been aggressively and deceptively sold in the subprime market while they have rarely been offered in the 'A' lending world. Credit insurance policies are most destructive when the entire cost of the policy is put into a single premium—usually for several thousand dollars—and financed by the lender into the loan amount (in contrast to monthly-paid policies in which the borrower pays a premium each month for the coverage). The financing of these policies strips away equity, inflates origination fees, and racks up substantial extra interest charges on high-rate loans. Because the financed policies produce such huge profits, loan officers often falsely tell borrowers that such policies are required in order to get the loan or that the policies last for the entire life of the loan when they might only cover the first five years, if they tell the borrower about the policy at all.

Given the prevalence of these financed policies in the subprime market and the damage they inflicted, community groups and other opponents of predatory lending made their elimination (and replacement by monthly-paid policies) a top priority. In 2000, the HUD-Treasury report on predatory lending recommended that such policies be prohibited on all home loans, which followed announcements from Fannie Mae and Freddie Mac that they would no longer buy loans with single-premium credit insurance. In October 2002, the Federal Reserve implemented a regulatory change to the federal HOEPA law that greatly discourages the financing of such policies by counting them toward the calculation of "points and fees" for HOEPA purposes.

Up until October 2002 when the federal government changed the regulations to sharply discourage such policies – and well after other major lenders that they would end sales of single-premium credit insurance – Wells Fargo Financial regularly financed these policies into their home loans. These policies – which are lumped as a single premium and added to the loan amount, as opposed to being paid monthly as the borrower receives the coverage – strip away thousands of dollars of home equity and rack up large interest costs by inflating the loan amount. They are often sold deceptively, as borrowers do not realize that the policies are included in their loans or are misled about how the policies work, such as being made to believe that the policies last for the entire life of the loan, rather than the typical initial period of five years.

Mr. and Mrs. B bought their home with a 30-year mortgage with monthly payments of $536 and an interest rate of 8.5%. In 2002 they refinanced with Wells Fargo Financial for $107,113 after being heavily solicited by Wells to consolidate their debts into their mortgage. In addition to giving the Bs an interest rate of 11.4%, Wells Fargo also told them that Wells was required to finance into the loan single-premium credit life and disability insurance policies, which together came to over $6,300. In fact, Mr. B already had a regular life insurance policy that provided enough coverage, and did not at all need an additional policy. Over the course of the 10-year loan, the Bs would pay a total of $10,198 for the insurance alone. (Another $10, 711 of the loan was charged for so-called "discount points," which will cost an additional $17,176 over the life of the loan.)

The Bs were trapped into the loan by a five-year prepayment penalty, and so when they struggled with the high monthly payments and high interest rate, they were forced to go back to Wells Fargo Financial to see about getting these lowered. In the new loan Wells did lower their payments to $1,240, however the

interest rate was increased to 13% and Wells also financed into the loan "discount" fees for $7,316. In addition, Wells again charged the Bs for a credit life insurance policy (this time called a term life insurance policy in an attempt to evade a change in federal law) for $2,560. Mr. B specifically told the loan officer that they did not want the life insurance policy, but the officer said that the loan could not be closed without it. The Bs were counting on this refinance to catch up with their mortgage payments, and so they felt that they had no choice but to take it.

Loan Flipping

Loan flipping is a practice in which a lender, often through high-pressure or deceptive sales tactics, encourages repeated refinancing by existing customers and tacks on thousands of dollars in additional fees or other charges each time. Some lenders will intentionally start borrowers with a loan at a higher interest rate, so that the lender can then refinance the loan to a slightly lower rate and charge additional fees to the borrower. This kind of multiple refinancing is never beneficial to the borrower and results in the further loss of equity. Flipping can also take place when competing lenders refinance the same borrower repeatedly, promising benefits each time which are not delivered or which are outweighed by the additional costs of the loan.

Mr. And Mrs. O have owned their home for over thirty years. They refinanced with TCF in 1995 and got a loan at 7.875% interest and a total monthly payment of $784 including taxes and insurance. In September 2001, they took out a $25,598 second mortgage with Wells Fargo Financial to consolidate their credit card debt. The loan included $3,021 in fees and closing costs and $4,225 in credit insurance and had a14.1% interest rate. In March 2002, they refinanced the second mortgage again with Wells Fargo Financial. The new loan for $54,047 included $6,003 credit insurance in addition to over $6,000 in closing costs, and had an even higher interest rate, 14.69%. Wells Fargo kept calling them about refinancing and in November 2002, Wells Fargo Financial refinanced both their first and second mortgages into a new loan for $162,651, which included $8,577 in closing costs and had an 11.98% interest rate.

