NATIONAL PRESS CLUB LUNCHEON WITH JOHN STUMPF

SUBJECT: FINANCIAL SERVICES IN THE REAL ECONOMY

MODERATOR: MYRON BELKIND, PRESIDENT OF THE NATIONAL PRESS CLUB

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MYRON BELKIND: (Sounds gavel.) Good afternoon, and welcome. My name is Myron Belkind. I'm an adjunct professor at the George Washington University School of Media and Public Affairs, a former international bureau chief with the Associated Press, and the 107th President of the National Press Club. The National Press Club is the world's leading professional organization for journalists committed to our profession's future through our programming with events such as this while fostering a free press worldwide. For more information about the National Press Club, please visit our website at press.org.

On behalf of our members worldwide, I'd like to welcome our speaker and those of you attending today's event. Our head table includes guests of our speaker as well as working journalists who are Club members. And so if you hear applause in our audience, I'd note that members of the general public are attending and so it's not necessarily evidence of a lack of journalistic objectivity. I'd also like to welcome our C-SPAN and Public Radio audiences. You can follow the action on Twitter using the hashtag NPClunch. After our guest's speech concludes, we'll have a question and answer period. I will ask as many questions as time permits.

Now, it's time to introduce our head table guests. I'd like each of you to stand briefly as your name is announced. From your right, Ed Barks, President of Barks Communications and a member of the National Press Club Board of Governors; Michael Justin Lee, University of Maryland Department of Finance; Tommy Burr, Washington correspondent for the *Salt Lake Tribune* and the Treasurer of the National Press Club and the Board of Governors. Tommy, we thought it would be good if you come today and listen to some advice from our guest speaker. (Laughter) Oscar Suris, Director of the Wells Fargo Corporate Communications; Marilyn Geewax, senior business editor at NPR and a member of the NPC Board of Governors; Mike Golden, President, Wells Fargo Greater Washington, D.C., region; Jerry Zremski, *Buffalo News* bureau chief in Washington, Chairman of the NPC Speakers Committee, and a past NPC President.

Skipping over our speaker for a moment, Kasia Klimasinska, a Bloomberg News and Speakers Committee member who helped-- who organized, not who helped-- who organized today's event. Thank you so much, Kasia. Anita Eoloff, Director of the Wells Fargo Federal Government Relations; Emily Stephenson, Thomson Reuters reporter who covers bank regulation; Anthony Shop, cofounder and chief strategy officer of Social Driver and a member of our Board of Governors; Keith Hill, editor/writer with Bloomberg BNA and a former NPC Vice President. Thank you all. (Applause)

AS the chairman and chief executive officer of San Francisco Bay's Wells Fargo, John Stumpf runs the world's largest bank by market value. It's also the biggest U.S. mortgage lender. It took about 250 deals to arrive at that point, and Stumpf has been involved in more than 100 of them. Among them is the $12.7 billion purchase of Wachovia Corporation in 2008. During the first quarter earnings conference call with investors, he raised the possibility of further acquisitions to expand into wealth management, brokerage or retirement businesses.

His challenges include dealing with an increasing number of laws, regulations and regulators created after the financial crisis, as well as navigating through the rough waters of slow economic expansion and record low interest rates. Due to its large mortgages portfolio, Wells Fargo is particularly vulnerable to changes in the jobs and housing markets.

Mr. Stumpf needs to make sure the bank observes sanctions against countries such as Russia and Iran, and anti-money laundering rules to avoid fines such as the record $8.97 billion slapped on BNP Paribas earlier this year.

His responsibilities also include insuring that credit card data breaches such as those reported by Home Depot and Target do not happen under his watch. And, he also has to satisfy his clients and investors, including the largest one, Warren Buffet's Berkshire Hathaway. Ladies and gentlemen, please join me in welcoming to the National Press Club John Stumpf, the CEO of Wells Fargo. And John, I'd like to use the President's prerogative and ask if you could please share your unique personal story of growing up in rural Minnesota on a dairy farm as one of 11 children. Ladies and gentlemen, Mr. John Stumpf. (Applause)

MR. STUMPF: What a great introduction. In fact, that might be the second best one I've ever heard. I was in Texas last week. The guy didn't show up, so I did it myself. But other than that, it was-- (Laughter) So one of 11 kids on a family farm. What I got to tell you is those 11 children came in 13 years and no twins. So, yeah, Catholic and rhythm. So we'll get that off the table right off the bat.

