California attorney general investigating Wells Fargo on allegations of criminal identity theft

California Atty. Gen. Kamala Harris speaks in Escondido in October. (Howard Lipin / San Diego Union-Tribune)

By **James Rufus Koren**

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The California Department of Justice is investigating Wells Fargo & Co. on allegations of criminal identity theft over its creation of millions of unauthorized accounts, according to a search warrant sent to the bank's San Francisco headquarters this month.

The warrant and related documents, served Oct. 5 and obtained by The Times through a public records request, confirm that California Atty. Gen. Kamala Harris, in the final weeks of a run for U.S. Senate, has joined the growing list of public officials and agencies investigating the bank in connection with the accounts scandal.

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Harris' office demanded the bank turn over a trove of information, including the identities of California customers who had unauthorized accounts opened in their names, information about fees related to those accounts, the names of the Wells Fargo employees who opened the accounts, the names of those employees' managers and emails or other communication related to those accounts.

Her office is also requesting the same information about accounts opened by Wells Fargo workers in California for customers in other states.

Kristin Ford, a spokeswoman for Harris' office, said she could not comment on an ongoing investigation. Wells Fargo spokesman Mark Folk said the bank is "cooperating in providing the requested information" but would not comment further.

Documents filed along with the search warrant say there is probable cause to believe Wells Fargo violated two sections of the state penal code — one outlawing certain types of impersonation, the other outlawing the unauthorized use of personal information. Both violations can be charged as felonies, punishable by imprisonment for more than a year.

It's not clear whether Harris' office is considering charges against individual bank workers, high-level bank executives or the bank itself. The investigation could lead to charges beyond the identity-theft allegations used to secure the search warrant.

In the weeks since Sept. 8, when the Los Angeles city attorney's office and federal bank regulators announced a $185-million settlement with Wells Fargo over the creation of the accounts, lawmakers and other regulators have questioned whether the bank may have violated fraud, labor and securities laws.

At a fiery Capitol Hill hearing last month, Sen. Elizabeth Warren (D-Mass.), told Wells Fargo Chief Executive John Stumpf that he should be criminally investigated. Stumpf abruptly retired last week and was replaced by longtime Wells Fargo executive Timothy Sloan.

There also have been questions about when and how much former bank executive Carrie Tolstedt, who led the bank division at the root of the accounts scandal, knew of the practices. She retired this summer in the lead up to the settlement, which was prompted by a 2013 Los Angeles Times article that uncovered the bank's practices.

But identity theft has not been a central issue in the matter, and it's noteworthy that it seems to be at the heart of Harris' investigation, said Paul Stephens, policy director at the San Diego nonprofit Privacy Rights Clearinghouse.

"One wouldn't typically think of a financial institution opening an account in the name of a customer as being an act of identity theft," Stephens said. "It's a creative way of looking at these activities and finding them unlawful under a statute that arguably could be prosecuted in state court."

In an affidavit used to secure the search warrant, state investigator James Hirt said there is probable cause to believe bank workers illegally accessed Wells Fargo's computer system to find customer information, then used that information to open unauthorized accounts.

In regulatory orders issued along with last month's settlement, bank regulators reported that Wells Fargo employees forged customers' signatures, created personal identification numbers without customers' knowledge, made up email addresses and even moved money from customers' legitimate accounts into unauthorized ones to make them look real.

U.S. attorneys in San Francisco, New York and Charlotte, N.C., have opened their own investigations, though the scope of those inquiries is not clear.

Irving Einhorn, a retired white-collar criminal defense attorney and former head of the Securities and Exchange Commission's regional office in Los Angeles, said there are few charges that a state attorney general could bring that federal prosecutors could not.

Still, he said it's not surprising that Harris' office is investigating the bank on its own. "With a big national bank like this, there are overlapping jurisdictions," he said.

Not to mention political ramifications. Elected officials of all political stripes have jumped on Wells Fargo in the weeks since the settlement was announced, holding hearings, enacting sanctions and calling for legislation aimed at reining in big banks or even breaking them up.

In California, State Treasurer John Chiang last month said his office would cut off several business relationships with the bank, a move that's since been followed by officials in San Francisco, Seattle, Chicago and the states of Illinois and Ohio.

At this point, Einhorn said, no one wants to be left out.

"You have to remember how it looks to constituents in a particular state when their officials get tough with the big, bad banks," he said.

The attorney general's move to investigate the bank comes amid her campaign to succeed Sen. Barbara Boxer, who is retiring from her Senate seat. Harris is running against Rep. Loretta Sanchez, a fellow Democrat who represents central Orange County.

Harris has made her crackdown on wrongdoing in the financial services industry one of the themes of her campaign. She has especially pointed to her role in negotiating $20 billion in relief from banks for California homeowners who lost homes or suffered losses in the housing bust. But that deal still resulted in many Californians losing their homes and did not lead to criminal charges against bank executives, opening her up to some criticism.

By investigating Wells Fargo, Harris could be trying to burnish her bank-busting credentials, said Jack Pitney, a professor of politics at Claremont McKenna College.

"She's looking for every advantage she can get," he said. "Going after a big, unpopular bank can only help her with the electorate. Wells Fargo has gone into Voldemort territory when it comes to popularity."

Along with investigations by Harris' office and federal prosecutors, Wells Fargo is also under investigation by the federal Labor Department, an outside law firm hired by the bank's board and two congressional committees.

With so many agencies looking at the bank, it's likely that there will be more revelations about the scope and the details of the problems that pushed more than 5,000 workers to open as many as 2 million unauthorized checking, savings and other accounts for customers over the last five years.

In a report last week after the announcement of Stumpf's retirement, Jaret Seiberg, an analyst for brokerage and investment bank Cowen & Co., said the former CEO's exit would not come close to ending problems for the bank.

"There are simply too many entities investigating for more troubles not to surface," Seiberg wrote.

The raft of investigations into the bank's practices was one factor cited by ratings agency Standard & Poor's on Tuesday when it announced it had downgraded its outlook on Wells Fargo's credit rating from "stable" to "negative."

That means that, although S&P did not cut the bank's credit rating, it believes a downgrade may be

warranted. In a memo noting the change in outlook, the ratings agency said it is concerned, among other things, about the "potential consequences of ongoing legal and regulatory investigations."

S&P also said it is concerned about the long-term effects of damage to the bank's reputation. Some of those effects showed up in the bank's quarterly earnings report last week.

The bank reported that third-quarter profits in its community banking division fell 9% from a year earlier. And the number of new checking accounts opened in September, the only month in the quarter affected by the settlement announcement, fell 25% compared with a year earlier.

The company's stock closed Wednesday at $45.26, about 9% lower than the day before last month's $185-million settlement.

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UPDATES:

3:05 p.m.: This article was updated with information about the company's credit rating, quarterly earnings and stock price.

2:20 p.m.: This article was updated with details from the affidavit supporting the search warrant.

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This article is related to: Kamala Harris, Wells Fargo, U.S. Senate, Loretta Sanchez, U.S. Securities and Exchange Commission

The Deal
For buyers, tribal casino debt remains the Wild West
By Lisa Allen
31 January 2014

Foxwoods Resort Casino and the Mohegan Sun Casino are about an hour away from each other in Connecticut's interior, but that proximity belies just how different they are in the world of tribal debt restructurings.

For Ledyard, Conn.-based Foxwoods, 2013 was a triumphant year. The Mashantucket Pequot Tribal Nation completed its four-year restructuring of $2.3 billion in debt in July, a deal dubbed the most complex tribal debt restructuring in history.

