



ATTORNEY GENERAL GEORGE JEPSSEN

AGREEMENT REACHED WITH WELLS FARGO BANK OVER ADJUSTABLE RATE MORTGAGE LOANS

For Immediate Release

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HARTFORD – Attorney General George Jepsen announced an agreement today with Wells Fargo Bank over allegedly deceptive marketing of payment-option, adjustable-rate mortgage loans by Wachovia and Golden West Financial, two corporations Wells Fargo acquired in 2008.

Under the agreement, Wells Fargo will consider approximately 1,535 eligible Connecticut homeowners for loan modifications. In addition, the bank will provide Connecticut with \$741,465 to support the State’s foreclosure prevention efforts.

The agreement resolves claims that Wachovia and Golden West violated state consumer protection laws by failing to fully explain to borrowers that the minimum payment on their so-called “pick-a-payment” loans did not cover the full amount of accrued interest, and that choosing to make the minimum payment would increase the amount of the loan.

Some borrowers in Connecticut eventually faced higher loan balances and unaffordable monthly payments when they had to begin making full principal and interest payments.

“I want to stress that Wells Fargo inherited this problem when it acquired Wachovia and Golden West. I am pleased that Wells Fargo is addressing this issue. Connecticut homeowners struggling with these risky, ‘pick-a-payment’ loans will have a fair opportunity to achieve a loan modification or other relief,” Attorney General Jepsen said.

The agreement provides that Wells Fargo will offer modifications to eligible, qualified borrowers who reside in their homes and who are either 60 days delinquent or facing imminent default. Borrowers will first be considered for the federal Home Affordable Modification Program, and if the borrower cannot qualify or elects not to accept a modification under that program, Wells Fargo will consider the borrower for the bank’s modification program, known as Mortgage Assistance Program 2.

Modified loan terms will vary depending on the circumstances of the borrower, but can include principal forgiveness, loan extension, interest-rate reduction, and principal forbearance. Borrowers who remain current on their modified payments for three years may be able to earn additional principal forgiveness. Borrowers who qualify may also convert into a fixed-rate loan. Wells Fargo will also offer other foreclosure alternatives where warranted, including short sale, deed-in-lieu, and relocation assistance.

Wells Fargo customers who originally took out mortgages through Wachovia or Golden West and are looking for information about the loan modification program can call (888) 565-1422 to speak with a bank representative. The eligibility period to be considered for a loan modification under the agreement ends June 30, 2013.

Jepsen encouraged all homeowners having difficulty making mortgage loan payments to seek assistance as soon as possible. The website of the state Department of Banking, www.ct.gov/dob, contains valuable information on avoiding scams, applying for loan modifications and navigating the foreclosure process, he said. Homeowners may also call the Department's Foreclosure Assistance Hotline at (877) 472-8313.

Assistant Attorney General Joseph J. Chambers handled this matter for the Attorney General with Department Head Matthew Budzik of the Finance Unit.

View the entire [Wells Fargo Agreement](#) (PDF-1MB)

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