So people in California just can't get over this. In Minnesota where I grew up, that was a fairly average sized family. But in California-- so they asked me, “Now, were you part of a commune?” And I said, “No, just one dad and one mother.” But then they get back down to two questions that are actually pretty good questions. “How many bathrooms did you have in this farmhouse?” The answer was we had one. Well, we actually had 1 ½. As opposed to a powder, we had an outhouse. But if you used it after Thanksgiving, we didn't find you until Mother’s Day, so you had to be careful about that.

But the second question’s always my favorite; how many bedrooms did you have in this house? And the answer was, for our children, we had two. We had a north room where my four sisters slept, and in the south room I slept with my six other brothers, there's seven of us. And back in those days, you could not divide three beds we had evenly into seven, or seven into three. So one bed had two, the second bed had two, and the third bed had three. And since I was the oldest boy, I was in the middle. My brother, Philip, was on my left and brother Steve was on my right. In fact, I never got a chance to sleep alone until I got married. (Laughter) All right, now if you guys are going to be difficult here-- Boy, when you tell me all the things I'm responsible for, I don’t have time to give a speech. I got to go check all those things.

Since now you know me, let me tell you in a few minutes about our company. I want to talk a little bit about the economy. I want to talk a little bit about our industry. And then my favorite time will be when I get to answer your questions. Our company is now in its 163rd year of business. Our birthday was on July 13th, and we started in 1852. In fact, there was a Wells, Henry Wells. There was a Fargo, William Fargo. A few years earlier, they started another iconic American company called American Express. In the early months of 1852, they decided to start a business west of the Mississippi and they were the internet of those days. They were going to move people in a stagecoach at five miles an hour from St. Louis. Every ten miles, you'd change the six horses and you'd find yourself in San Francisco a couple of days or weeks later.

And from those humble beginnings, starting out, our stagecoach, which you probably know today as our logo, was only in existence for a few decades. Because by the late 1860s, the railroads came through. So we had to reinvent ourselves. And I'll tell you one particular story. In 1918, at that time we had 10,000 offices across the country. We connected the country. We were UPS and we were FedEx before we ever heard of them. And somebody sitting in my office, the president at the time, got a call from the Secretary of the Treasury, it was March in the year 1918, and the government announced through the power of eminent domain they were going to take all of our offices but one to help support the World War I effort. Now, that's a lousy day with the government. So the Dodd-Frank stuff, I can't get all that excited compared to those times.

But here is the punch line. The company’s gone-- you know, survived through, not only survived, thrived, through three big wars, the Civil War, the two world wars, others, the Great Depression, the Great Recession, almost every economic environment you could imagine, all kinds of technology and changes and today I want to give you a quick tale of the tape. We have 255,000 team members; 97 percent of our business is in the U.S., 97 percent of our people are in the U.S. We serve one in three Americans in one way or another. We're a real economy bank. We don't know really anything about cornering the aluminum market, but we know a whole lot about helping small business, consumers, corporate customers, others planning for retirement.

In fact, we make more auto loans than anybody else on the planet. We make more home loans. We do business with one-tenth, one in ten, of all small business in America. The next closest competitor to us is half that share. We make more ag loans, we make more energy loans. Commercial real estate, if you travel around the country today, you think there's a crane convention going on. There's cranes everywhere. We do more of that than anyone. So that's what we do.

But it's not the only part of our culture. Philanthropy also plays an enormously important role. The company's size is measured different ways, and we've never been impressed with size. We're the 27th largest revenue producer in the country. Last year, we were the third largest earner. We're either the 9th or the 12th largest private employer. But on the philanthropy side, in 2012 no company in America invested more in their communities through philanthropy than Wells Fargo. Last year, we were number two.

Our team members, through their own willingness, which is again part of our culture, has been the number one United Way campaign corporately for the last five years. (Applause) Thank you. And people ask me why is that such an important part of your culture? And the answer is very simple. We live, we work, we recreate, we go to church, we're part of local communities. We have never seen our bank do well over time where the community does poorly. They're linked in a very special way.