Their new monthly payment jumped to $1,950. The Os refinanced in June 2003 with the help of ACORN Housing and got a 7.25% rate, lowering their payment by $800 a month.

Home Loans Also Secured by Cars

On occasion, Wells Fargo Financial secures their loans not only by the borrower's house but also by their car. Sometimes this is done when borrowers who already have an auto loan with Wells Fargo are convinced to refinance their whole mortgage along with the car loan. This is another of Wells' tactics to build up the amount of a consumer's debt held by the company. The practical effect of increasing the size of the loan is that it increases Wells' origination fees on the refinance, which are set as a percentage of the loan amount. Sometimes Wells Fargo insists on securing the mortgage with a homeowner's car or cars even when the mortgage does not pay off an auto loan.

The practice of securing the mortgage with a home and car has two other effects. First, it makes it easier for Wells Fargo to collect on the mortgage. If a homeowner is behind on their payment, Wells Fargo can threaten to repossess their car, and rather than waiting for the entire foreclosure process, Wells can take the car on a much shorter timeline. Secondly, if the homeowner wants to sell their car, they have to get Wells Fargo to release the title to it. When the homeowner contacts Wells about releasing the title, Wells can solicit them to finance a new car.

Mr. and Mrs. E got a 10-year loan from Wells Fargo Financial in March 2003 that paid off their previous mortgage as well as several other debts. Wells Fargo never told the Es that the loan was secured by both their house and their two cars. At closing, Wells assured the Es that they could trade in either of their cars

without being affected by the mortgage, but when they wanted to trade in the caravan, Wells told them they could not. On top of this, the monthly payments of $1,540 have become difficult for them to afford on their monthly income of about $3,000, and their financial situation has become tight since Wells did not include their second mortgage and other debts such as student loan payments into their refinance. In struggling to make their payments, they are not only threatened with the loss of their house, but may also end up losing both of their cars.

Hidden Variable Interest Rates

Borrowers are often led to believe they are receiving fixed interest rates when their loans actually contain a variable rate, which can often only go up. Wells Fargo Financial loans frequently contain variable interest rates that might start at 11%, which would also be the floor – or the lowest the rate can ever go – and have a ceiling of 17%. Structuring the loan with a variable interest rate also let Wells Fargo Financial avoid restrictions in state law on the length or amount of prepayment penalties until an Office of Thrift Supervision ruling put an end to this.

Mr. and Mrs. E got a 10-year loan from Wells Fargo Financial in March 2003 that paid off their previous mortgage as well as several other debts. Wells Fargo never told the Es that the loan was secured by both their house and their two cars. At closing, Wells assured the Es that they could trade in either of their cars without being affected by the mortgage, but when they wanted to trade in the caravan, Wells told them they could not. On top of this, the monthly payments of $1,540 have become difficult for them to afford on their monthly income of about $3,000, and their financial situation has become tight since Wells did not include their second mortgage and other debts such as student loan payments into their refinance. In struggling to make their payments, they are not only threatened with the loss of their house, but may also end up losing both of their cars.

Loans up to 125% Loan-to-Value Ratio

Wells Fargo Financial advertises that they make loans for up to 125% of the value of a borrower's home. Such high LTV loans allow for the financing in of larger fees, and prevent borrowers from refinancing out of higher rates. The practical effect is that even borrowers with excellent credit have no way to escape from a high rate loan if they are 'upside down' and owe more than their home is worth. Borrowers are frequently unaware that they owe much more than their homes are worth, and even more frequently unaware of the consequences.

Mr. and Mrs. B's home was appraised for $90,000. Their previous mortgage for $57,254 was refinanced by Wells Fargo Financial for $107,113. While the loan paid six other debts for a total of $30,056, Wells Fargo also included in the loan "discount points" for $10,726 (11% of the amount financed) and credit life insurance for over $6,000, both of which pushed the loan-to-value ratio to well over 100% (to 119%). The Bs felt they had no choice but to refinance with Wells Fargo Financial again, but the new Wells loan for $104,295 likewise exceeded 100% loan-to-value ratio (116%). As if these ratios were not enough of an obstacle to the Bs ability to refinance, Wells Fargo also included a prepayment penalty.

