FRB Consent Order Implementation Report
12/23/11
Section 2 – Board Oversight

Consent Order Requirement – 2d

The plan shall, at a minimum, address, consider and include: steps to improve the information and reports that will be regularly reviewed by the board of directors or authorized committee of the board of directors regarding residential mortgage loan servicing, Loss Mitigation, and foreclosure activities and operations, including compliance risk assessments and the status and results of measures taken, or to be taken, to remediate deficiencies in residential mortgage loan servicing, Loss Mitigation, and foreclosure activities, and to comply with this Order.

Status: **Green** – on track for implementation 12/31/11

Requirements Summary

Summary: Wells Fargo has taken steps to improve the information and reports reviewed by Board Committees regarding residential mortgage loan servicing, Loss Mitigation, and foreclosure activities and operations. The Compliance Committee of the Board was formed to oversee the status and results of measures taken to remediate the deficiencies noted in the Consent Order. The Compliance Committee meets monthly, and provides direct Board oversight of management's actions at both the business level and the corporate program level. Enhancements have been made to risk management and compliance programs that will result in improved reporting to the A&E Committee of the Board, which will have ongoing oversight responsibilities at the completion of the Consent Order.

Board oversight & governance structure

For the duration of the Consent Order, the Compliance Committee of the Board (formed in response to requirements in the OCC Consent Order for mortgage servicing) will supervise Wells Fargo's response and progress against the identified issues from both the OCC and Federal Reserve Consent Orders. This Committee meets monthly to review progress against remediation plans for both the OCC and FRB Consent Orders. It also reviews and approves the required Quarterly Progress Reports to the OCC and FRB. These activities directly provide Board oversight of remediation actions taken by management at the business and corporate levels of the company to comply with the Consent Orders.

Reporting to the Compliance Committee is done by the Chief Operational Risk Officer (CORO). Over the life of the consent orders, a large amount of information regarding progress against the requirements of the consent order, the condition of the specific risks as revealed by self-testing and Audit work, and other related material is generated, and used to develop Compliance Committee reports.

The Audit and Examination Committee of the Board ("A & E Committee") generally has responsibility for operational risk. When the Consent Orders are lifted, the A & E Committee will have ongoing responsibilities for oversight and direction. Reporting to the A & E Committee for operational risk is also done by the CORO, with the reports being developed out of normal activities of the risk management programs in the area of operational risk.

In normal state reporting to the A & E Committee, there will not be standing agenda items regarding mortgage servicing, loss mitigation, and foreclosure, but any exception conditions, or issues warranting the attention of the Board will be escalated. Oversight processes have been modified as described below to ensure that issues or conditions will be identified and escalated.

In the case of both the Compliance and A & E Committees, each committee meeting is reported to the full Board by the committee chair, with full Board discussion as necessary.

The Credit Committee of the Board also receives reporting about loss and foreclosure experience in the mortgage-related businesses as necessary. Again, there is not a standing agenda item, but rather reporting occurs as necessary. The most recent report to the Credit Committee on these topics was November, 2011.

Consent Order driven changes to ERM and Compliance program risk reporting

The enterprise risk and compliance programs place requirements on businesses to perform certain risk management activities, and to perform extensive reporting on the results to central risk management functions.

The programs were previously applied at the level of the "whole business". Going forward, the mortgage related businesses will be treated as if they are (each) three separate businesses, so that Mortgage Servicing and Default Management (loss mitigation and foreclosure) will each, separately from the rest of the business areas, be required to meet the risk assessment, testing, and reporting standards. The reporting will be at a more granular level than previously employed, and thereby provide improved transparency regarding these businesses. This reporting regimen has begun in the 4th quarter of 2011 for 3rd quarter reporting activities. The reporting on the condition of compliance programs, most recently made to the A & E Committee of the Board in November, treats these two areas as individual businesses.

The central risk function has also specified that the regular quarterly reporting for operational risk in the case of mortgage-related businesses include metrics regarding mortgage servicing, loss mitigation and foreclosure information. This additional reporting will begin in the 1st quarter of 2012.

We are treating the two primary businesses - Home Mortgage and Home Equity - as if they were each three businesses, splitting out Mortgage Servicing and Default Management (Loss Mitigation and Foreclosure) from the main business. This means the programmatic requirements, including reporting on the state of compliance and the state of the compliance program, as well as the escalation of any issues, will apply separately to Mortgage Servicing, Default Management, and other business activities, thereby providing the necessary transparency for the oversight function.

In addition, the specific risks identified in the Consent Orders for mortgage loan servicing, Loss Mitigation, and foreclosure activities, which formerly were not included in Wells Fargo's risk management tools and processes have now been included, ensuring that these risks will be part of Wells Fargo's ongoing risk assessment, monitoring/testing, and reporting regimen. Six new "Major Compliance Requirements" were added to CRAS+ on 9/1/11. CRAS+ is Wells Fargo's system that catalogs and assigns risks to businesses. Businesses use the system to assess the risks, record and assess controls, administer the testing/monitoring activities, and record the results. These risks will therefore be subject to existing risk management disciplines on an ongoing basis.

Plan Task Summary and Status (all tasks are complete)

1. Provide for supervision of the response and monitoring of progress against the identified issues by a establishing the Compliance Committee of the Board for the duration of the Consent Order. Complete 6/12/2011.

2. Reconfigure reporting and corporate risk program hierarchy to allow for more granular level reporting with Servicing and Default Management viewed as separate Businesses. Complete for 3rd quarter 2011 risk reporting. Results were reviewed 12/5/11, and ongoing process refinements are being applied for 4th quarter 2011 reporting.

3. Begin reporting at central risk function level and line of business level. Complete for 3rd quarter 2011 risk reporting. Results were reviewed 12/5/11, and ongoing process refinements are being applied for 4th quarter 2011 reporting.

Further Task Summary and Status

1. Implement changes to the Line of Businesses RABU structure. In Process Due: 1Q 2012. Please note that this is an enhancement to create an efficient method of generating the information needed for reporting. This is not needed to accomplish the changes, but makes them more efficient and effective.