And finally, we have stakeholders. And as the introduction, you heard that, you heard about our largest owner, Warren Buffett, who owns almost-- over 9 percent of our company, it's his single largest investment. If you look at [00:21:59] institutions, we're not even in the top 20 in the world. I think we're number 21 or 22. We're not the largest in the U.S., although we have more locations here, we have more people here than any other bank. But we're not the largest in asset size. But if you take our market capitalization, number of shares times our stock price, we are far and wide the most valuable bank in the world. So if you hire great people, treat them a family, take care of customers-- most of our customers have been with us for decades and we do lots of stuff with them, they're our friends. If you give back and invest in your communities, your stockholder can get rewarded, and will get rewarded. And by the way, we've been one of the largest taxpayers in the U.S. for years. In fact, last year I think our cash tax rate was 32 percent.

So let me now move on to the economy and then we'll talk about the industry. Recoveries are not pleasant things to watch if you like steady, continual progress. They're kind of messy. In fact, we are now six years anniversary since the Lehman bankruptcy September 15th, and we're five years since the recovery started. And it doesn't feel like a full blown recovery even though the unemployment rate is now down in the low sixes, we've had steady GDP growth, and we've had some unusual things happen this year. In fact, in the first quarter, we saw a big drop in GDP growth. And we had a very strong second quarter, and it would not surprise me if third and fourth quarters both started with a three handle.

We've been growing jobs at 220 to 230 thousand jobs per month, and August comes around, we have 145,000. So it’s lots of different mixed messages. I'll tell you right off the bat, the economy feels a bit stronger to me than some of the recent numbers would show. And we are optimistic about what's happening in America and optimistic about our future. In fact, I'm actually bullish about the long-term future.

Let’s take a look at the economy from 2000 to 2007, the so-called go-go years, the great years. And then compare the economy today to that. And let’s for, just a minute, exclude residential real estate out of both economies. The economy today is better than it was between 2000 and 2007. Energy is booming. Energy is the best it’s ever been. In fact, energy, we might be self sufficient energy and the largest energy producer in just a few years. And we're also making great strides in renewables.

Autos, the number of autos sold in August, if you annualize August, it’ll be the best auto month since 2006. And there was just a month or two there. It’s really almost the best since 2000. We're going to sell 16, 17 million new vehicles this year. And by the way, the average fleet, if you took the United States fleet, it’s about 11 years old, so it’s going to be good news in this industry for some time.

Agriculture, doing very well. Not all parts of agriculture. Because of the drought, some of the cattle feeders are having a more difficult time. But generally speaking, good. Technology, booming. Commercial real estate, doing very, very well. So if you look and start to separate the elements of it, I think we're doing quite well. And manufacturing is starting to come back. Not as much as we need, and I'm hugely bullish-- or I understand the importance of manufacturing.

But let’s take housing. Typically, in a recovery and it’s been this way for every one since the end of World War II, every recovery is led by housing; residential real estate and not this time. In fact, housing is better. It’s better everywhere. It’s not better for everyone, and it’s not as good as it can be.

So why is housing not leading? And, in fact, there's lots of discussion here in Washington, lots of discussion around the country, but what are the elements? And it’s no one thing. But it’s four or five things, in aggregate, create a big thing. First of all, households are forming later today than they have in the past. I got married when I was 21, my wife was 20, and we bought a house the next year. Now, my children are getting married in their 30s and that's happening where children are living with parents. That's a big change from what it used to be.

Secondly, student debt is an influence. Forty million Americans have a student loan. In fact, student lending has almost doubled in the last six years. And that has an influence. In fact, there's more student debt-- the biggest debt category for Americans is housing. There's 50 million homes in America with a mortgage on them. The average mortgage is $200,000. That's $10 trillion worth of debt. It surprises some people that the next group is student debt. There's more student debt than there is auto debt or home equity debt or credit card debt. So it is-- and people are paying those payments, not able to buy a house. So it’s a part of it; not all of it.

Another area is that in some markets, houses are not available, inventory’s not available. I happen to live in San Francisco. And in the Bay area, you bid on a house. You come with 27 of your closest friends and you keep running the price up. There's just simply no inventory. That's not true across the country, but it’s true in many of the hot markets, surely the coastal markets.

And the one I want to spend a little more time on is one that we actually can do something about; and that's credit not available for every borrower who wants to buy a house, who can afford a house and wants to make that decision or commitment. And this is going to get just a bit technical, but it’s really important.