For Mohegan Sun, however, 2013 was quiet. A Wall Street darling because of its financial transparency and an openness with analysts, the Uncasville, Conn., gaming complex restructured $1.6 billion in debt in February 2012 in a debt exchange that sources described as a creditor-friendly initiative to extend maturities without imposing losses.

Now the Mohegan Tribe of Indians of Connecticut is seeking a new loan package to refinance its bank debt while it also explores diversifying its operations.

"Mohegan said, 'Come hell or high water, we're paying you guys,' " said one hedge fund investor who participated in Mohegan Sun's restructuring in 2012 and Foxwoods' last year and was struck by the sharp differences between the two. "Foxwoods — at the same time — their council members said, 'We're going to cram Wall Street down and take care of our tribal members.' If you look at those two tribes and the solutions they've come to, it's totally different."

Tribal gaming brought in a record $27.9 billion in revenue in 2012, according to the National Indian Gaming Commission, so it attracts its fair share of debt investors. But because federally recognized Native American tribes are sovereign nations just like the United States and France, they can't issue equity, sell tribal assets, file for bankruptcy or get sued.

Those factors provide little recourse for buyers of tribal gaming debt, thus creating uncertainty around casino-related bonds and the restructurings engineered by their issuers. "There are a lot of unknowns," the hedge fund investor asserted. "It's still developing."

The restructuring of River Rock Casino's debt by the Dry Creek Rancheria Band of Pomo Indians in 2011, Mohegan Sun's revamp in 2012 plus the retoolings by Foxwoods and the Paradise Casino and Quechan Casino Resort by the Quechan Tribe of the Fort Yuma Indian Reservation last year have provided distressed-debt buyers with both solace and evidence that workout solutions can be found.

"Now that there have been some successful restructurings, there is some confidence that tribes are not going to repudiate their debt," said Randolph DelFranco, a partner at Holland & Knight LLP who specializes in tribal law. "You're seeing opportunistic hedge funds look at tribal debt."

NOT EVERYONE, however, is willing to take the plunge just yet, even given the premium that DelFranco said the tribes must pay for capital "because of the regulatory issues associated with them."

"Puerto Rico pays its bills. Indian country doesn't," groused one investor who specializes in high-yield and municipal debt. He asked to remain unnamed. He participated in a tribal casino debt deal that went south. "I'd never buy an Indian credit again."

To be sure, there were some ill-fated debt restructurings last year that likely would give such investors pause. For example, a leadership struggle prevented the Picayune Rancheria of the Chukchansi of California from paying its bondholders, culminating in ongoing litigation — and reminding investors of the political risks that can accompany tribal debt investments.

Moreover, the unpredictability doesn't just lie with the tribes or casinos themselves. The Shingle Springs Band of Miwok Indians' refinancing of $505 million in debt last year inspired California to take a surprisingly aggressive stance when it amended its gaming compact with the tribe, providing concessions only if bondholders and other parties would take cuts as well.

As with so many things, the Great Recession changed reality for tribal issuers. The first defaults by tribal issuers with major gaming debt occurred in 2009, and only a handful of tribes have restructured debt since then.

"Before the recession, there were no Native American gaming bond defaults, so there were no precedents or case studies to look at," said Fitch Ratings Inc. analyst Michael Paladino.

The Pueblo of Mescalero Apache tribe, which operates the Inn of the Mountain Gods Resort & Casino in Mescalero, N.M., was the first tribe to default on high-yield debt when, in June 2009, it skipped an interest payment on $200 million in 12% notes due 2010. The tribe, in a November 2010 exchange, swapped every $1,000 in principal for $300 of an 8.75% senior note due in 2020 and $675 of a pay-in-kind notes accruing interest at 1.75% until the other notes are repaid. Fitch estimates that holders will recover 71% of the net present value of their securities.

Just a month after the Inn of the Mountain Gods' default, the Pueblo of Pojoaque tribe's Buffalo Thunder Resort & Casino in Santa Fe, N.M., in July 2009 defaulted on $245 million in 9.375% notes due 2014.

Like the Pueblo of Mescalero Apache, the Pueblo of Pojoaque tried a November 2010 restructuring. But it tried something more creative: it said it would give Buffalo Thunder investors new senior secured notes and unsecured subordinated claim certificates during the first quarter of 2014, with terms to be based on the casino's financial performance in 2012 and 2013. If the casino's performance improves, investors may be rewarded for their trouble.

"It could be considered an equity-like restructuring due to the resetting of the terms," Paladino explained.

But the debt has already attracted a dubious nickname, "hope notes," said one source.

Completing a busy fall of 2010 was the Little Traverse Bay Band of Odawa Indians, which defaulted in September 2009 and then restructured its $122 million in 10.25% senior notes due 2014 through an exchange offer on November 2010. Bondholders exchanged their notes and unpaid interest for $23 million in cash and $40 million in new senior secured notes due 2020. According to Fitch's estimation, investors in the Odawa Casino in Petoskey, Mich., recovered only 45% of the net present value of their bonds.

THE TRIBES HAVE LEARNED a thing or two since those early restructurings, namely that a financial fix isn't enough. More tribes now are incorporating business diversification into their restructuring strategies.

For instance, when the Dry Creek Rancheria Band of Pomo Indians failed to refinance its $200 million in 9.75% senior notes by the Nov. 1, 2011, maturity date, the tribe, which operates its River Rock Casino in Northern California's wine country, supplemented a December 2011 debt exchange with the acquisition of a vineyard operated by a contract grape grower.

The tribe is obligated to send 90% of the cash flow from the vineyard to bondholders. "Their Cab[ernet] is unbelievable," said Holland & Knight's DelFranco, who advised the tribe on its restructuring.

The tribes that run Foxwoods and Mohegan Sun in Connecticut are also working to diversify their operations. Both are opening shopping malls to complement their gaming and hotel operations, which will be facing increased competition from casino projects that are slated to come online in Massachusetts and New York, as well as new properties in Pennsylvania.

Clearly, the Mashantucket Pequot Tribal Nation doesn't want to go through a massive debt restructuring again. Some 99% of bondholders eventually voted in favor of its restructuring plan, eliminating $550 million in debt and pushing back debt maturity dates. But to get there, creditors in Foxwoods' complicated capital structure spent four years in acrimonious negotiations.

Since tribal debt restructurings must be completed outside of court, without a bankruptcy judge or even the threat of a bankruptcy judge to force a resolution, the different creditor classes had to reach a consensual solution.

In order to get junior creditors on board, the tribe's advisers created special debt instruments that would yield a better payout if the casino's performance improves.

Like Buffalo Thunder's proposed new notes, Foxwoods' securities have the potential to reward holders in a way that nods to equity without crossing the verboten line.

The two classes of noteholders with the lowest priority, holding 8.5% notes due 2015 and Subordinated Special Revenue Obligation bonds, took a haircut, but they received these special debt instruments as a consolation prize.

One new security is the "contingent interest obligation," structured so that, if the casino performs well in the future, junior creditors will receive a payout to help compensate for their restructuring losses.

The other innovation is a bond that toggles between cash-pay and pay-in-kind depending on how the business is performing, not at the issuer's discretion. This structure provides the issuer with flexibility in case the business hits a rough spot, but also ensures payouts for creditors if it's doing well.

The flexible securities issued by Foxwoods may provide a model for restructurings to come.

Tribal casinos just may need that larger toolbox, now that states with tough gaming laws are getting wise to the revenues that are bleeding out to casinos in other states. The result has been a "nuclear proliferation" of gaming capacity, according to Jeff Heimann, one of the founders of Tribal Financial Advisors Inc., a boutique investment bank that caters to Native American tribes' financing needs. "There continues to be greater competition, whether it's through expansion on a state-by-state basis or through online gaming or a new tribe or jurisdiction opening up [new facilities]," he explained.

