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Fresh outrage for Wells Fargo after mortgage error led to hundreds of foreclosures

By DEON ROBERTS
CHARLOTTE OBSERVER | AUG 07, 2018



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Wells Fargo is facing fresh outrage over its latest revelation of harm to customers, after the bank admitted last week that its error contributed to hundreds of people losing their homes to foreclosure.

In the disclosure, made in a filing with the Securities and Exchange Commission on Friday, Wells said its error caused more than 600 people in foreclosure to be incorrectly denied, or not offered, modifications to make home loans more affordable. Of that group, about 400 ultimately lost their homes, according to the bank, which apologized for the mistake.



There may be more victims. In its filing, Wells did not rule out uncovering additional problems, noting, "This effort to identify other instances in which customers may have experienced harm is ongoing, and it is possible that we may identify other areas of potential concern."

The admission comes almost two years after a September 2016 sales scandal over unauthorized customer accounts, which stained the reputation of the San Francisco-based bank. The latest disclosure adds to the list of problematic practices Wells Fargo has admitted to since the sales scandal that have drawn the scrutiny of federal regulators.

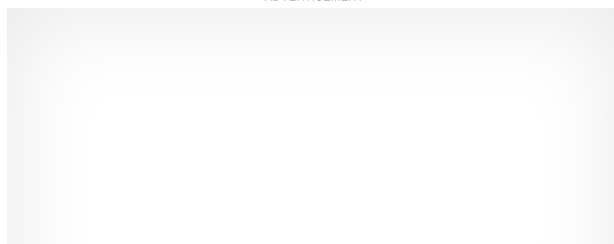
Sen. Elizabeth Warren, a Massachusetts Democrat who has been an outspoken critic of Wells, in a tweet Monday reiterated her calls for CEO Tim Sloan to be fired. Sloan took over in 2016 after former CEO John Stumpf resigned following the sales scandal.

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"Because of an error @WellsFargo made, 400 of its customers lost their homes," Warren tweeted. "What's the bank doing to make it right? Setting aside a few thousand dollars for each of the people affected. Pathetic. The execs who oversaw this – including CEO Tim Sloan – should be fired."

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Consumer advocates on Monday said they also were upset with Wells Fargo.

"It's disgraceful that Wells Fargo has once again failed customers so miserably," said Al Ripley, director of the N.C. Justice Center's consumer and housing project. "The federal government and all state attorneys general should launch an investigation of these most recent revelations about Wells Fargo's mortgage servicing and aggressively represent those homeowners."

In a statement Monday, Wells Fargo spokesman Tom Goyda said the bank works very hard to help customers stay in their homes after encountering financial difficulties. He said the bank has completed more than 1 million mortgage modifications since the beginning of 2009.

"Because of our approach to lending and homeownership preservation, our delinquency and foreclosure rates were below industry average during the housing crisis and remain so to this day," Goyda said.

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'It's offensive'

Wells Fargo has also said it has dedicated \$8 million in relief to customers impacted by the mortgage issue. That works out to \$12,800 per customer on average.

Goyda said the bank hasn't disclosed individual awards or how it determined the amounts. But customers are receiving what Wells believes is appropriate given the circumstances, he said.

Consumer advocates said it's an insufficient amount for families who lost their homes and experienced trauma because of it.

Foreclosures can have devastating ripple effects, including health problems for parents and struggles in school for children, the advocates said.

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"Honestly, it's offensive because no one who has lost their home due to foreclosure by the fault of the bank itself can afford to get back on their feet with \$12,800," said Kelly Tornow, director of North Carolina policy for the Center for Responsible Lending.

"It has such a trickle-down effect to a person's and a family's economic security," she said. "For many, the damage has already been done and apologies don't fix the problem."

North Carolina Attorney General Josh Stein is concerned about the revelations and is "looking into the issue," spokeswoman Laura Brewer said. She declined to elaborate.

Several banking regulators and the U.S. Department of Justice either declined to comment Monday or said they generally don't comment on such matters.

In its disclosure, Wells said an internal review found a bank error that affected accounts in the foreclosure process between April 2010 and October 2015.

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Many Americans struggling during the recession were seeking more affordable mortgage payments from Wells and other banks to remain in their homes after losing jobs.

Goyda said of the affected customers, some had applied for a modification through the federal government's Home Affordable Modification Program, or HAMP. The Treasury Department launched the program in 2009 to help homeowners avoid foreclosure.

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The bank's review of the matter is substantially complete and Wells will begin customer outreach and remediation once the review is finalized, Goyda said.

Delayed disclosure

Also Monday, consumer advocates criticized Wells Fargo for waiting nearly three years to disclose this error. According to the bank's disclosure, it corrected the problem in October 2015.

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Asked about the delay, Goyda said: "It was some time after the error was initially corrected that we determined the need to look more closely for potential impacts."

Linda Jun, senior policy counsel for Americans for Financial Reform, called the new findings "more pieces" that "just keep getting added to the piles of evidence that Wells Fargo has systematically wronged consumers.

"It's entirely consistent with their repeated pattern of abusive and deceitful practices," she said. "What's needed is both real recompense for people's losses and suffering, and a whole different level of accountability for Wells Fargo, and for the individuals in senior management."

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