In the United States, since the housing market is so huge, $10 trillion, we need a secondary market to help finance that debt. There's only $10 trillion worth of deposits in the country and, of course, deposits are used to make loans on for businesses and to the federal government and for consumers and a whole bunch of other things. There's like 25 or 28 trillion worth of debt. So, the way the United States finances homes is Fannie or Freddie, known as GSCs, or the FHA guarantee mortgages against loss. And with that guarantee, originators like us and others originate those loans and then sell them off to investors. It makes credit available at the prices we have, and so forth.

What's happened over time is that the mortgage companies, the insurance companies if you will, put loans back to the originators and say, “This doesn’t qualify for your insurance.” And sometimes, they put them back even if they paid for ten years or eight years or seven years. And they're put back many times for technicalities. On the first page it said John G. Stumpf, on the second page it said John Gerard Stumpf. That's a technical default and it comes back.

And what banks have done, and originators-- in fact, there's a whole lot of originators who aren’t banks. These are small companies, that's always been the case, what they're doing is saying even though the insurance companies, the Fannies and Freddies and FHAs say we will insure a loan that has this requirement, this and this, and oh by the way, from a credit perspective, a FICO score down to 580 or 600, we're saying, huh-uh, we're only going to do it down to 650 or 670. We put a credit overlay on it.

So there's a certain part of the market that can't get a conforming mortgage because we know in this group there's going to be more default, and we know what happens; that they're going to put it back to us. So we're trying to find a way to work with the government agencies to find a time when does credit and when does risk transfer? If a company-- if an originator originates a loan, they do a lousy job and they don’t verify and they don’t do things, it should absolutely come back. But if they originate a loan and they do the best job they can and there's a default later, and the defect is unrelated to income or unrelated to the customer paying it, it should not come back.

So here we have a situation where we've had the unintended consequences of well intended legislators or regulators who are actually hurting the marketplace. In fact, we're now joining, or [00:32:03] are agreeing with us saying how do we open the credit box more?

Let me know segue, and I think we're down to how many more minutes?

MR. BELKIND: Eight.

MR. STUMPF: Eight more minutes? Okay, great. We’ll talk about the industry. I could talk for 80 minutes about too big to fail, but I'll try to do that in just a couple of minutes. There is wide agreement in America, and I'd be the first to say it, there should be no company too big to fail in any industry. Surely not financial services. Failure is an important part of the free enterprise system.

Now, where there is a disagreement is has enough been done to deal with this issue through Dodd-Frank and other things? And sometimes, one forgets how much has been done. So if I look back to 2008, we now have almost 14,000 pages of new rules written. We have the Volker amendment. Now, it was never a big proprietary do business with yourself, it’s never a big deal for us anyhow, but for some companies it was. The terms stress test is in the common vernacular. We all know about that. Probably most of you don’t know it happens twice a year, it gets most of the notoriety because it happens once a year with a capital distribution element to it.

There's something called living wills or your funeral arrangements. There's heightened expectations. There's new regulators like the CFPB. And all of those, I would say, would qualify more in the qualitative side, although there are quantitative parts to that. But on the quantitative side, there's also been significant change. Look at capital requirements. Wells Fargo went through the most difficult economic environment any of us would have seen in-- unless you're my parents’ age who went through the Great Depression. And today, our capital-- and we made operating profit every quarter. We bought a big company using our own money. And today, our capital went from 99 billion then to 181 billion today, almost doubled.

But you'd say, just a second now. Most of these banks didn't fail because of capital, they failed because of liquidity. And you'd be right about that. Today, 24 percent of our balance sheet is in liquid assets, most of it on deposit with the Fed. We've run our company for years one dollar of deposit, one dollar of loan. Today we have $11 in deposits, $8 worth of loans. So, we have a huge amount there.

There's been discussion about adding to this G-SIFI buffer, which is a fancy acronym for global systemically important financial institution. The leverage ratios have changed. Any one of these things I just talked about, whether it be enhanced requirements, different regulators, living wills, capital liquidity, all make sense in the singular. And in the aggregate, it’s a large load. And my answer to critics would be give this stuff a chance to work. And by the way, there is an economic price, the economy does pay, if you are going to have over-regulation and too much capital and too much liquidity on the sidelines.