TRIBES WOULD BE BETTER off following the creative financing and diversification paths blazed by others because they aren't likely to get much restructuring help from the courts. In fact, one legal case involving a 2009 default on tribal casino debt is still being litigated.

The Lac du Flambeau Band of Superior Chippewa, which owns the Lake of the Torches casino in Lac du Flambeau, Wis., defaulted on $46.6 million in 12% bonds from distressed private equity firm Saybrook Capital LLC in 2009. The tribe argued that it shouldn't have to pay the debt because its bond indenture with Saybrook was an improper management contract.

When Judge Rudolph T. Randa of the U.S. District Court for the Western District of Wisconsin decided in 2010 that the bond indenture was a management contract that had not been approved by the proper authorities, he frightened tribal credit investors everywhere.

Now investors protect against similar claims by having their bond indentures pre-approved by the National Indian Gaming Commission, a federal agency that regulates tribes' gaming operations. That agency has the power to impose sanctions on tribes that violate the terms established by the 1988 Indian Gaming Regulatory Act.

Moreover, the Lake of the Torches ruling hasn't gained traction as a precedent. Two tribes have tried to use the ruling in the Lake of the Torches case but failed.

The U.S. District Court for the Eastern District of Wisconsin decided in April 2011 that the Sokaogon Chippewa Community couldn't invalidate its debt agreement, since the indenture didn't constitute a management contract. The tribe had waived its sovereign immunity under the indenture for about $20 million in debt, and the court ruled that it still had to fulfill its obligations to trustee Wells Fargo NA.

Wells Fargo also won a case against the Cabazon Band of Mission Indians in October after that tribe tried to use the Lake of the Torches precedent to argue that it shouldn't honor the $62 million it owed on a parking garage at its Fantasy Springs Casino & Resort in California.

Sometimes, the sticking points in tribal credit fights don't have anything to do with financing terms or legalities. Like in other out-of-court restructurings in other industries, there are power struggles within management, or between creditors.

The Picayune Rancheria of Chukchansi Indians, which owns the Chukchansi Gold Resort & Casino in Coarsegold, Calif., shocked the investment community with its persistent political in-fighting.

Chukchansi restructured its $200 million in 8% senior notes due 2013 and $110 million in floating-rate senior notes due 2012 in December 2011 after skipping an interest payment the previous month. But last March, investors' hearts skipped a beat when the tribe missed an $11.93 million interest payment on its $244 million in restructured senior notes due 2020.

The casino was bringing in plenty of cash, so what was the problem? The money was tied up in a struggle between rivals vying for control of the tribal council and languished in a frozen bank account.

Finally, a court ruling laid out a method for transferring the money to the bondholders. Still, the tribe only made part of its Sept. 30 interest payment, While it said it expects to complete the payment once it can access a frozen bank account, the issue has yet to be totally resolved.

Another California facility, the Red Hawk Casino in Placerville, counts the state among its creditors. But when the casino's owner, the Shingle Springs Band of Miwok Indians, reached an agreement to cut debt service costs by refinancing $505 million in debt, it was California that turned out to be the lone holdout.

The state agreed to reduce its share of the casino's revenue to only 15% instead of 20%, but at a price. It demanded that other creditors make concessions, too. The amended gaming compact with the state was specific enough to order the tribe to "reduce [its] existing debt related to the Gaming Facility through refinancing of the existing Senior Notes owed to certain bondholders that are due in 2015."

MORE RESTRUCTURINGS lie ahead for tribal casinos. Ratings agencies are handicapping that Paragon Resort Casino in Marksville, La., and the Snoqualmie Casino outside Seattle could be among them. The interesting question is whether future restructurings will borrow from past efforts or take novel approaches. And that's what continues to worry some bond investors. "It's still the Wild West out there," said one. The Tunica-Biloxi Tribe runs the Paragon Resort Casino in Louisiana, and Fitch Ratings listed Tunica-Biloxi as having one of the highest default risks among U.S. casino operators, alongside Chukchansi, Caesars Entertainment Corp., and Riviera Holdings Corp., in a Sept. 4 report.

Moody's Investors Service concurred. The ratings agency lowered the Tunica-Biloxi Gaming Authority's rating to Caa2 from B3 on Sept. 10.

Two casinos have opened within 90 miles of Paragon, taking away some of its business, as evidenced by the casino's 17% drop in Ebitda for the year ended June 30. Moody's said it fears that the casino's Ebitda may fall below the $35 million threshold required under the tribe's revolving credit facility.

Another likely restructuring candidate is the Snoqualmie Indian Tribe. Moody's downgraded the Snoqualmie Entertainment Authority, which issues debt for the Snoqualmie Casino near Seattle, to Caa1 from B3 on April 8.

Moody's is concerned that the Snoqualmie Indian Tribe may not have enough liquidity to pay off its $130 million in senior floating-rate notes when they mature on Feb. 1.

Given the concerns about heightened competition in the gaming industry, some deals are falling apart. The Buena Vista Rancheria of Me-Wuk Indians pulled a proposed $220 million bond offering that would have backed a new casino in Amador County, Calif., in June.

Moody's had given the tribe's bond-issuing entity a Caa2 rating in April based on concerns about competition in the area, and also the tribe's lack of gaming experience.

"Some of the more traditional investors are saying, 'until I get rid of my Foxwoods paper, until [new gaming capacity in] Massachusetts comes online, I'm not investing more here [in tribal credits]," one source said.

Joseph Kalt, a professor at Harvard's Kennedy School of Government who researches American Indian economic development, is incredulous at the newbie investors who flee at the first sign of trouble.

"You find some investors that get burned once in Indian country and get out forever," he said, comparing such a situation to someone losing money in Greece's debt restructuring and then swearing off all future investments throughout Europe.

Kalt wishes more investors would treat tribes like the sovereign nations they are. "Potential investors tend to lump American Indian tribes into the same boat," he griped. "All other countries are not Egypt right now; investments in Great Britain are doing much better."

Kalt stressed a point that is practically the mantra of experienced investors in tribal credits: The key to investing in Indian country is understanding the specific tribe you're dealing with.

Investors should pay special attention to the term limits, turnover rates, and term staggering in the relevant tribal council, Kalt explained. Tribes with stable governance, strong court systems, and modernized constitutions perform much better than tribes that lack those civic foundations, he added. Political stability underpins economic soundness.

Dana Fusaris, a managing director and co-founder at alternative investment firm Fundamental Advisors LP, which has invested in the bonds of Foxwoods and other tribal casinos, shares Kalt's view that investors must get to know the tribal issuers they are working with.

"This is a space where long-standing relationships of trust are valued," she said. "We have always been familiar with tribal gaming, but started sharpening our pencils when we anticipated that there would be distress in the space."

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DealB%k WITH FOUNDER ANDREW ROSS SORKIN

Wells Fargo's Reaction to Scandal Fails to Satisfy Angry Lawmakers

By STACY COWLEY SEPT. 29, 2016

WASHINGTON — He is forfeiting at least $41 million in pay. He vows that his bank will drop its sales incentive program — blamed for prompting bankers to set up illegal and unauthorized bank and credit card accounts to meet their sales goals — by the end of the week, not in January, as he had previously promised.

But at a hearing Thursday before the House Financial Services Committee, nobody was impressed. If anything, the House lawmakers who interrogated John G. Stumpf, the chief executive of Wells Fargo, were even angrier and more hostile than their Senate counterparts who questioned him last week, before either of those steps had been taken.

