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7 SUPERIOR COURT OF THE STATE OF CALIFORNIA

8 FOR THE COUNTY OF SACRAMENTO

9 THE PEOPLE OF THE STATE OF
CALIFORNIA, by and through the
10 CALIFORNIA CORPORATIONS
COMMISSIONER,

Case No.: 03AS00011

SETTLEMENT AGREEMENT

11 Plaintiff,

12 vs.

13 WELLS FARGO FINANCIAL CALIFORNIA,
14 INC., a Colorado Corporation, and DOES 1
15 through 10,

16 Defendants.

17
18 This Settlement Agreement is entered into between the California Commissioner of
19 Corporations, by and for the People of the State of California, ("Commissioner") and Wells Fargo
20 Financial California, Inc. ("WFF Cal").

21 WHEREAS, WFF Cal is licensed by the Commissioner under the California Finance
22 Lender's Law (Financial Code, §§ 22000 et seq.);

23 WHEREAS, in the course of conducting an examination of WFF Cal, the Commissioner
24 determined that there was a discrepancy between the APR and the monthly rate of charge
25 disclosed in the documentation of certain draft loans;

26 WHEREAS, at the Commissioner's direction, WFF Cal refunded to affected draft loan
27 customers any interest charged in excess of the disclosed monthly rate of charge and attempted to
28 change the APR on active draft loan accounts to correspond with the monthly rate of charge;

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1 WHEREAS, a subsequent examination by the Commissioner revealed that despite the
2 Commissioner's direction that the APR for these customers be changed, and the effort of WFF Cal
3 to effect those changes, certain of these customers continued to be billed at an APR that was
4 higher than the monthly rate of charge;

5 WHEREAS, at the Commissioner's direction, WFF Cal made a further refund to affected
6 customers of any interest charged in excess of the disclosed monthly rate of charge and made a
7 further effort to change the APR on active accounts to correspond with the monthly rate of charge;

8 WHEREAS, the total refunds made by WFF Cal to affected draft loan customers was
9 \$871,010.22;

10 WHEREAS, the Commissioner has conducted extensive discovery in this action
11 concerning the original discrepancy between the APR and the monthly rate of charge and WFF
12 Cal's efforts to rectify it;

13 WHEREAS, the Commissioner acknowledges that WFF Cal has made significant
14 improvements in its quality control with respect to draft loans and, in particular, has taken steps to
15 prevent the recurrence of the errors or omissions which are the subject of this action;

16 WHEREAS, the affected draft loan customers have been fully compensated by the refund
17 and adjustment of the APR for affected draft loan customers,

18 WHEREAS, it is in the best interest of the People of the State of California, acting by and
19 through the Commissioner of Corporations and WFF Cal that this action be resolved without
20 further expense on the terms and conditions set forth below.

21 THEREFORE, in consideration for the mutual promises and covenants set forth below, the
22 Commissioner and WFF Cal agree as follows:

23 1. WFF Cal shall pay to the Commissioner the sum of \$750,000, as reimbursement for
24 expenses incurred by the Commissioner in connection with its investigation and prosecution of
25 this action, and any amounts in excess of such expenses shall be paid to the Commissioner for,
26 among other things, use in furthering consumer financial education. This settlement does not
27 imply any finding or conclusion that there was a willful violation of the California Lender's Law
28 and no part of this payment shall be considered civil penalties.

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1 2. The Commissioner shall execute and deliver to WFF Cal a Request for Dismissal
2 with prejudice of this action, which WFF Cal may file with the Court at any time after making the
3 payment set forth in Paragraph 1, above. Nothing in this settlement is intended by WFF Cal as an
4 admission of liability or a waiver of any defense in this or any other action.

5 3. Effective upon receipt of the payment set forth in Paragraph 1, the Commissioner
6 further releases, waives and discharges WFF Cal from any claim or cause of action which has
7 been asserted in this action, or which could be asserted, based upon the facts alleged in the Third
8 Amended Complaint, including but not limited to any civil remedies available under the California
9 Finance Lender's Law. This release is not intended to and does not have any force or effect on the
10 ability of the Commissioner to exercise its regulatory authority, nor does it apply to any future
11 action by the Commissioner in furtherance of its regulatory authority as it relates to WFF Cal.

12 4. This agreement contains the entire agreement between the parties and supersedes
13 all prior understandings, communications, agreements, or writings regarding the subject matter of
14 this settlement. This agreement may be amended or modified only in writing signed by the
15 parties. This agreement shall be governed by the laws of the State of California.

16 DATED: June 7/12, 2005.

WAYNE STRUMPFER
Acting California Corporations Commissioner

19 By _____
20 Alan S. Weinger

22 DATED: June 23, 2005.

WELLS FARGO FINANCIAL
CALIFORNIA, INC.

25 By _____
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