In fact today, what's happening, the regulated box, what happens within the regulated side of the industry, is shrinking. And what's happening on the outside of the regulated industry, the non-banks are growing. The risk isn't going away, it’s just changing to different places.

And I would be hopeful, also, that our regulators look at just something other than size and look at the complexity, the interconnectedness, of organizations. And just like in the housing area, less credit available, higher prices for fewer people. And so, from an industry perspective, that's something we're always thinking about.

Let me end by talking a little bit about how I think our industry, generally, and how Wells Fargo will be successful in the future. Because we're in a long sales cycle business. Investments that we made five and ten and twenty years ago are being harvested today and we need to make investments today that will have the company continue in the future.

First of all, exceptional customer experiences. People ask me many times which bank are you most impressed with? When you go to bed at night, who do you think about, dream about? I say, well I dream about checking accounts, I don’t dream about other banks, but I'm actually impressed with companies like Apple and Google and Costco and Amazon. Just a second, those aren’t banks. Well, here's how they influence us. They are teaching consumers what retailing is all about.

So, we're making lots of investments to help stay ahead of the curve and make sure that we're relevant to customers of the future. One of the big debates is our banking branches. We call them stores, are they still relevant? And we think they're highly relevant. In fact, in this market we have three new prototype stores all about one thousand square feet, compared to five thousand square feet of the traditional. And they happen to be paper-free and one of them happens to fold in at night, the walls, and it becomes an ATM vestibule and highly valuable to us and responsive to a community.

We're finding that most of our loyal customers, even millennials, come into a bank branch once every six months. They don’t believe they do. They would tell you they don’t, but they're using all of our channels; our stores, our ATMs, our phones, our online and our mobile as a distribution community, as an omni channel. In fact, some of the great retailers you see like Apple, they wouldn’t need to have stores, but they do. And it’s part of the magic of the and.

So, lots of work going on there. And how to be relevant to our customers, how to know them. I've never seen a prospect or a customer yet come to me and say, “You're so large, you're so impersonal, I'm going to join you because I can be 162,723.” I've never heard that. They say know me, help me, understand me and reward me. Make it very personal about me.

Another big issue we're working on is all things risk. When I joined the industry, if you got your loan book right, the rest of it was, you know, insignificant. In fact, that was probably the case even as recently as ten years ago. And incidentally, during the most difficult time of the downturn, we were losing over 2 percent of our loans to losses, which actually was not that high compared to a lot of competitors. In the second quarter of last year, or of this year, we lost around a third of a percent, almost eight times better. Credit has never been better.

But today you have things like cyber risk had you have interest rate risk and reputation risk and litigation risk, foreign exchange risk, knowing your customer AML risk. So lots of other things.

Another thing that we're working on is digitizing the enterprise. Our industry, you know, has been in a second day batch process using paper process and how do our children communicate with each other? Instant messaging. So digitizing enterprise and using data is another huge opportunity for our industry.

And I think I just have time where I just have to really wrap this up. And let me just kind of make one final comment. Our customer base is changing. Our advocacy for inclusiveness starts at the top. We have 14 outside directors of our company; five are persons of color, five are women, so there's only four others. In fact, if I look at my 11 direct reports who report to me as part of the operating committee, the average tenure that team has with our company is 28 years and four are women. So we see a disproportionate part of are new households, are new small businesses, are new corporations who come to us and bank with us being either women owned, women led or from communities of difference. And we have a strong passion to make sure we have a team that reflects that diversity.

So thank you very much for your attention, and I will take questions. Thank you. (Applause)

MR. BELKIND: We could go on for a couple of hours, but we're going to--we could go on for a few hours, but the way we do it, I'll try to politely rapid fire ask questions and if your answers, we could time it in. Wells Fargo’s big home mortgage business makes it highly dependent on interest rates and the broader economy. When do you think the economy will be forming well enough to allow the Fed to increase interest rates, and how will the housing market and Wells Fargo be affected when that happens?

MR. STUMPF: Thank you, I should have mentioned that I appreciate all you being here today, because this isn't the big show in town. You know, it’s the FOMC and

Janet Yellen and all her comments which we're going to hear in just-- as soon as we're done here.

