Testimony of:

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Chairwoman Waters and Members of the Committee, thank you for the invitation to testify. I am Brad Blackwell, executive vice president and leader of Wells Fargo Home Mortgage's national sales force. As a resident of California and a passionate supporter of fair and responsible lending, I am pleased to be here representing my company today.

We commend you, Chairwoman Waters, for your leadership on housing issues and for hosting this hearing and homeownership preservation workshop. We are proud of the fact that Wells Fargo has been invited to numerous such forums across the nation to speak about our fair and responsible lending practices, as we believe collaboration with you and other Members of Congress is critical. Your constituents are our customers, and like you, we are very concerned about the rising number of foreclosures – particularly in parts of California where the market correction continues to depress housing prices.

Culturally, Wells Fargo always has been and remains committed to lifetime customer relationships. Our vision is to satisfy all our customers' financial needs and help them achieve financial success. This includes ensuring all customers have access to and can sustain homeownership.

In the Los Angeles area, for instance, we work with leading community organizations that help us achieve this vision – Los Angeles Neighborhood Housing Services, Operation HOPE, West Angeles Community Development Corporation and East Los Angeles Community Corporation, to name a few. With these organizations and others, we have introduced a number of innovations to reach and help homeowners. Madame Chair, in your Congressional district alone, Wells Fargo has contributed over $19 million toward low- and moderate-income housing investments. We also have conducted mortgage seminars in which we help current borrowers review loan documents. And, we have trained housing counselors and local lawyers on how to give aid to people facing foreclosure.

We believe that foreclosure prevention requires that good decisions are made from the beginning of the lending decision process. When faced with the tension that can naturally exist between doing what is right for the customer and generating a profit, we believe responsible lenders must do what is right for the customer. For instance, unlike many in our industry, Wells Fargo chose not to offer negative amortization or option ARM products. In 2006 alone, these loans generated close to 40 percent of the industry's revenue.

We also know that living fair and responsible lending practices makes a difference. The subprime loans originated by Wells Fargo Home Mortgage have historically had foreclosures that are half that of loans not originated by our company. Our responsible lending principles – by which we have long chosen to operate our business – include focusing on the customer's ability to repay, providing the customer with the information needed to make a fully-informed decision, and making only those loans that provide a demonstrable benefit to the customer.

We also have long-practiced responsible mortgage servicing that has consistently received top-tier rankings from Fannie Mae, Freddie Mac, HUD, private investors, and the rating agencies. Our servicing principles include putting customers' needs first; providing clear, simple and timely information; and doing all we can to keep people in their homes. We do this by providing experts, tools, services and information that help customers manage their credit.

While we believe that, as an organization, we have made and continue to make good decisions that align with our responsible lending and servicing practices, we – like most others – did not predict the extreme confluence of market events – sustained housing price depreciation, excess housing capacity, fluctuating interest rates, and continued market illiquidity – currently affecting customers. So, we too have stepped up our efforts to find more ways to help at-risk customers.

The solutions we pursue are done so thoughtfully. Wells Fargo has weathered the current subprime crisis well, relative to competitors, because we respect that what is good for consumers and what is good for investors are inextricably linked. Selling mortgages to the secondary market makes home ownership possible for millions, including minority and low-income consumers, and we are careful to avoid practices that could limit responsible access to funding. To ensure the future health of the housing industry, it is necessary to preserve liquidity and capital from the secondary market. Therefore, a good balance must be struck between upholding the contractual and credit obligations inherent to investor agreements and meeting the needs of consumers.

Since the vast majority of the subprime loans we service are held by investors, an ongoing industry dialogue organized by the American Securitization Forum has been instrumental in helping us to develop solutions that take into account our secondary market contractual obligations. Over the past few weeks, we have been working closely with Treasury Secretary Henry Paulson, the federal banking regulators, and the ASF on more systematic solutions for segments of subprime consumers who share similar credit characteristics.

Another great example of how the industry and government have come together on broad-based, nationwide solutions is the HOPE NOW alliance, which Wells Fargo was instrumental in creating. This alliance harnesses the strengths of mortgage servicers, counselors, the capital markets and the power of the U.S. government to help at-risk consumers get budget guidance that considers all of their debt in order to lessen the severity of mortgage default before it becomes unmanageable. A critical component of the program is encouraging customer contact, since it's the single biggest obstacle servicers face in helping customers find solutions that work. Through this effort, we are already beginning to prove that when we come together and mobilize to help consumers, we can have great impact.

For Wells Fargo to gather further insights on the best ways to help more of our customers financially distressed by ARM resets, we analyzed our 2007 subprime ARM servicing portfolio, considering the life of the loan and current market trends. About 3% of the 7.9 million real-estate backed loans Wells Fargo Home Mortgage services are subprime ARMs that have or are expected to reset by the end of 2008. At this time, it appears that we can find workable solutions for the vast majority – 80 to 88% – of these loans. These customers pay in full, refinance, manage the higher loan payment or benefit from a workout solution.

We either seek refinancing solutions, or modify all loans for customers who can afford the modification and are willing to manage their mortgage payments. Plus, we constantly refine our modification criteria to improve long-term customer payment success. If at any point, it is determined a repayment or modification will not be successful for the customer, we turn to options that will help them avoid foreclosure and protect their credit standing, such as deeds-in-lieu or short sales. As the leading FHA lender in the nation, we appreciate Congresswoman Waters spearheading the FHA reform in the House as this will provide yet another conduit for helping customers.

In addition to these efforts, six months in advance of a reset we send letters and make calls to borrowers. We have a dedicated team of experts with service centers around the country, so that we stay in touch with local developments and can find the best workout options for our customers. We offer many credit management programs such as our successful *Steps to Success*℠ program, and work with national and local non-profit credit management affiliates to provide guidance and counseling.

Today, I've highlighted just a few of the ways that Wells Fargo has and will continue to reach out and help customers. We believe that by working together – our industry, the government, the capital markets, consumer groups and not-for-profit counseling agencies – we can help to keep more people in their homes. Together, we must get all customers who are facing difficulty with mortgage payments to call their servicers or a credit counselor for help. And, together, explore refinancing, modification and workout options. We are there for our customers in good times and bad. We are there to help them, we want to help them, and we continue to seek ways to help them in a manner that is good for them, our investors, our economy and the long-term health of our industry.

Thank you again, Chairwoman Waters and Members of the Committee, for your time today. I will be happy to answer any questions.

Wells Fargo Home Mortgage is part of Wells Fargo Bank, N.A. and Wells Fargo & Company, a diversified financial services company with $549 billion in assets. Wells Fargo Bank, N.A. is the only bank in the U.S., and one of only two banks worldwide, to have the highest credit rating from both Moody's Investors Service, "Aaa," and Standard & Poor's Ratings Services, "AAA."