One by one, Democrats and Republicans alike took turns ripping apart Mr. Stumpf and what took place at the bank he leads. They denounced the actions as "theft," "a criminal enterprise," identity fraud, an outrage and a devastating blow to the entire banking industry.

But that was not all of Wells Fargo's bad news for the day.

Also on Thursday, the Office of the Comptroller of the Currency fined Wells Fargo $20 million for violating rules on lending to members of the military, including a rate cap on how much interest can be charged to service members on active duty.

In a separate action, Wells Fargo agreed to pay $4 million to resolve a Justice Department investigation into improper seizures of vehicles owned by soldiers who fell behind on their loans.

"In those instances where some service members did not receive the appropriate benefits and protections, we did not live up to our commitment and we apologize," the company said in a statement. "We have been notifying and fully compensating customers and will complete this work in 60 days."

The news did not play well with members of the House committee, who spent more than four hours on Thursday questioning and castigating Mr. Stumpf about the misdeeds under his leadership.

"It appears that the company just can't make it through even this congressional hearing without us learning more and more information about what is going on at Wells Fargo," Representative Maxine Waters, a Democrat of California, said as word began to spread of the coming sanctions over military lending.

But Mr. Stumpf — whom the members of the House committee personally blamed for the persistent and widespread misdeeds — stuck to the same script he has used throughout the crisis. The problem, he explained, was an ethical lapse among the 5,300 employees, most of them low-level bankers and tellers, who had been fired for their actions since 2011.

At the hearing on Thursday, Mr. Stumpf apologized repeatedly for his bank's failings and repeated his earlier pledge — given last week to the disgruntled Senate Finance Committee — to accept "full responsibility" for them. But he again rejected lawmakers' attempts to cast the scandal as a consequence of broader failings in Wells Fargo's leadership and corporate culture.

"I led the company with courage," Mr. Stumpf said, while admitting that the company "should have done more sooner" to address the problem of unauthorized accounts being created by employees in the names of real customers.

After the Senate hearing and before the House hearing, the board of directors of Wells Fargo agreed to claw back $41 million of Mr. Stumpf's unvested stock

awards, deny him his annual bonus and strip away a portion of his $2.8 million base salary. Mr. Stumpf said he approved of the decision. Carrie L. Tolstedt, who until recently ran the Wells Fargo retail banking operation, will lose $19 million in compensation.

Confronted by the lawmakers with evidence that the practice of setting up phony accounts to meet sales goals might have gone back much further than the bank has admitted, perhaps to 2007, Mr. Stumpf said that Wells Fargo was continuing to investigate the extent of the problem, how far back it stretched and who knew.

But those steps did not appease the lawmakers. Several called for Mr. Stumpf's resignation, and others asked why he shouldn't be jailed, like a bank robber.

"Something is going wrong at this bank, and you are the head of it," said Gregory Meeks, Democrat of New York, adding, "You should be fired."

Mr. Stumpf replied, "I serve at the pleasure of the board." Mr. Stumpf is the board chairman.

Mr. Meeks, at times pounding the table for emphasis, asked if Mr. Stumpf would have set free someone who had robbed a Wells Fargo Bank, then simply apologized and taken responsibility. Criticizing Wells Fargo's "criminal activity," Mr. Meeks said: "Your bank, Wells Fargo, has given the entire financial services industry a black eye."

"To the American people, this kind of feels like déjà vu all over again," said Representative Jeb Hensarling, the Texas Republican who is chairman of the committee. "Some institution is found engaging in terrible activities. There is a headline, fine, and yet no one seems to be held accountable."

As Mr. Stumpf testified, a video screen on the hearing room's wall displayed a scroll of more than a dozen fines Wells Fargo has paid in recent years, totaling more than $10 billion. The list included penalties for subprime loan abuses, discriminating against African-American and Hispanic mortgage borrowers, and foreclosure violations, among others.

Mr. Hensarling asked whether such fines are simply the "cost of doing

business."

Mr. Stumpf answered no, adding, "I don't want our culture to be defined by these mistakes."

Wells Fargo has been in crisis mode since it acknowledged this month that its employees had, over the course of several years, opened as many as 1.5 million bank accounts and 565,000 credit card accounts that may not have been approved by customers. The company agreed to pay $185 million in penalties and fines to settle cases brought by federal regulators and the Los Angeles city attorney.

Wells Fargo has said it is contacting all of the customers who may have been affected. So far, the bank has contacted 20,000 customers with questionable credit cards. About a quarter of them have said that they did not apply for the card or could not remember if they had, Mr. Stumpf said at the hearing.

He also said that Wells Fargo would eliminate its product sales goals for retail bankers by the end of the week, accelerating the bank's previously announced plan to drop them by the start of next year. Ex-employees say those sales goals led to intense pressure on workers to cheat to fulfill unrealistically high quotas.

Mr. Stumpf carried with him a binder filled with material to help him form his answers, and he consulted it repeatedly as lawmakers questioned him about how many customers with potentially unauthorized accounts had been affected in their own home states. He reeled off the answers: Texas, 149,857; Missouri, 1,191; Delaware, 4,255.

The plight of Wells Fargo workers who lost their jobs for not meeting sales goals came up several times during the hearing, with lawmakers citing personal experiences from their constituents. Representative Nydia M. Velázquez, Democrat of New York, asked how many workers Wells Fargo had fired for falling short.

"My understanding is that people should not be fired, terminated for missing sales goals," Mr. Stumpf answered. "I'm not saying it didn't happen. We're doing a review of whatever, whoever might have been terminated for that."

As for those who did take the fall for the illegal account openings, Representative Brad Sherman, a Democrat of California, was particularly acerbic.

"You fired 5,300 people," he said at the hearing. "You took 5,300 good Americans and turned them into felons." It is time, he concluded, to break up the big banks.

Jennifer A. Kingson contributed reporting.

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DealB%k WITH FOUNDER ANDREW ROSS SORKIN

At Wells Fargo, Complaints About Fraudulent Accounts Since 2005

By STACY COWLEY OCT. 11, 2016

In 2005, the year John G. Stumpf became president of Wells Fargo, Julie Tishkoff, then an administrative assistant at the bank, wrote to the company's human resources department about what she had seen: employees opening sham accounts, forging customer signatures and sending out unsolicited credit cards.

She kept complaining for four years, and she was not alone. For years similar or identical complaints from Wells Fargo workers flowed in to the bank's internal ethics hotline, its human resources department, and individual managers and supervisors. In at least two cases in 2011, employees wrote letters directly to Mr. Stumpf — who became the company's chief executive in 2007, and its board chairman in 2010 — to describe the illegal activities they had witnessed.

Since the ethics scandal erupted in public last month, Mr. Stumpf has testified twice in front of Congress that he and other senior managers only realized in 2013 that they had a big problem on their hands — two years after the bank had started firing people over the issue.

Now, regulators, lawmakers, current and former employees, and others are asking: How was it that this drumbeat of complaints did not set off loud alarm bells earlier? And why have the brunt of the firings fallen on low-level workers, not on the managers and executives who shaped the company's aggressive sales culture?

"It appears that there were activities going on that indicate you may have known

much earlier" than 2013, Representative Maxine Waters, Democrat of California, said while questioning Mr. Stumpf in a House Financial Services Committee hearing last month.

Ms. Waters pointed to court filings from 2008 from employees who tried to blow whistles, and to a Wells Fargo sales quality manual that was updated in 2007 — just months after Mr. Stumpf became chief executive, and with his executive guidance — to remind employees that they needed to obtain a customer's consent before opening an account.