Live Checks In the Mail

To bring customers in, Wells often mails out unsolicited live checks to homeowners for a few thousand dollars. Sending out enough of these checks, which in reality are loans with interest rates ranging around 25% or 30%, ensures that Wells will hit a few vulnerable homeowners who either do not understand what they are getting into and/or are confronting difficult personal situations. While these types of mailings tend to be generally misleading about the nature of the live checks, the California Department of Corporations filed suit against Wells in January

for $38.8 million in civil penalties for charging borrowers rates above those listed on the loan contracts, after Wells failed to correct the overcharges after they had already been notified.[15]

This initial loan is just an entry point into the financial life of the homeowner. The loan's artificially high interest rate and monthly payment amount allows Wells to offer the homeowner an opportunity to refinance it, along with other debts, into a larger, secured loan at a rate that is slightly lower but still absurdly high for a loan secured by the borrower's house or car. In sending out the live check, Wells' ultimate goal is to get the homeowner to refinance their entire mortgage with them.

> *Ms. R bought her home in 1988 with a loan that had a 7% interest rate. In October 2001, she received a live check in the mail from Wells Fargo Financial in the amount of $1,000. Since it was before Christmas and she needed some money, Ms. R cashed the check. Within a week, Wells Fargo called her and asked her to come in to their office, which she did, and this led to her taking out a loan for $2,354 which paid off the check for $1,000, gave her a cash-out of another $1,000, and Wells also financed into the loan three different insurance policies that together equal $294. This loan was secured by all household goods and sports/recreation equipment.*
>
> *Just a few weeks after this, Wells Fargo encouraged Ms. R to take out a new loan to consolidate other debts, including her previous mortgage. This loan took place in November 2001, within three weeks of the prior loan, and was in the amount of $118,791. Wells Fargo financed into the loan a single-premium credit life insurance policy for $3,600 and eleven so-called "discount points" for $11,879, and gave Ms. R an interest rate of 10.44%.*
>
> *In August 2002 Ms. R refinanced with Wells Fargo again in the hope of getting a more affordable loan, but this loan was not much better and she quickly fell behind on her mortgage payments.*

Call Provision

Several of the Wells Fargo Financial mortgages we have seen included a call provision allowing Wells Fargo to demand full payment on the mortgage even if it is before the end of the loan term and the borrower has been paying on time.

> *Ms. G is a retired school teacher whose original mortgage with Bank of America had a 7% interest rate and monthly payments of $630, including taxes and insurance. Ms. G was interested in refinancing out of a smaller second mortgage with an interest rate of 13%, and so responded to a Wells Fargo Financial solicitation. The new Wells Fargo mortgage refinanced both of her previous mortgages, and included in the loan amount ten "discount points" of $8,529. Despite the 7% interest rate on her previous first mortgage, Wells increased her rate to 11.7% on the new loan.*
>
> *What Wells Fargo never told Ms. G was that her loan included a Call Provision, so that at any time after 10 years into the loan, Wells Fargo can call her loan immediately due and payable in full. At ten years into her loan, Ms. G will still have a balance remaining of $79,387*

Disguising Actual Monthly Payment Amounts by Hiding Costs of Taxes and Insurance

Wells borrowers are frequently led to believe that the monthly payments they are quoted will take care of property taxes and homeowners insurance (like most of their previous mortgages). In other cases, they are simply quoted a

[15] "State Sues to Void 'Instant Loans' by Wells Fargo Unit," *Los Angeles Times*, by E. Scott Reckard, January 10, 2003.

monthly payment, and assume it is comparable to their previous monthly payment, when in fact the new figure does not include these charges, but they are never informed of the difference. Not paying property taxes can lead to foreclosure or future refinances to pay off overdue amounts; not paying insurance obviously leaves families vulnerable to a worst-case scenario where their house burns down and they have no insurance coverage.

