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Wells Fargo Lost ‘Tens of Millions’ in Muni and State Deals After Scandal.

- **Illinois, New York City among clients that halted dealings**
- **CEO Shrewsberry says bank wants to ‘win their business back’**

Wells Fargo & Co. has lost “tens of millions of dollars” in revenue from municipal and state clients since a sales scandal in its consumer bank erupted 10 months ago, Chief Financial Officer John Shrewsberry said.

Shrewsberry said the decline isn’t material to Wells Fargo’s earnings, but added the company is working to regain the business. Ancel Martinez, a spokesman for the San Francisco-based lender, said the lost revenue is expected to be \$20 million to \$30 million for 2017.

“I don’t want to downplay it,” Shrewsberry said Friday in a telephone interview. “If we’ve irritated those customers, we want to compete and demonstrate to them how we’ve made things better and win their business back.”

California, Illinois and cities including New York, Chicago and Seattle halted some dealings with Wells Fargo, such as using the bank to sell municipal bonds, after it agreed Sept. 8 to pay \$185 million to resolve claims that employees sought to meet sales targets by opening accounts without customers’ permission. The Department of Justice and the Securities and Exchange Commission are investigating.

The former head of Wells Fargo’s public finance business, Peter Hill, left in April to take a similar position at UBS Group AG. Nancy Feldman, who previously led transportation public finance, took over as the interim leader after Hill’s departure.

The bank doesn’t break out revenue generated by its government and institutional business unit. But during a presentation at Wells Fargo’s investor day in May, the company said the group generated 4 percent — or about \$1.14 billion — of the wholesale division’s \$28.5 billion in revenue in 2016. About half the unit’s total comes from government clients, one of the presentations showed.

New Business

Most government clients, including those “where somebody says, ‘We’re mad at Wells Fargo,’” still do some business with the bank, Shrewsberry said.

“The economics of it haven’t really changed all that much,” he said. “It’s not like the whole relationship moves.”

Wells Fargo’s wholesale division reported a 4.6 percent drop in revenue in the second quarter, according to a statement Friday. The company said business with government agencies picked up in the later half of the quarter, leading to \$1.1 billion in new loan balances.

The lender recently loaned California \$500 million despite sanctions the state had placed on the bank, Chief Executive Officer Tim Sloan told analysts Friday on a conference call. In April, Nevada agreed to extend its banking agreement through 2021, Wells Fargo said in a statement.

Bloomberg

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