

**Testimony Of**

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**Before the**

**House Financial Services Subcommittee on Financial Institutions  
United States House of Representatives**

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Chairwoman Maloney, Ranking Member Congressman Gillmor, and Members of the Subcommittee, thank you for the invitation to testify today. Understanding your focus is on the secondary market, I've been asked to provide context for the role of the lender and servicer in the mortgage lending cycle. This includes the efforts we undertake every day to make the dream of homeownership achievable and sustainable for a wide spectrum of consumers, under terms that are appropriate for all transaction stakeholders.

I'm Cara Heiden, and together with Co-President, Mike Heid; I lead Wells Fargo Home Mortgage – the nation's leading mortgage lender and the largest servicer with more than 7.7 million customers and loan balances totaling 1.4 trillion dollars. 94 percent of the loans we service are for other investors, and the vast majority are packaged into mortgage-backed securities. We have consistently achieved the highest rankings for servicing practices by Fannie Mae, Freddie Mac, HUD, private investors, and the rating agencies.

Having spent the past 25 years at Wells Fargo, I can honestly tell you that our fair and responsible principles are not viewed as policies by which we have to abide – but instead are the moral fabric upon which our business operates.

Culturally, we have always been – and remain committed to the lifetime customer relationship. Our vision is to help consumers achieve financial success, and this includes treating nonprime borrowers fairly and responsibly.

Along with prudent credit underwriting , here are examples of the practices we consistently follow

- First and foremost, we only approve applications for loans if we believe the borrower has the ability to repay the loan.
- We provide consumers with the information needed, helping them to make fully-informed decisions about the terms of our loans.
- We do not make pay option ARM's or negative amortization loans.
- We have controls to ensure that first mortgage customers are offered prime pricing options when they qualify, based on their credit characteristics and the terms of their loan transaction.

- We advise customers who apply for loans with prepayment fees of the availability of loans without them – and help them understand the associated cost impacts. We also limit our prepayment fees to the lesser of three years or the fixed term of an adjustable rate loan.
- And, finally, we will only make a loan if it offers a demonstrable benefit to the consumer, such as reducing the monthly payment on debt, obtaining significant new money, or purchasing a home.

Our responsible lending principles have been publicly posted for years on our wells Fargo.com web-site for all consumers to read.

In addition, we have a series of long-standing responsible servicing practices that serve the needs of our customers and investors.

We proactively contact customers in default and work with them on a case-by-case basis to find solutions that help them remain in their home and protect their credit.

Most customers never miss a payment, but for those who do, we have experts dedicated to working with them early, often, and typically up to the actual point of foreclosure. In addition, we work extensively with local organizations and credit counselors that provide assistance to borrowers.

Importantly, the lending and servicing principles I have just described are ‘evergreen’ – meaning they are designed to survive every economic cycle. Occasionally, such as in the current unique economic environment, it is even more important to live by these principles.

For instance, we are collaborating with the investor community to develop more options to assist customers facing difficult adjustable-rate mortgage resets. This work involves introducing greater levels of flexibility in loan modifications and customer loan workouts. We do this, understanding that solutions must align with investor, trustee and master servicer contractual and credit obligations.

Also, in outreach to new borrowers or those refinancing we launched our Steps to Success program in mid-2006. This free program provides financial education; the means to be more familiar with credit reports; and information about banking products that can help make money

management, routine and effective. This program is proving to be beneficial to those who need assistance.

In closing, let me reiterate that Wells Fargo is firmly committed to continuing to lead the industry in advocating and conducting fair and responsible lending and servicing. It is critical that mortgage lenders and servicers live by principles that eliminate troublesome practices and help consumers through challenging times. We look forward to continually working with all the participants in the housing finance industry to find more solutions that benefit consumers – expanding homeownership and preserving it.

Thank you again, Chairwoman Maloney, ranking member Congressman Gillmor, and Members of the Subcommittee, for your time today and this opportunity to share Wells Fargo's day-to-day responsible lending and servicing practices. I will be happy to answer any questions the Subcommittee may have.

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