A Federal Regulator Is Probing Wells Fargo's Mortgage Practices

A consumer watchdog agency is following up on ProPublica's reports that the scandal-ridden bank improperly charged fees to customers from Los Angeles to Oregon. Meanwhile, the bank is conducting its own inquiry.

by Jesse Eisinger
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A Wells Fargo bank branch in Hermosa Beach, California (Patrick T. Fallon/Bloomberg via Getty Images)

The Consumer Financial Protection Bureau is conducting an investigation into alleged improprieties in Wells Fargo's mortgage fee practices.

The CFPB is looking into allegations, first reported by ProPublica in January, that the bank inappropriately charged customers fees to extend their promised interest rates when their paperwork was delayed. The CFPB probe is in its early stages, according to a person familiar with it, and there is no certainty that the agency will take action. The CFPB has the power to levy fines and seek restitution if it finds a financial firm has violated the law. A CFPB spokesperson declined to comment.

Wells Fargo is also conducting its own internal review, overseen by the law firm Winston & Strawn. The inquiry was initially limited to the Los Angeles area, but has since widened. In a sign of its escalating scope and seriousness, Wells Fargo let three top mortgages executives go last week, including Greg Gwizdz, a 25-year veteran of the bank who most recently was the head of its retail sales division. Gwizdz oversaw the bank's more than 7,900 loan officers.

The bank also dismissed Drew Collins, the manager of the Pacific division, and Sandy Streator, the regional sales manager for Nevada and Oregon. Previously the bank parted ways with Tom Swanson, the Los Angeles County regional sales manager. Gwizdz, Collins and Streator did not respond to requests for comment.

The decision to let the executives go was a result of "some of the things we found as part of" the internal review, said bank spokesman Tom Goyda, though he added that "no single issue or situation" led to the departures. Goyda declined to comment on the CFPB probe.

ProPublica reported Wells Fargo mortgages routinely bogged down in paperwork delays. When that occurred, supervisors instructed loan officers to blame and charge the customers, even when the problems were the fault of the bank, according to current and former Wells Fargo employees. Customers were charged fees of $1,000 to $1,500 or more, depending on the size of the loan, to extend, or lock in, their interest rates. The practice of shunting the fees onto the customers was particularly common in the Los Angeles County and Oregon regions.

In Oregon, part of Streator's territory as regional sales manager, two former loan officers and one former branch officer told ProPublica in February they were instructed to charge customers for mortgage lock extensions even when the bank was responsible. The former branch officer estimated that in 2015 and 2016 he oversaw 350 mortgages that needed lock extensions. He said the bank only paid the fee twice.

Wells has been reshuffling management elsewhere within the organization as part of the fallout into an earlier and separate scandal. Last September, the bank was fined $185 million for illegally opening as many as 2 million deposit and credit card accounts without customers' knowledge. In February, it fired four senior managers connected to that wrongdoing.

In April, the board of directors issued a report excoriating the bank's top-level management for its high-pressure sales culture.

The CFPB probe comes at a time when the 6-year-old agency's own future is uncertain under the Trump administration. Banks, financial firms and the Republican Party have opposed the agency and its sweeping powers to oversee consumer finance. Consumer advocates and the CFPB's adversaries await a decision from the U.S. Court of Appeals for the District of Columbia about the constitutionality of the agency. Adding to the uncertainty, Richard Cordray, the director of the agency, is expected to be leaving his post sometime this summer, though his term does not expire until July 2018.

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