Mr. E and his wife have lived in their home for twelve years. They refinanced with Wells Fargo in 2003 because of Wells' offer to consolidate their debts into the mortgage. They had no problems making their original loan payments of $450/month—which included taxes and insurance—but were not expecting Wells Fargo to increase these payments so dramatically to $929/month. Mr. E is a waiter, and his income of $1,500/month is not always reliable. In addition to this, Wells Fargo never told him that taxes and insurance would not be included in the monthly payments. As a result, the Es find themselves trying to afford an additional payment of $133 each month, which is extremely difficult and has made their financial situation almost unmanageable

Crediting Payments Late & Damaging Credit Score

In some instances, Wells Fargo Financial has falsely reported to credit agencies that borrowers were late on payments. This greatly damages borrowers' credit scores, preventing them from refinancing to better rates.

Mr. S refinanced his house with Wells Fargo Financial for $11,271 in January 2003, which is now the only loan against his house. In the short time that he has had this loan, Wells Fargo has penalized Mr. S three times for late payments, though Mr. S says that he hand-delivers his check each month. Wells Fargo has been slow to respond to his complaints about these non-existent late payments, and that has damaged his credit rating. After Mr. S filed a complaint with the state Department of Banking, Wells Fargo agreed to remove the late payments from his credit report and refund the fees on his loan (although they would not agree to lower his interest rate from 16% or refund any of the excessive interest charges). Wells Fargo Financial continues to send Mr. S. mailings offering to increase the amount of his debt, but now he just tears them up.

Reporting Drastically Larger Loan Sizes and Balances to the Credit Bureaus

Rather than reporting the actual original and remaining principal to the credit bureaus, Wells Fargo has routinely reported the original loan size as the total of all the payments the borrower would make over the life of the loan, including interest. The balance was similarly reported as the total of the remaining payments the borrower would make. This serves several purposes designed to prevent homeowners from refinancing out of their high interest Wells loan.

Mr. and Mrs. C bought their home for $92,000 in 1985. The most recent appraisal of the property estimated its worth at $270,000. In 2002 the Cs refinanced with Wells Fargo Financial in order to consolidate some bills. When they met with Wells Fargo before closing on the loan, they were told that the loan amount would be $168,000. Even at closing, no one informed the Cs that they would actually be borrowing $188,000, having been charged more than $19,000 in financed fees. While this amount was already much higher than the Cs anticipated, the Cs did not begin to realize what was wrong with their loan until they saw that Wells Fargo listed their balance as something like $500,000 on their monthly statements. The Cs' credit report also lists the loan amount as being $540,000, when in fact this amount is the total of payments that the Cs will make over the life of the loan.

Open-End Home Loans

Wells Fargo Financial sells revolving lines of credit secured by their homes. In some cases, borrowers believe they are getting what amounts to a credit card and have no idea that the loan is actually secured by their house. Structuring loans as open-end loans has been regularly used in the subprime market to get around federal requirements for high-rate closed-end loans.

> *Mr. and Mrs. R refinanced their home with Wells Fargo Financial with a loan for $43,885 that had an interest rate of 10.9% and monthly payments of $687. These payments are difficult for them to afford, however, since they are both retired and their sole income is their social security checks. On top of this loan, Wells Fargo also gave them an open-end line of credit for $200,000. The Rs cannot remember ever being told about this line of credit.*

Home and Auto Security Plan

Another tactic of Wells to increase a borrower's loan amount while reaping additional profits is to include fees for Home and Auto Security Plans in a borrower's loan.

> *Mrs. R and her daughter took out a loan with Wells Fargo Financial for $24,907 in order to consolidate some debt and repair a leaking roof. Wells gave them an interest rate of 11.9% and charged them 5% of the loan amount in so-called "discount points." In addition to these high fees, Wells Fargo also slipped into the loan a $950 Home & Auto Security Plan. Mrs. R knows that she was never told about this, since she and her daughter do not even own a car. Since they did not receive any paperwork before closing, they did not notice that they were being charged for this until they had already closed on the loan.*

ACORN, the Association of Community Organizations for Reform Now, is the nation's largest community organization of low- and moderate-income families, with over 150,000 member families organized into 700 neighborhood chapters in 60 cities across the country. Since 1970 ACORN has taken action and won victories on issues of concern to our members. ACORN's priorities include: better housing for first time homebuyers and tenants, living wages for low-wage workers, more investment in our communities from banks and governments, and better public schools. ACORN achieve these goals by building community organizations that have the power to win changes -- through direct action, negotiation, legislation, and voter participation. ACORN's website is at www.acorn.org.

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