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*Program on Financial Stability*

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### "Notes from John Slumpf Interview, Former Well Fargo CEO on the topic of Reulators, Capital and Costs

Adam Paul

<https://elischolar.library.yale.edu/ypfs-documents/6403>

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Stumpf

Regulates  
Capital  
costs

Wach

9/23/10

Stumpf - Chair + CEO  
Stratner -

Time

+2 Stumpf - 11 children MN - all school in  
12 yrs ago Northwest - line roles  
CEO - 3 yrs ago Chairman - year ago  
President - 4 yrs ago

2-12 Tom - Reg. pushing Wells - more into satisfactions

Stratner "Take that"

~ 2004 - bank reg concerns 2 think BSA +  
AMP

prog "not robust enough for company of size"  
→ Compliance RM + operating RM

3:20 "back then... other risk... regulators  
were quite satisfied

- letter of agreement SEC + Fed

4:28 "Always strong performer

Stumpf

4:41 "Best managed or close to customer"  
"Comm real for years"

5:30 "Prices became crazy... time 03-04  
new products popular  
→ Gain up market share  
- audit is outside

7:40 Tom - Comp + Volume

Some where paid for production  
- not involved in approval  
underwriting is closer to salary

8:40 - Knock-out exclusions

9:15 starts with board, Human resource of  
Board - Filters down - lets say

No one got a bonus in Molt company  
2006-~~2007~~ 2007 was paid in 07 for  
2006 production

11:22 - Wa Mu of Colville more info  
in mortgage company - talked to  
CRO, put customers first

"Hard decisions to make"

12:53 - overlending

Stampf - Vision + Values, sign on code  
of ethics

"Pigment is different"

15:35 - Culture + RM

run very differently, on type of credit  
Commissioned sales person we have very  
robust procedures - decision is very separate  
from that activity

Stacy F

17:30 - Never used loan committee  
↳ not a decision making process

"Put our credit people  
90% of what they do is going to  
be approved"

"Worried about Basel II - separate credit  
from collateral - intro done foreign concept"

19:30 Tom - CR independence

↳ "Have a dotted line to audit  
line"

21 Me - how Δ?

→ Industries would have problems, more  
around type of credit

21 - At what point in time do not  
follow the herd - General Growth -  
crossed milk

↳ Baseball - Fed & state reg. - business  
play infield or outfield

Constructive opportunities

24 ~

Culture of long-term activity  
But only talk about long-term

Start w/ customer & add value

27. Economists about housing

"When you've been around skeptical  
of good news or bad news  
Didn't see downturn, do what was  
right for customers. things will work  
out."

28. Meet each week - CEO is there

"Disagree who disagrees  
"on paper but also how you behave"

29 - Capital - caution

29.45 Diff go-go transition - resources  
"always want fortified balance"

Wash, only company that could  
have bought them  
always held in common equity

31 EPS - firm engineering to improve earnings

"Sure who cares"  
"But ~~it~~ doesn't care"

32 "attitude of our people - is about  
running company for long T benefit"

33 [ = Forced to pick SR-LR, easy decision go ]  
SR LR

33<sup>57</sup> - Tom ~ Board

"Not as a rubber asking big hard questions"  
area today

- Corporate Social Responsibility

36 - Tom - Inside Directors

I'm on a few boards - Target & Chevron

38 - own expertise, superb and add value  
"Management does attend our meetings"

40 Tom ~ How you make sure you get feedback you need

"CEO's diff decibels of volumes"

"My relationship, convo before this call, email between meeting, conversation between meeting, humbled by experience"

"Shared skin in game"

"Big complex jobs"

Culture leads

Culture beats  
strategy for breakfast  
each time

43 - Culture (me)

"Made some poor decisions"

"Their directors came to company"

"end of day, so much common"

"More time at Wall Drug"

## 45 Tom-Integration

More about board function  
- succession, nothing in place at many  
companies

→ we do a plan each year  
57-out by 65

→ names + SR, SR plan

one big challenge was everyone on  
same operating system

Strother - not a single M&A committee

↳ Dodd-Frank may force consolidation

## 49 Type of Risk

CRO can go & do what they  
need to do. Shore up board hard  
to do it at one place.

50 CRO - # of people

5,000 - 6,000 RM + mitigation

51 Dotted line

52 Stumpf - "If there is a creative tension, to  
creative, we go after it"  
Credit is decisions as responsible  
equal alliance

"I'm ultimate arbiter"

- "Disagree who disagreeable"

56. Lines of credit - cap allocation

"We think about customers & stand alone  
if one business doesn't do well  
may drop a customer"

58 Spend a lot of time on where  
is capital employed  
of liquidity use

Derivatives

1. Farmer end user hedger - Interest rate
2. Debt of our own - Swaps rates
3. Service 1/6 mortgages -

102 - "critical"

"Hard thing about derivative desk...  
... we take credit risk, exchanges do it  
protect that well."

1-04 First realize problems  
told by (?) others that 2006 area  
on consumer side new products intro  
duced. You

2005-2006 dep on bus

West most overheated CA, NV, AZ

105 "Told about what FF was doing. Absolutely  
a disaster waiting to happen."



107 - How do we risk?  
on commercial real estate

"No whole sale shifts of strategy"

Pull back LTV

Service book is higher, fore closer  
lower

108 - Tom areas where you did it do  
enough

Regret - one purchased from other originators  
\* "It's been a difficult portfolio" \*

110 - How'd you pick, em

"You learn on these things"

One tenant has to be originator  
has to see it has a good loan  
for the whole life of loan  
Sep of Risk & reward

112 - How to make skin in game work.

"Not enough liquidity"

113 - Tom - counterparty management

Tolerance ↑ + ↓

See auto business

114 -