

March 18, 2022

Charles Scharf
CEO and President
Wells Fargo & Company
420 Montgomery Street
San Francisco, CA 94104

Dear Mr. Scharf:

I am writing regarding a recent Bloomberg News investigation, which reported that Wells Fargo approved only 47 percent of Black homeowners' refinancing applications in 2020, an approval rate significantly below other lenders, who approved about 70 percent of Black homeowners' refinancing applications.¹ I am concerned with the significant differences between Wells Fargo and other lenders and that Wells Fargo was reportedly the only major lender to approve a smaller share of Black homeowners' refinance applications in 2020 than it did in 2010.²

As you know, mortgage rates fell to record lows during the pandemic because of the Federal Reserve's efforts to support the flow of credit to households. Many households – disproportionately those of color – faced devastating health and economic hardships caused by the COVID-19 pandemic. At the same time, some households were able to take advantage of record low rates to refinance their mortgages. According to a Federal Reserve analysis, the typical refinance reduced borrowers' monthly payments by over \$250 and the total households that refinanced are expected to save close to \$5 billion per year.³ Yet less than 4 percent (\$198 million) of those savings went to Black households, even though they make up over 9 percent of all homeowners.⁴ With mortgage rates already rising, the unique opportunity for homeowners to lower their costs by refinancing may have already passed.

Wells Fargo is not alone among major lenders in having lower approval rates for Black applicants compared to white applicants. It is clear that disparities in refinance approvals are system-wide and likely reflect a historic and systematic imbalance that has driven the racial homeownership and wealth gaps, where the average Black and Hispanic or Latino household owns just 15 to 20% as much net wealth as the average white household.⁵ Wells Fargo is quoted in the article as saying that its lending decisions were “consistent across racial and ethnic

¹ Shawn Donnan, Ann Choi, Hannah Levitt, and Christopher Cannon, “Wells Fargo Left Black Homeowners Behind in Pandemic Mortgage Refinancing Boom,” Bloomberg News, March 11, 2022, https://www.bloomberg.com/graphics/2022-wells-fargo-black-home-loan-refinancing/?cmpid=BBD031122_OUS&utm_medium=email&utm_source=newsletter&utm_term=220311&utm_campaign=openamericas.

² Ibid.

³ Kristopher Gerardi, Lauren Lambie-Hanson, and Paul Willen, “Racial Differences in Mortgage Refinancing, Distress, and Housing Wealth Accumulation during COVID-19,” Boston Federal Reserve, June 22, 2021, <https://www.bostonfed.org/publications/current-policy-perspectives/2021/racial-differences-in-mortgage-refinancing-distress-and-housing-wealth-accumulation-during-covid-19.aspx>.

⁴ Ibid.

⁵ Federal Reserve, “Wealth Inequality and the Racial Wealth Gap,” October 22, 2021, <https://www.federalreserve.gov/econres/notes/feds-notes/wealth-inequality-and-the-racial-wealth-gap-20211022.htm>.

groups” and I understand that the imbalance may in part be an outgrowth of historic and longstanding barriers – including greater shares of applicants with lower credit scores and higher loan-to-value (LTV) ratios which result from longstanding legal, social, and economic inequalities.⁶ However, the key question for Wells Fargo, and other lenders, is how lenders can find ways to support communities that have historically been held back from fully participating in the mainstream economy rather than continuing to perpetuate existing disparities, particularly during times of economic crisis.

To that end, I am requesting answers to the following questions:

1. Can you explain in detail why Wells Fargo’s disparity between approvals of refinance loans for Black borrowers and white borrowers is significantly larger than other lenders? Can you explain why Wells Fargo’s approval rate for refinance loans to Black borrowers fell in 2020 compared to 2010?
2. Is Wells Fargo considering changes to the way it evaluates refinancing applications to ensure equitable outcomes for all homeowners?
3. What else can lenders do to close the home loan refinance gap between white borrowers and borrowers of color?

I recognize that Wells Fargo has made significant investments in promoting racial equity, including equity investments in Minority Depository Institutions (MDIs), increasing access to homeownership, seeding funds to provide start-up capital to Black entrepreneurs, and partnering with HBCUs among others.⁷ I applaud these actions, and hope you will work with me and Congress to continue building on these efforts to take on the racial wealth gap.

Thank you for your attention to this important matter.

Sincerely,



Mark R. Warner
United States Senator

⁶ Ibid.

⁷ “WF Progress on Diversity, Equity & Inclusion,” Bank Policy Institute, June 2021, https://bpi.com/wp-content/uploads/2021/06/TP-Wells-Fargo-DEI-Progress_June-2021.pdf