Ms. Tishkoff was fired in 2009. At least two of her supervisors were aware of her complaints and ignored them, according to a wrongful termination lawsuit she filed against Wells Fargo in 2011. Those supervisors remain with the bank and are now regional presidents, responsible for overseeing thousands of workers at hundreds of branches.

And since Sept. 8, when Wells Fargo said it would pay $185 million in fines for opening as many as two million customer accounts and credit cards without authorization, dozens of former employees have stepped forward to tell stories like Ms. Tishkoff's — describing the company's toxic sales culture and their own thwarted efforts to use the bank's internal channels to draw attention to the scope of the problem.

"Everybody knew there was fraud going on, and the people trying to flag it were the ones who got in trouble," said Ricky M. Hansen Jr., a former branch manager in Scottsdale, Ariz., who was fired after contacting both human resources and the ethics hotline about illegal accounts he had seen being opened.

Wells Fargo says that it investigates all complaints of impropriety from its ethics hotline or other channels. But it added that until 2013, it handled each complaint about account fraud individually. It was not until three years ago that the company realized it had a broader problem, according to Mary Eshet, a Wells Fargo spokeswoman.

At that point, Wells Fargo began an internal investigation. By then, though, the issue had caught the attention of prosecutors and regulators. In May 2015, the Los Angeles city attorney filed a sweeping lawsuit against Wells Fargo over its

creation of unauthorized accounts.

Last month, the bank settled that case and two related actions brought by federal regulators. Ms. Eshet cited the steps the company took in response to the scandal, including its move this month to drop the aggressive sales goals that employees said created pressure to act unethically.

"We have made fundamental changes to help ensure team members are not being pressured to sell products, customers are receiving the right solutions for their financial needs, our customer-focused culture is upheld at all times and that customer satisfaction is high," Ms. Eshet said.

But former employees whose cases are detailed in lawsuits against the bank say that many of the managers at the branch level and above who heard their ethics complaints did nothing and are still there. Between 2011 and this year, Wells Fargo terminated the employment of 5,300 workers for creating as many as two million unauthorized bank and credit card accounts; around 10 percent of those worked at the branch manager level or above, according to the bank, but only one — an area president — had a high-level management role.

In 2009, Yesenia Guitron, a banker in the Northern California town of St. Helena, filed reports to her branch manager, to her branch manager's boss and to Wells Fargo's ethics hotline about a colleague who she said was opening and closing accounts without customer permission.

Those and other fraudulent acts continued despite her complaints, and were openly tolerated by the branch's management, Ms. Guitron told Wells Fargo's human resources department. In 2010, Ms. Guitron was called into her boss's office and told she was being fired for insubordination.

Ms. Guitron filed a wrongful termination lawsuit, submitting into the public record thousands of pages of documents and testimony from multiple branch workers about the unethical acts they said they witnessed. The court sided with Wells Fargo and dismissed the case in 2012. Ms. Guitron had an "objectively reasonable" belief that the bank had acted fraudulently, but Wells Fargo still had grounds to fire her because she fell short of her sales goals, the judge ruled.

Pam Rubio, the manager of the branch where Ms. Guitron worked, is now a private banker at Wells Fargo, managing money for wealthy clients. Also still with the bank is Greg Morgan, the regional manager whom Ms. Guitron approached about the problems at her branch. He was promoted last year and is now Wells Fargo's regional president of the San Francisco market. (Neither Ms. Rubio nor Mr. Morgan responded to requests for comment.)

"We agree with the judge's finding that her claims of retaliation had no merit," Wells Fargo said in a written statement.

Wells Fargo said that Ms. Tishkoff was terminated "for falsifying expense reports" and that the bank "does not tolerate retaliation against team members who report their concerns." Ms. Tishkoff's side of the story is that she accidentally submitted several low-dollar expense items twice and that the company used that as a premise to fire her. The case was settled in 2012, according to Ms. Tishkoff's lawyer, who said the terms of the deal prevented her from speaking publicly about it.

As outrage over the bank's actions has grown, frustrated former employees have said the bank should have heeded what they have said were widespread warnings and taken action much earlier — a fact Mr. Stumpf acknowledged at a hearing before the House Financial Services Committee.

"We should have done more sooner," he said.

That answer does not satisfy Mr. Hansen, the former branch manager in Scottsdale, who said he was fired for speaking up.

Mr. Hansen started at Wells Fargo in 2008 and worked his way up to a management job. A number of his region's top performers openly cheated, he said, but in 2011, while stationed away from his branch to cover for a colleague, he came on a particularly egregious case: The branch's bankers were inventing fake businesses and opening accounts in their names, he said.

"I called H.R. and said, 'What do I do?'" Mr. Hansen recalled. "And they said, 'Go to the ethics hotline.'"

"They said that if we knew about fraud going on and did not report it, we could

be terminated for that," he said.

Mr. Hansen said he called the ethics line. The investigator asked for specifics, such as the account numbers and the names of the bankers who opened them. Mr. Hansen said he pulled up the accounts to gather that information.

One month later, he was fired for improperly looking up account information.

"They said, 'Are you aware that what you did was an ethics violation?'" Mr. Hansen recalled.

Incensed, Mr. Hansen sent an email in 2011 to Mr. Stumpf and several human resources executives describing what he had witnessed. The company responded by offering to rehire him in a reduced role, making $30,000 less than he had before. He took the job because he needed one, he said, but quit two years later from the stress of working in what he considered to be an unethical place.

Rasheeda Kamar, a former branch manager in New Milford, N.J., also sent Mr. Stumpf a letter in 2011, the day she learned she was going to be fired for falling short of her branch's sales goals. Bankers were reaching those goals artificially, she warned him: "Funds are moved to new accounts to 'show' growth when in actuality there is no net gain to the company's deposit base."

Her letter, like Mr. Hansen's, was sent two years before Mr. Stumpf says he became aware that such activity was prevalent.

Ms. Kamar said she felt vindicated last month, when Wells Fargo admitted that thousands of its workers had acted illegally — until she read a quotation from Mr. Stumpf blaming the bank's employees, not its corporate culture, for the fiasco.

"I thought, 'How dare he?'" she said in an interview. "They knew, and they turned a blind eye."

She forwarded her 2011 email to Mr. Stumpf to Senator Robert Menendez, Democrat of New Jersey, who quoted it to Mr. Stumpf when the Senate Banking Committee grilled him.

"I don't remember that one," Mr. Stumpf replied.

Susan Beachy contributed research.

A version of this article appears in print on October 12, 2016, on page B1 of the New York edition with the headline: Fake Accounts at Wells Fargo Raised Alarms Starting in 2005.

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DealB%k WITH FOUNDER ANDREW ROSS SORKIN

Wells Fargo's New Boss Is Same as the Old Boss to Congress

By MICHAEL CORKERY and STACY COWLEY OCT. 13, 2016

If Wells Fargo's board had hoped John G. Stumpf's resignation on Wednesday and the appointment of Timothy J. Sloan as the new top executive would instantly quell the bank's numerous critics, they were mistaken.

Within hours of the announcement, a member of Congress and other critics were already dismissing Mr. Sloan as the wrong man to make the big changes the bank needs to move past its current predicament over the creation of as many as two million phony accounts.

While the Wells Fargo board emphasized that Mr. Sloan was "ready to lead the company into the future," the bank's critics focused on the role that Mr. Sloan — who has spent the last 29 years at Wells Fargo — played in the bank's troubling past.