Well, first of all, Wells Fargo has about an 18 percent share in the mortgage business, but about six or seven of those points are in aggregate as we help small originators, give them money so they can complete or liquefy their mortgage. So our direct part of the business is only about 11 or 12 percent. And we have about 10 percent of the deposits in the country. There are 7,000 banks in the deposit business, there's only a few hundred in the mortgage business. So I don't think we're oversized there.

And secondly, unless you're over 40 years old, you think these rates are normal. When I got my first mortgage in 1976, it was 8 ½ percent, and I got my second one in 1980 at 11 percent and I was darn lucky to get the money. So I think rates-- the affordability index is still very attractive.

There's three important things when you buy a house; the cost of the house, what you make and what the interest rate is on your mortgage. Two of those still are in very good shape, especially interest rates. So my suspicion is we are positioned for higher rates and I'm in favor of having rates reflect the strength of the economy. But I don't know when that's going to happen. I thought it would have happened by now, but I've been wrong all along. But I do think that whatever it is over time, the share raters [?] are biased towards the upside.

MR. BELKIND: A lenders survey released today by Fannie Mae found that large lenders expect mortgage credit standards to ease over the next three months as demand for mortgages drops. Does Wells Fargo plan to ease its standards?

MR. STUMPF: Well, this is again that discussion we talked about where we have credit overlays. We've already done some of that early in the year as kind of a first step to see if we can't help out but I don't have any plans to entertain it, and if we would, we would surely announce it ahead of time. But I don't want to make plans today.

MR. BELKIND: As you mentioned, in hot urban markets such as Washington, young people are finding themselves priced out of the homeowner's market. What is happening to the American dream of home ownership and how do we make sure that young people are able to achieve it just as previous generations did?

MR. STUMPF: That is a terrific question. In fact, in the last two years, Wells Fargo has given to cities almost $200 million, no strings attached, to help with home ownership because we wanted to test this idea; have Americans lost their interest in owning a home? In fact, we did a recent study about how America thinks about home ownership. And no, there's still a very strong desire. In fact, those monies were used very quickly as down payment dollars, or help to fix up a home so people could get into home ownership. So no, it remains for two-thirds of Americans still a high priority. It's probably the biggest thing you'll ever do financially and inventory and affordable inventory in markets like the District and other places is a real issue.

MR. BELKIND: You spoke about the fact that many young people are saddled with student loan debt. Do you have any suggestions for how we can make sure that future generations don't face such a heavy loan burden?

MR. STUMPF: Maybe I should do first is make sure everybody's on the same wavelength. There's about 1.2 to 1.3 trillion dollars of student debt; 92 percent of that is through the federal government. Only 8 percent is private student debt. That debt has almost doubled in the last six years. And so this is really an issue between the federal government and schools and so forth. Incidentally, school tuition has risen 2 ½ times the rate of inflation over the last ten years. And the performance in the private area, our student loan portfolio which is very small, we're in that business because it's important to families, is less than 2 percent delinquent. Where if you take the delinquency in the federal side, it's eight or nine time that number. So this is a big issue. I know there's a lot of discussion here in Washington. I'll let Washington deal with that, but it clearly is an issue.

MR. BELKIND: As you noted, the current outlook for the U.S. economy is relatively strong. Yet, there is growing concern about income inequity and chronic unemployment or under employment, especially among the young. How concerned are you about these issues and how do you believe they should best be tackled?

MR. STUMPF: Well, that surely is an issue. I should mention that as I'm optimistic about the U.S. economy, there are some geopolitical-- it's a more dangerous world today. And as you probably saw, China is slowing a bit and the euro zone is treading water, especially the larger economies there. So that does have an influence on the U.S. Clearly, jobs have not kept up in many sectors and many situations with the economic growth that we're seeing. It's been quite uneven, and I do worry about the inequities and the differences.

And there's different ways to solve for that. But, I think the more we can get business engaged in hiring, people want to work and it's more about-- it's partly paycheck, but it's also being part of the solution, the dignity that comes with a job. And like I tell people, I don't need to go to a focus group to find out what's happening in America. I go to a family reunion. I've got family members in every rung of the economic ladder and it's a real issue.

MR. BELKIND: You've touched on some of this, but what in your opinion could stand in the way of future economic growth in America?

MR. STUMPF: I think first of all, I'm in favor of good regulation. I want good, honorable competitors doing the right thing. That helps us. But I want to make sure we don't go overboard. And it's not only true for our industry, for any industry.

