FILE NO. 170826 RESOLUTION NO.

[Urging Wells Fargo to Compensate Employees Terminated in Retaliation for Whistle-blowing]

Resolution urging Wells Fargo & Company to remediate the economically damaging effects of defamatory statements made against employees in retaliation for attempting to blow the whistle on past fraudulent practices, conduct a card check of all employees nationwide, and conduct a thorough review of lending practices.

WHEREAS, An arbitration case with the Financial Industry Regulatory Authority (FINRA) filed in 2010 resulted in Wells Fargo being found liable for the defamation of a former employee who alleged that he was fired as retaliation for personal animus and received inaccurate, career damaging marks on his U4 and U5 forms as retribution; and

WHEREAS, In a separate case in April 2017, the Occupational Safety and Health Administration (OSHA) ordered Wells Fargo to pay $5.4 million in damages to a former manager who alleged he was fired in 2010 for attempting to blow the whistle on fraudulent business practices and defamed on his U4 and U5 forms; and

WHEREAS, OSHA found that internal reports alleging fraud filed by the employee were “at least a contributing factor” in his termination; and

WHEREAS, U4 and U5 forms are essentially report cards for bankers, proving prospective employers with comments on an employee’s performance; and

WHEREAS, Wells Fargo CEO John Stumpf, who served from 2007 until 2016, was known by employees for his mantra that “eight is great,” which referred to the bank’s goal of “cross-selling” eight financial products to every customer; and

WHEREAS, Cross-selling is a tactic employed by banks to inflate the number of accounts they claim their clients hold to shareholders by selling multiple products to the same individual; and

WHEREAS, In 2011 Wells Fargo executive vice president Carrie Tolstedt cited figures showing that the average number of products held by a customer had risen from 4.35 per household in 2003 to 6.02 per household in 2010, and over 11 for brokerage customers; and

WHEREAS, In 2013 then-CFO and current CEO Timothy Sloan remarked to the Los Angeles Times that “I’m not aware of any overbearing sales culture,” and in Wells Fargo’s October 2013 quarterly report it reported averaging 6.15 financial products per household, the highest cross-selling number of any bank; and

WHEREAS, Numerous reports from former employees have described regional managers as facing direct pressure from the highest levels of Wells Fargo’s management to meet unrealistic cross-selling quotas, leading employees across the country to create over two million unauthorized deposit accounts, credit card applications, and other financial products; and

WHEREAS, Employees described being regularly threatened with termination if they failed to meet unrealistic goals without resorting to opening fraudulent accounts without the consent of customers, often going as far as to forge customers’ signatures; and

WHEREAS, Former employees have alleged that these fraudulent practices disproportionately targeted immigrants who spoke limited English, students opening accounts for the first time, and elderly customers who didn’t fully understand the products they were purchasing; and

WHEREAS, In one case Wells Fargo opened six fraudulent checkings and savings accounts in the name of an unwitting homeless woman who had intended to set up a single account to collect her social security deposits; and

WHEREAS, Wells Fargo agreed in 2012 to pay a $175 million settlement for exhibiting racial bias in its mortgage lending practices during the housing boom, following an investigation by the Justice Department’s civil rights division; and

WHEREAS, On September 8, 2016, Wells Fargo announced it would pay $185 million in fines to Los Angeles City and Federal regulators to settle allegations that its employees created millions of fake accounts for customers without their knowledge; and

WHEREAS, A National Public Radio (NPR) report aired in October, 2016, found that numerous former Wells Fargo employees were terminated after attempting to speak out against fraudulent cross-selling and ended up receiving misleading or false defamatory statements on their U4 and U5 forms; and

WHEREAS, Following the airing of the NPR report the Senate Banking Committee sent a letter authored by Senator Elizabeth Warren stating that FINRA data on Wells Fargo's U5 filings "paint[s] a disturbing picture;" and

WHEREAS, The Senate Banking Committee has yet to receive a response to its letter containing fifty-eight questions for the bank to answer about its fraudulent practices, including one question asking for data on what proportion of harmed customers are elderly, members of ethnic minorities, or military veterans; and

WHEREAS, The widespread fraudulent practices made possible by Wells Fargo's corporate culture irreparably damaged the careers of numerous employees who were defamed as retribution for attempting to blow the whistle; and

WHEREAS, Wells Fargo employees would have more negotiating and whistleblowing power if they were unionized, allowing them to collectively bargain with the bank's leadership; and

WHEREAS, Wells Fargo's fraudulent practices contributed to a misleading perspective of the bank for shareholders as an exceptionally good investment in light of the 2007 financial crisis by artificially inflating their sales numbers; and

WHEREAS, Numerous other actions taken by Wells Fargo in recent decades highlight their lack of corporate values, such as their racially discriminatory lending practices during the housing boom and their marketing of reverse mortgages, a practice abandoned other industry leaders who have deemed it predatory against the elderly; and

WHEREAS, On June 29, 2017, Wells Fargo executive vice president for the Pacific North Region Jim Foley sent a letter to the Board of Supervisors, the City Treasurer, and Controller, in response to a previous requests from the Board made in a resolution passed last December; and

WHEREAS, The letter described Wells Fargo's past practices as "unacceptable" and emphasized that the bank takes full responsibility for not taking their fraudulent practices and behavior seriously sooner; and

WHEREAS, The letter states that the bank "failed to be guided by the values that Wells Fargo has long espoused;" now, therefore, be it

RESOLVED, That the San Francisco Board of Supervisors hereby agrees with Wells Fargo's conclusion that they have failed to employ business practices guided by the values they espouse; and, be it

FURTHER RESOLVED, That the San Francisco Board of Supervisors urges Wells Fargo to establish a whistleblower fund dedicated to compensating former employees who spoke out about fraudulent practices for lost wages, loss of career, and punitive damages; and, be it

FURTHER RESOLVED, That the Board of Supervisors urges Wells Fargo to conduct a card check of all employees nationwide, providing them with the opportunity to form a union and collectively negotiate salaries, benefits, and other aspects of employment contracts; and, be it

FURTHER RESOLVED, That the Board of Supervisors urges Wells Fargo to conduct a thorough review of its reverse mortgage lending practices, and make any amendments to practices necessary to ensure that clients are educated about all federal, state, and local financial assistance programs they may be eligible for before being offered a reverse mortgage; and, be it

FURTHER RESOLVED, That the Board of Supervisors urges Wells Fargo to conduct a thorough review of its lending practices and make any amendments to practices necessary to ensure that no racial bias is employed in the distribution of any financial products it markets.