"I remain concerned that incoming C.E.O. Tim Sloan is also culpable in the recent scandal, serving in a central role in the chain of command that ought to have stopped this misconduct from happening," Representative Maxine Waters, a California Democrat, said in a statement.

For his part, Mr. Sloan did not signal in his first hours as chief executive that he intended to make any bold shifts. He praised the tenure of Mr. Stumpf and said he planned to pursue largely the same strategy in restoring the bank's reputation that his predecessor had begun.

Mr. Sloan's most recent role was as Wells Fargo's president and chief operating officer, positions he took in November 2015. During his 11 months in those jobs, he oversaw several major business lines, including the community banking unit, where employees were still being fired for creating fake accounts earlier this year.

Even as regulators were digging into the problems this summer, Mr. Sloan, 56, remained a staunch defender of cross-selling, telling an interviewer in June that the "fundamental strategy we have is not going to change."

It was Mr. Sloan who informed Wells Fargo's former head of community banking, Carrie Tolstedt, this past summer that the bank was "moving in a different direction" from the way her unit had been run, Mr. Stumpf said. Ms. Tolstedt was allowed to retire and collect millions in additional compensation, rather than be fired. (The bank's board has since clawed back $19 million of her pay.)

For all the early doubts about Mr. Sloan, banking analysts say, cleaning up the mess at Wells Fargo would be an uphill job for anyone to undertake.

Wells Fargo had been celebrated for years as the nation's best-run bank, but it took less than 40 days for that sterling reputation to evaporate. Since regulators announced a $185 million settlement with the bank in early September, Wells Fargo has been consumed by the scandal.

Prosecutors in three states have begun investigations, and state treasurers in Illinois and California have pulled business with Wells. Hillary Clinton denounced the bank on the campaign trail.

Overcoming this rancor now falls to Mr. Sloan, an Ohio native and father of three grown children, who is known for his dry wit and direct manner.

He made no pronouncements on an overhaul of the Wells Fargo culture. In a brief interview on Wednesday, Mr. Sloan said, "We are going to enact the changes that have already been announced," including ending the sales goals in the retail bank that former employees and others — including lawmakers and regulators — blamed for the problems.

Mr. Sloan added that it was important that he not interfere with the board and its internal investigation into the fake accounts and the bank's handling of them.

Some former employees in Wells Fargo's bank branches said in interviews that nothing would improve until the bank renounced the corporate culture where Mr. Sloan was groomed.

That culture, they said, emphasizes selling as many new accounts as possible, often at the expense of providing good service to customers.

"I don't see that happening unless they get rid of all the top corporate executives," said Julie Miller, who worked at Wells Fargo for eight years in Allentown, Pa., until being fired in 2013 for not meeting her sales goals. "They all created the bank's culture of leading by fear and intimidation."

But some of the changes that Wells has made in the last month appear to be taking hold. One Wells Fargo teller in Texas, who spoke on the condition of anonymity because she feared losing her job, said that she felt freed from previous pressure to meet sales goals and could for the first time focus entirely on making sure her customers were satisfied.

On Thursday, Wall Street analysts were also more willing to give Mr. Sloan the benefit of the doubt, saying that he had largely avoided any direct role in the scandal, except for his brief time overseeing Ms. Tolstedt last year. By then, they said, the bank was dealing with the problem and cooperating with regulators.

As the bank's former chief financial officer, Mr. Sloan interacted frequently with investment analysts, who until recently regarded Wells Fargo as the best-run big bank in the country.

A graduate of the University of Michigan, Mr. Sloan is known for his sense of humor and for having a pricklier personality at times than the usually pleasant and polished Mr. Stumpf.

"Tim Sloan can have some sharper edges," said Mike Mayo, a banking analyst at CLSA. "Wells Fargo might need that right now."

Mr. Sloan lives with his wife in the Los Angeles area and spends the workweek

at the bank's corporate offices in San Francisco.

One area Mr. Sloan might target as he figures out the bank's strategy going forward: Wells Fargo's outsized network of bank branches.

Even as other large banks have been paring back branches as more customers transact online, Wells still runs roughly 6,000 branches — which is about 30 percent larger than Bank of America's network.

While Wells also offers digital banking services, the bank has used its bank branches to successfully cross-sell products to customers as they come in the door. With the shift away from cross-selling, the bank may not need so many branches.

Mr. Stumpf, who got his start in retail banking, was seen as more wedded to the branch network. Mr. Sloan's expertise in wholesale banking and corporate finance, analysts said, may make him more willing to trim the bricks and mortar.

The bank is now working on a new compensation structure for its employees. Wells workers have said that they felt pressured to open the phony accounts because their bonuses — and in some cases their jobs — depended on meeting sales numbers.

From now on, a great share of employees' compensation will hinge on whether they have improved the customer's experience, not on how many accounts they created.

"Changing these fundamentals doesn't take a whole lot of time," said Mike Moebs, a former executive at Wells Fargo, who now runs an economic and financial research firm.

A version of this article appears in print on October 14, 2016, on page B1 of the New York edition with the headline: Shake-Up at Wells Fargo Fails to Dispel Skepticism From Lawmakers.

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DealB%k WITH FOUNDER ANDREW ROSS SORKIN

Wells Fargo Says Customers Shied Away After Scandal

By MICHAEL CORKERY OCT. 14, 2016

Wells Fargo disclosed on Friday that new account openings had taken a nose-dive since the scandal over illegal activity at the bank erupted: Bank executives said customers opened 25 percent fewer checking accounts and applied for 20 percent fewer credit cards in September compared with a year ago.

Wells Fargo executives acknowledged that customers may have shunned the bank as the extent of the problems came to light. Timothy J. Sloan, who was named the chief executive on Wednesday, said on the company's third-quarter earnings call that he understood the gravity of the situation.

"As a new C.E.O., my immediate and highest priority is to restore trust in Wells Fargo," Mr. Sloan said.

In other measures of the fallout, the bank said that a gauge of customer loyalty — which asks customers whether they would recommend Wells Fargo to family and friends — was also down in September.

Although it was too early to assess the impact the declines might have on the bank's bottom line, the fallout from its widespread creation of sham deposit accounts and credit cards dating back to 2005 was clearly taking its toll.

Friday morning's earnings call was the first time Mr. Sloan had addressed the bank's investors and analysts since taking over the top spot from John G. Stumpf, who retired abruptly on Wednesday during intense criticism of his handling of the scandal.

Removing the tarnish from Wells Fargo's name will not be an easy job, given the breadth of the problems that have surfaced since the bank announced that it had reached a settlement with banking regulators on Sept. 8.

The decline in new customer account openings came with less than three weeks remaining in the third quarter. In an interview, the bank's chief financial officer, John R. Shrewsberry, attributed the decline partly to the bad publicity and to the fact that customers were "irritated with Wells Fargo in September."

The bank said traffic at its roughly 6,000 branches remained consistent in September with levels of a year ago, while credit card and debit card use increased.

Wells Fargo executives — who have been questioned by two congressional committees, excoriated by corporate governance groups and criticized by former employees — faced probably their most friendly audience on Friday: Wall Street analysts who for years have celebrated the bank as a profit machine.

But even this group had pointed questions for Mr. Sloan, 56, who has spent 29 years at the company, most recently in the dual role of president and chief operating officer.

Paul Miller, an analyst at FBR Capital Markets, echoed concerns raised by members of Congress that the management shake-up this week failed to bring in any fresh faces at the top.

"Has there been any thought about bringing somebody from the outside?" Mr. Miller asked during a lengthy conference call on Friday. "Because a lot of you guys have been with the bank for multiple, multiple years."

Mr. Sloan said it was a "fair question, and one that we have been getting asked." But in the end, he said, the board was "very supportive of the management team."

