SPECIAL EDITION

WELLS FARGO

Market In Review: The Wells Fargo View℠

Wells Fargo is a strong, sound mortgage lender and servicer. Our business is uniquely positioned to succeed in today's challenging market. Here is our insight on current conditions, and how we will continue to responsibly make loans to customers across the credit spectrum.

September 2008

This special edition focuses on activities occurring in the market through Sept. 2008.

Bolstering the U.S. Financial System

This month, Congress is set to execute a rescue plan focused on shoring up confidence in the U.S. financial system.

According to the Associated Press on Sept. 21, the rescue plan:

- raises the $10.6 trillion statutory limit on the national debt to $11.3 trillion;
- gives the Treasury Secretary broad authority to buy up to $700 billion in mortgage-related assets from any financial institution with a significant presence in the U.S.;
- allows the Treasury Secretary to buy, hold and sell the assets in any way he sees fit, without additional involvement by lawmakers;
- instructs the Treasury Secretary to consider both providing market stability and protecting taxpayers;
- provides the Treasury authority to purchase assets for two years from the date the program begins;
- gives the government power to designate financial instructions as "financial agents of the government" and require them to carry out "reasonable duties."

Both President Bush and Treasury Secretary Paulson assert that while the plan will be costly to taxpayers, it is better than the alternative cost associated with a continued downslide in the economy.

Paulson said, "The financial security of all Americans … depends on our ability to restore our financial institutions to a sound footing." According to a Sept. 22 *Wall Street Journal* article, without the program, Paulson said the economy will stall – costing jobs, increasing costs for goods and services – sending the U.S. into a deep decline.

In response to concerns about the net asset value of money market funds falling below $1, the Treasury announced on Sept. 19 a temporary guaranty program that would insure the holdings of any publicly-offered eligible money market mutual fund thus ensuring liquidity in the world markets. The American Bankers Association (ABA) sent a letter to Treasury Secretary Paulson and Federal Reserve Chairman Ben Bernanke expressing deep concern about such a blanket guaranty that did not consider the potential negative impact on bank deposits. On Sept. 21, the Treasury dramatically changed the program by limiting the guaranty to balances that existed as of the close of business on Friday, Sept. 19. The ABA continues to work with the Treasury to ensure that the announced guaranty is limited in scope.

Events Leading Up To Rescue Plan

March 17
Government announces bailout of Bear Sterns.

July 1
Countrywide purchase by Bank of America completed.

Sept. 15
Lehman Brothers Holdings, Inc. files for bankruptcy protection.

Sept. 16
Federal Reserve rescues American International Group, Inc. with an injection of $85 billion in loans.

Sept. 17
Dow drops sharply for the second time in three days, down more than 33% from its 2007 peak.

Sept. 18
The Federal Reserve, in conjunction with banks around the world, injects another $180 billion in liquidity into the global financial system.

Sept. 19-21
Administration takes rescue plan to Congress.

Sept. 21
Morgan Stanley and Goldman Sachs convert from investment banks to traditional banks.

In addition, Secretary Paulson directed Fannie Mae and Freddie Mac to buy more mortgage-backed securities. And, the Securities and Exchange Commission imposed a temporary emergency ban on short-selling, which had been contributing to the collapse of stock values of investment and commercial banks. Short-selling involves borrowing a company's shares, selling them and pocketing the difference when the stock falls.

The Wells Fargo View: While our company is not immune from the downturn in housing, we've maintained our credit discipline reasonably well during the years of excess risk taking in our industry, and have largely not been impacted by many of the industry issues.

Servicers Discuss *Hope for Homeowners* in Washington, D.C.

In July, Congress passed and President Bush signed legislation designed to help at least 400,000 borrowers who have fallen behind in their payments due to a combination of unaffordable mortgages and falling home prices. The rescue provisions, which will refinance qualified individuals through an FHA program named *Hope for Homeowners*, will be finalized on Oct. 1.

On Sept. 17, Representative Barney Frank, chairman of the House Committee on Financial Services, held a hearing to both examine the implementation of the *Hope for Homeowners* program and to review foreclosure mitigation efforts by loan servicers. Several servicers – including Wells Fargo – were invited to provide testimony.

At the conclusion of the meeting, Chairman Frank commented positively on the efforts that servicers had made to address the current mortgage crises and encouraged continued attention to the issue.

The Wells Fargo View: Wells Fargo has been, is, and will continue to be focused on finding ways to keep our customers in their homes. Averting foreclosures is in the best interest of our country, our communities, our customers, our company and our loan investors. We are successful in contacting 9 out of every 10 of our at-risk customers: When we reach these customers, 7 of the 10 are able to find a solution, while 2 customers tell us they do not need or want our help or assistance.

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