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Tucsonan protests; bank fees are altered

By Joseph Barrios
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Tucsonan Cecilia Campillo was one member of the chorus who criticized Wells Fargo at its April stockholders meeting in San Francisco, saying she was charged exorbitant fees to refinance her home.

Campillo's trip was worth it, she said, especially after hearing the company has changed its policies to protect customers with higher-rate loans from burdensome fees and other requirements.

Wells changed its mortgage lending policies to ensure that higher-rate customers with less-than-perfect credit records aren't saddled with unfairly burdensome loan terms, the company said in a statement last week. The change is part of a long-term effort to improve customer service, said Mark Oman, head of the bank's home mortgage unit and Wells Fargo Financial, its higher-rate lending arm, in a statement.

Banks charge these customers higher interest rates and fees than prime borrowers to cover the higher risk of default. Wells Fargo has been criticized by customers and consumer advocacy groups who said the bank attached unfair finance charges to higher-rate mortgages and failed to properly disclose such fees.

Campillo, 66, bought her South Side home, near South Campbell Avenue and East Drexel Road, in 1978.

A few years ago, she found herself in financial straits. She had lost her job; her husband, Abelardo, had retired; a son was in college; and her house needed basic repairs. Wells Fargo charged \$8,400 in fees and an 11.7 percent interest rate to refinance a \$75,300 mortgage.

Under Wells' old guidelines, the company was to charge the lesser of 4 percent or the state-imposed limit. With no state-imposed limit in Arizona, 4 percent of \$75,300 is \$3,012.

After reviewing her file, Wells refunded about \$8,000.

The amount Campillo was charged is high, said Michael Rohde, an assistant branch manager for Home 123 Mortgage's Tucson location. Although Rohde has no firsthand knowledge of Campillo's situation, he said the amount would be excessive even if Campillo were financing only 80 percent of her mortgage.

"In my mind, that would be through the roof. I don't know about everything she did with her home. It seems like they made a lot of money on both the rate and the fees," Rohde said.

Campillo said she doesn't place all the blame on Wells Fargo. She thought the fees were high at the time she signed the paperwork, but she did not feel like she had a choice.

"When you're in need of support from the bank or any lending institution, your immediate need is what you're concerned with," Campillo said.

About three years ago, after taking a job with the Southwest Center for Economic Integrity, she was assigned to research predatory lending practices. She noticed disturbing similarities to

her own loan and sought help from a credit counselor. Eventually, she joined the Association of Community Organizations for Reform Now, a New Orleans-based group that started a campaign in 2003 criticizing Wells Fargo for what it called unfair lending practices.

Acorn arranged for a Wells stockholder to make Campillo her representative at the annual meeting on April 23 and Campillo flew to San Francisco.

"We went into the banking business area right in the heart of San Francisco. It was very impressive, very opulent. Pretty intimidating. We were among very wealthy bankers, very wealthy shareholders," Campillo said. "I went to talk about a situation that exists and needs to be reviewed and looked at and changed perhaps because people are suffering."

At the meeting, she addressed her comments directly to CEO Richard Kovacevich, who simply said the company did not take advantage of customers and moved on to the next speaker.

But later, David Kvamme, president of Wells Fargo Financial's U.S. consumer unit, sent Campillo and her husband a letter saying he had reviewed their loan and was sending a refund, Campillo said.

The decision to change company policies was not the result of pressure from the Acorn organization, Kvamme said.

"We believe our prices and our practices have been fair," he said.

Campillo's position as a customer, not as a member of Acorn, convinced him to review her account, he said. He declined to say why she received a refund other than to say that "Ms. Campillo's situation was really unique."

In a 33-page report released in March 2005, Acorn said Wells Fargo targets minority neighborhoods for higher-rate loans and charges borrowers higher interest rates than warranted by their credit records.

After analyzing publicly disclosed lending data for 592,000 refinance loans made in 42 metropolitan areas in 24 states, Acorn said one of every five refinancings made by Wells Fargo Financial are in predominantly minority neighborhoods. Acorn said Wells Fargo Home Mortgage, the bank's unit that offers prime loans to consumers with good credit ratings, made one of 20 loans in minority neighborhoods.

Now the company has capped lending fees at \$1,500, not including third-party fees. Customers have the chance to "buy down" their interest rate. The previous cap had been the lesser of 4 percent or the state-imposed limit.

The changes are "basically a matter of evolution," said Kevin Waetke, spokesman for Wells Fargo Home Mortgage.

Since January 2004, Wells Fargo has worked to strengthen lending practices, Waetke said. "I'd say that we listened to our customers and it's common practice to meet with community groups across our entire company," he said. "They do help us better meet the needs of our customers."

Still, Campillo said, she hopes that making the trip to San Francisco, and voicing her concerns, played a role in convincing Wells Fargo to change its policies.

● *Bloomberg News contributed to this report.*

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