John Kasich
@JohnKasich

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3

Other analysts pressed Mr. Sloan and Mr. Shrewsberry to estimate how much revenue the bank could expect to lose from the scandal, including the higher legal expenses related to the slew of lawsuits and government investigations that are underway. The bankers said it would take time before the full financial damage could be calculated.

"It could get a little bit worse before it gets better," Mr. Sloan warned.

Expressing regrets that senior managers failed to take steps sooner to root out the problems, Mr. Sloan outlined how the bank was trying to make things right.

Among the initiatives: sending mystery shoppers on as many as 20,000 visits to branches to make sure customers were being treated correctly.

More broadly, the bank is potentially facing an extensive overhaul in its business model as it shifts from pushing sales to improving customer service.

That could prompt the bank to close branches and shift its business emphasis away from bread-and-butter checking and savings accounts. But Mr. Sloan said that any major moves would come many months down the road.

For now, there is the continuing fallout to deal with: On Friday, Ohio became the latest state to say it would stop doing business with Wells Fargo (for a year) because of the bank's duplicity. Gov. John R. Kasich of Ohio — which is Mr. Sloan's home state — posted on Twitter that the bank's actions "have cost it the public's confidence."

Wells Fargo has lost the right to do business with the State of Ohio because its actions have cost it the public's confidence.

Gov. John Kasich

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When one analyst asked whether Mr. Sloan planned to pursue the same strategy as Mr. Stumpf, who had run the bank since 2007, the new chief executive reminded the group that he had been on the job for only two days.

"Candidly, I would be a lot more nervous if I were you if I came out with some new strategic plan for Wells Fargo in 48 hours," Mr. Sloan said. "That would be pretty dangerous from my perspective."

For most of the call, Mr. Sloan sounded contrite about the problems and vowed to keep investigating new complaints. He came closer than his predecessor to acknowledging that there were problems with Wells Fargo's corporate culture that had contributed to the problems.

"I just wanted to address a few of the most common questions we've been getting," Mr. Sloan said. "First is whether Wells Fargo's culture is broken."

He continued: "Our goal of building lifelong relationships with our customers and appropriately offering them additional products is still the foundation of our business model. But there was clearly something wrong, and we will make the necessary changes to fix it."

A version of this article appears in print on October 15, 2016, on page B4 of the New York edition with the headline: Wells Fargo Says It Feels Effect of Scandal.

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DealB%k WITH FOUNDER ANDREW ROSS SORKIN

'Lions Hunting Zebras': Ex-Wells Fargo Bankers Describe Abuses

By STACY COWLEY OCT. 20, 2016

Mexican immigrants who speak little English. Older adults with memory problems. College students opening their first bank accounts. Small-business owners with several lines of credit.

These were some of the customers whom bankers at Wells Fargo, trying to meet steep sales goals and avoid being fired, targeted for unauthorized or unnecessary accounts, according to legal filings and statements from former bank employees.

"The analogy I use was that it was like lions hunting zebras," said Kevin Pham, a former Wells Fargo employee in San Jose, Calif., who saw it happening at the branch where he worked. "They would look for the weakest, the ones that would put up the least resistance."

Wells Fargo would like to close the chapter on the sham account scandal, saying it has changed its policies, replaced its chief executive and refunded $2.6 million to customers. But lawmakers and regulators say they will not let it go that quickly, and emerging evidence that some victims were among the bank's most vulnerable customers has given them fresh ammunition.

This week, three members of the Board of Supervisors in San Francisco, Wells Fargo's hometown, introduced a resolution calling on the city to cut all financial ties with the bank. They cited both the recent scandal and past cases — particularly the $175 million that Wells Fargo paid in 2012 to settle accusations that its mortgage brokers had discriminated against black and Hispanic borrowers.

After the Senate Banking Committee held a blistering hearing last month with the bank's chief executive, John G. Stumpf, who has since retired, it followed up with a letter containing 58 additional questions for the bank. Among them: What proportion of the harmed customers are old, members of ethnic minorities or military veterans?

The committee is still waiting for a response. The Justice Department and California's attorney general are also investigating the bank.

In interviews and lawsuits, Wells Fargo employees have described in vivid detail some of the predatory practices they saw.

At a branch in Scottsdale, Ariz., members of a local Native American community would arrive like clockwork every three months with checks for their share of the community's casino revenue. It was then, said Ricky M. Hansen Jr., a former branch manager there, that some bankers would try to dupe them into opening unnecessary accounts laden with fees.

In California, it was people with identification cards issued by Mexican consulates. The absence of a Social Security number made it simpler for Wells Fargo employees to open fraudulent accounts in those customers' names. Wells Fargo is one of the few major banks to permit accounts to be opened without Social Security numbers.

And in Illinois, one former teller described watching in frustration as older customers fell prey.

"We had customers of all ages, but the elderly ones would at times be targeted, because they don't ask many questions about fees and such," Brandi Baker, who worked at a branch in Galesburg, Ill., said in an interview.

When Mr. Stumpf testified before members of Congress — once in the Senate

and once in the House — he was pressed hard on whether any demographic group had been disproportionately affected. He said he was not sure.

Wells Fargo does not collect information on its customers' ethnicity, Mr. Stumpf said. Of the two million potentially unauthorized accounts the bank uncovered in its internal review, the affected customers "skewed to younger people, not older people," he told the House Financial Services Committee.

In the Los Angeles area, for instance, college campuses were considered prime spots for employees seeking to rack up new accounts because younger customers had a tendency to trust a banker's advice.

Athena McDaniel-Watkins, a former teller who worked in and around Los Angeles, said a banker she worked with would take stacks of forms with him on campus visits and encourage busy students to sign the blank papers — he would fill them out later, he told the students.

"So the customer essentially handed the banker a blank check," Ms. McDaniel-Watkins said. "The banker was then able to list as many accounts under that application as he wanted — or, in many cases, as many as he needed to hit sales goals for that day."

Steven Curtis, who also worked at several Wells Fargo branches in the Los Angeles area, said that when college students showed up asking for overdraft fees to be waived, bankers would sometimes tell them they could do so only by closing their account and opening a batch of new ones.

The practices in California were also described in a lawsuit the Los Angeles city attorney filed against Wells Fargo in 2015. Among the complaints was that employees specifically sought out Mexican citizens because their identity documents were easier to misuse.

If customers complained, Wells Fargo employees advised them "to ignore the unauthorized fees and letters from collection agencies because the lack of a Social Security number means the debt will not affect them," the lawsuit said.

Since the scandal broke, Wells Fargo says it has eliminated the sales goals that pressured bankers to open sham accounts. It has also replaced Mr. Stumpf with

Timothy J. Sloan, formerly the chief operating officer, and begun contacting all of its deposit customers to ask if they would like to review their accounts. The bank is still conducting an internal investigation into its sales practices.

"We are confident that these important steps put us on the right path to better helping our customers," said Richele J. Messick, a Wells Fargo spokeswoman. "We will continue to work hard to restore our customers' faith and regain the public's trust."

Current and former Wells Fargo employees say the problems continued well into this year.

Ashlie Storms, a former banker at a Wells Fargo branch in West Milford, N.J., said she quit her job in August, soon after learning that a banker at another branch had manipulated the accounts of one of Ms. Storms's regular customers, an older woman with memory issues.

The woman had come to deposit a large check, only to have the banker use it to open new checking and savings accounts without her approval. The next day, the customer and her daughters arrived at Ms. Storms's branch, confused about where her money had gone and why she could not gain access to it.

