FRB Consent Order Implementation Report
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Consent Order Requirement – 2b

The plan shall, at a minimum, address, consider and include: policies and procedures to ensure that the ERM program provides proper risk management of independent contractors, consulting firms, law firms, or other third parties who are engaged to support residential mortgage loan servicing, Loss Mitigation, or foreclosure activities or operations, including their compliance with the Legal Requirements and WFC's internal policies and procedures, consistent with supervisory guidance of the Board of Governors.

Status: Green on track for 1/31/12 tasks

Requirements Summary

Summary: Wells Fargo approached this requirement in parallel with the Article V OCC requirement efforts. At the business level, the consumer lending businesses significantly expanded their risk management and controls associated with third party management, as summarized below. At the enterprise level, the Enterprise Risk Management team collaborated on new policies and procedures for the third parties supporting mortgage servicing, loss mitigation or foreclosure and is working to strengthen oversight of those third parties and business areas. Those policies and procedures are complete, and will be implemented by 12/31/11. Enhanced oversight will be in place by 1/31/12.

Completion of the work to comply with Section 2 b depends in part upon the completion of work at the line of business level under Article V of the OCC Consent Order. [redacted]

Residential mortgage loan servicing, loss mitigation or foreclosure activities are all conducted within our newly formed Consumer Lending Group. Under Article V of the OCC Consent Order and in collaboration with the Vendor ERM Program, the Consumer Lending team has implemented a Residential Foreclosure Attorney Management Program (RFAMP) and governance model that will enhance the evaluation and management of legal, compliance and reputation risks posed by attorney firms providing residential foreclosure, bankruptcy and eviction services to Wells Fargo. They have also analyzed all non-attorney / third party providers (vendors) to ensure that all of the required risk assessments and supporting documentation validates that appropriate controls are in place and that the relationships are being managed and monitored in accordance with Consent Order requirements and Wells Fargo Vendor Management policy standards. This includes developing a Vendor Performance Risk Assessment and Scorecard process for third party vendors and associated dependent service providers; managing affiliate and non-affiliate Custodians ; and assessing Property Maintenance Vendors to better understand staffing levels and workload balance to ensure all vendors are able to meet Service Level Agreements. They have also enhanced their Real Estate Agent scorecards to benchmark performance in the same geographic market.

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Reporting on the execution of these activities has been made to the Compliance Committee of the Board, and will continue through the duration of the Consent Order. Once the Consent Order is lifted, reporting will be made through the Vendor Management Program to the Audit & Examination Committee, as described below.

The issues identified in the Consent Orders were consistent with certain self-identified issues that had already triggered work within the enterprise vendor management program. Accordingly, Wells Fargo adopted the following strategy:

- Immediately beginning the work of strengthening 3rd party management in the businesses that service mortgages (scheduled for full implementation by 12/31/11).
- Provide oversight of this work by the corporate Vendor Management Office, via participation with the business risk team implementing enhancements in mortgage servicing and via normal quarterly corporate risk program reporting.
- Implement more detailed monitoring and oversight of the third party management activities within mortgage servicing, loss mitigation and foreclosure areas. (by 1/31/12)

The January 31, 2012 deadline will see the following:

- Mortgage Servicing, loss mitigation and foreclosure businesses with strengthened programs at the business level, including both policies and procedures
- Improved enterprise oversight of the mortgage servicing, loss mitigation and foreclosure businesses with respect to third party providers and their management

Ongoing reporting to the Board of Directors will be made via regular reporting by the Chief Operational Risk Officer to the A & E Committee. This reporting is a product of the ongoing oversight of business performance against the requirements and standards of the Program, which includes both assessments of the quality of business-level implementation of the requirements, as well as escalation of any significant individual issues that may arise .

Task Summary by Status

Complete

1. Perform Gap Analysis of the Vendor Program against the consent order. Complete 9/29/11, with an update 12/6/11.

In Process / Not Started

2. Strengthen 3rd party oversight in the businesses that service mortgages with oversight of this work by the corporate Vendor Management Office. In Process: due 12/31/11
3. Oversight by Operational Risk of LOB implementation of strengthened controls. Established and ongoing.
4. Revise the Vendor Program to specifically include the following (1) Broaden the definition of a 'vendor' to a 'third party provider', defined as any person or entity performing service for Wells Fargo or on behalf of Wells Fargo (2) Strengthen requirements and clarify roles for the performance monitoring of third party providers within mortgage servicing, loss mitigation and foreclosure activities and operations In Process: Policy due 1/31/2012.