"What should have been a five-minute conversation turned into a three-hour complaint to corporate from the customer about the actions this banker decided to take without the customer's consent," Ms. Storms said. "The banker was a top producer for our region, always receiving recognition from management for her sales."

The dynamics varied from branch to branch, former employees said in interviews. There was no systematic corporate policy or ethos of targeting specific groups of customers.

"Bankers wanted the quickest, easiest sale — the low-hanging fruit," said Mr. Pham, the former Wells Fargo banker in San Jose. "The extreme pressure forced people into it."

In some places, demographic patterns created distinct openings.

In the Phoenix area, managers gleefully looked forward to the days when the Salt River Pima-Maricopa Indian Community made its quarterly per capita distribution payments, said Mr. Hansen, the former branch manager in Scottsdale.

Members of the Native American community would head straight to the bank with their checks, and employees would encourage them to use the money to open new accounts. Sometimes it was on the up and up: Mr. Hansen said that he looked forward to being able to open several dozen new accounts in one day but that he always tried to match customers with products that fit their needs.

Others did not. Mr. Hansen learned that one enterprising branch manager had invented "per capita day packages," jammed with five or more bank accounts. Customers would be told that they needed separate accounts for such purposes as traveling, grocery shopping and saving for an emergency.

"They would deposit their money and get hit with fees like crazy, because they got confused about what account they were using," Mr. Hansen said. "They would use the wrong debit card and overdraw their travel account, and then when they came back three months later, they would lose hundreds of dollars from their next check paying off those fees."

While lawmakers and investigators continue digging, some Wells Fargo customers and former employees, including Mr. Pham, are meting out their own punishment. A group that coalesced on Facebook has declared Nov. 12 National Close Your Wells Fargo Account Day.

Some people are not waiting until then.

Michael Masterson, who lives in Concord, Calif., posted on the group's Facebook page about refinancing his mortgage this week to move it away from Wells Fargo.

"This was an action I took as an individual looking to sever ties with what I regard as a dishonest financial institution," he said by email.

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DealB%k WITH FOUNDER ANDREW ROSS SORKIN

Wells Fargo's New Boss Is Same as the Old Boss to Congress

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While the Wells Fargo board emphasized that Mr. Sloan was "ready to lead the company into the future," the bank's critics focused on the role that Mr. Sloan — who has spent the last 29 years at Wells Fargo — played in the bank's troubling past.

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For his part, Mr. Sloan did not signal in his first hours as chief executive that he

intended to make any bold shifts. He praised the tenure of Mr. Stumpf and said he planned to pursue largely the same strategy in restoring the bank's reputation that his predecessor had begun.

Mr. Sloan's most recent role was as Wells Fargo's president and chief operating officer, positions he took in November 2015. During his 11 months in those jobs, he oversaw several major business lines, including the community banking unit, where employees were still being fired for creating fake accounts earlier this year.

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A graduate of the University of Michigan, Mr. Sloan is known for his sense of humor and for having a pricklier personality at times than the usually pleasant and polished Mr. Stumpf.

"Tim Sloan can have some sharper edges," said Mike Mayo, a banking analyst at CLSA. "Wells Fargo might need that right now."

Mr. Sloan lives with his wife in the Los Angeles area and spends the workweek at the bank's corporate offices in San Francisco.

One area Mr. Sloan might target as he figures out the bank's strategy going forward: Wells Fargo's outsized network of bank branches.

Even as other large banks have been paring back branches as more customers transact online, Wells still runs roughly 6,000 branches — which is about 30 percent larger than Bank of America's network.

While Wells also offers digital banking services, the bank has used its bank branches to successfully cross-sell products to customers as they come in the door. With the shift away from cross-selling, the bank may not need so many branches.

Mr. Stumpf, who got his start in retail banking, was seen as more wedded to the branch network. Mr. Sloan's expertise in wholesale banking and corporate finance, analysts said, may make him more willing to trim the bricks and mortar.

The bank is now working on a new compensation structure for its employees. Wells workers have said that they felt pressured to open the phony accounts because their bonuses — and in some cases their jobs — depended on meeting sales numbers.

From now on, a great share of employees' compensation will hinge on whether they have improved the customer's experience, not on how many accounts they created.

"Changing these fundamentals doesn't take a whole lot of time," said Mike Moebs, a former executive at Wells Fargo, who now runs an economic and financial research firm.

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Foxwood Casino Owner Strikes Deal To Restructure $2B Debt

By **Lisa Uhlman**

Law360, New York (August 3, 2012, 6:21 PM EDT) -- The Mashantucket Pequot Tribal Nation, which owns the struggling Foxwoods Resort Casino in Connecticut, the largest casino in the U.S., reached a deal Friday with its lenders and bondholders to restructure $2.2 billion in outstanding debt.
MPTN, whose casino ran into financial trouble after the recession, has been in negotiations with its bank lenders since 2009.

"This represents a critical step forward for our business," Foxwoods CEO Scott C. Butera said.

"The comprehensive agreement substantially lowers our aggregate debt balance and extends maturities in our gaming and hospitality business," he added. "This plan will once again put Foxwoods and MPTN on solid financial footing and allow us to continue to provide an outstanding entertainment environment for our guests."

In February, lenders of a $700 million revolving loan originally due in July 2010 further extended a forbearance agreement with MPTN until April 7. In addition to the revolving loan, the tribe also has $1.43 billion of outstanding bonds, which gaming profits are insufficient to pay off.

Under the new agreement, MPTN's senior secured credit facility and a loan from Kien Huat Realty Sdn Bhd will be restructured into two term loans with five- and seven-year maturities, respectively. The tribe's bondholders will receive new securities with maturities of 13, 18 and 23 years, depending on the bonds' seniority.

In addition, holders of subordinated special revenue obligations and 8.5 percent notes will get new, discounted debt. The tribe will also get a $30 million working capital facility with a 30-month term from Bank of America Corp. and Wells Fargo.

"The MPTN fully supports the agreement worked out between the tribe, Foxwoods management and the [lenders'] steering committees," Mashantucket Pequot Tribal Council Chairman Rodney Butler said. "

"It is fair and consensual, and implementation of the plan will help provide for the long-term financial stability of our tribal community as well as enhance the competitive strength of Foxwoods Resort Casino," he added. "The council is grateful to all of its tribal members, employees, vendors, patrons and local community partners for their support during these challenging times."

The steering committees include BofA as administrative agent for the tribe's senior secured credit facility, as well as representatives of other lenders and bondholders at each level of MPTN's capital structure, the tribe said.

With discretionary spending down, the weak economy has been hard on the gaming industry, affecting a number of tribes that operate casinos under the Indian Gaming Regulatory Act.

The Mohegan Tribal Gaming Authority, owner of Mohegan Sun Casino, is also taking steps to restructure its debt, struggling under reduced gambling in a tight economy that has hurt casinos in recent years.

The authority, an agency of the Mohegan tribe that operates gambling and entertainment complexes Mohegan Sun in Connecticut and Mohegan Sun at Pocono Downs in Pennsylvania, in January proposed a private offer to creditors to exchange $598 million worth of bonds for new bonds with the same balance but more advantageous conditions for the casino operator.

Because of the sovereign immunity of Indian nations, bankruptcies can proceed differently when the debtor is a tribe.

MPTN is represented by attorneys from Weil Gotshal & Manges LLP. Its financial adviser during its restructuring is Miller Buckfire & Co.

Attorneys from Sheppard Mullin Richter & Hampton LLP acted as Indian law counsel to BofA. Davis Polk & Wardwell LLP was primary counsel to BofA.

--Editing by Elizabeth Bowen.

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