Secondly, when Washington behaves badly, and you can define that any way you want to, it has an impact on the real economy. We saw in the past where debt ceilings were breached and fiscal cliffs were coming and going. That's hard on the economy.

But the third thing, I think, is not doing things that hurt, it's doing things that help. And anything that helps jobs here, I'm in favor of. And one of the things that surely is on the table is do we have the appropriate tax policy to promote jobs in America, and especially manufacturing jobs?

MR. BELKIND: A bit of a segue. The Justice Department said today that it is investigating potential illegal conduct by individuals at major financial institutions that undercut the integrity of the markets. The Department of Justice said it hopes criminal charges will be filed in these cases in the coming months. Do you have any comment on the department's increasing focus on wrongdoing at major banks and also the announcement today that bigger rewards will be given to Wall Street whistleblowers?

MR. STUMPF: I have not seen that report, but I as a fundamental view, I want to live in a law abiding country. And if there are wrongdoers, they ought to be held accountable. And that's the way we run our company. Culture is extremely important in that. And I think that we would be better as a people when things are done in an appropriate manner. Again, I've not seen that report and I don't know exactly what's happening there, but I'm in favor of holding people accountable.

MR. BELKIND: Turning abroad for a moment, is Wells Fargo considering expanding abroad through acquisitions? Why or why not?

MR. STUMPF: Ninety-seven percent of our revenues and our people are here in America. I don't play a game called Texas hold-em but apparently there's a time in the game where if you believe you got a great hand, you go all in. We're all in on America. And our 3 percent in technical business, which we love, is mostly an extension of helping our U.S.-based customers, consumers and businesses, do business internationally. So, in fact, I think if you look at the regulatory regimes around the world, there is lots of interest through what they're doing to bring their banks back home, if you will. So, I don't see us-- I see us doing most of our work here in the U.S. You never say never, but we are largely based here and what we do internationally is pretty much in support of our customers.

MR. BELKIND: Even though most of your business is in America, you might have a comment on the following. As you know, tomorrow the Scottish referendum takes place. If Scotland votes yes for independence, could it affect global financial markets?

MR. STUMPF: Well, that's out of my pay grade. As much as I know about Scotland comes in a bottle of scotch. I only do that-- I don't mean that in a negative sense at all, I do that once a year. But, really, I don't have a position on that.

MR. BELKIND: We'll come back domestically. If you had spoken at this podium six years ago today, in the midst of the financial crisis, there's no doubt you would have delivered a very different speech. Looking back on the crisis, how well do you think the United States government responded, and how bad could things have gotten if the government had not responded as it did?

MR. STUMPF: You know, I think about that from time to time, but I don't dwell on that because there are such hardened views about the need at the time. And it's easy to go back and Monday morning quarterback. But for those policymakers on the controls who had the levers and the buttons at the time, it was a difficult period. Think about first Bear and then the GSCs and then Lehman apparently broke the back and WAMU and Wachovia. So there was a lot going on.

You know, at our time, we didn't ask for the money, we didn't believe we needed it. We paid it back in a year with lots of interest. So, I tend to want to focus forward and I'll let historians in the future look back at this period of time. It was clearly a difficult time. Let's see if we can make the best of it going forward.

MR. BELKIND: What would be your prescription for Washington, D. C. lenders so that the Wells Fargo culture can help fix our government to work better? Excuse me, let me rephrase that. What would your prescription for Washington, D. C. leaders be so that Wells Fargo culture can help fix our government to work better?

MR. STUMPF: Well, you know, I'm lucky compared to the government. I have a team who love working at Wells. The average tenure's been 28 years of my direct reports. And every two years, they don't get an option to get rid of each other. So, I mean, it's a bit different. But, I would say this. We play us ball at Wells Fargo, that's part of our culture. Not that me's not important, the possessive pronoun, but never at the cost of the plural pronoun.

So, and I don't know how to be successful other than that. In fact, when we interview people, we care about-- we care more about what they care about than what they know. We always can teach them something to know, so if we put country first, and maybe party second, which I know is hard to do, that's at least in our business, we don't put our business first, we put our customer and our company first. (Applause)

MR. BELKIND: We're getting more questions focusing, of course, on how Wells Fargo did during the financial crisis. And Wells Fargo weathered the financial crisis in far better shape than the other mega banks largely because it did not take the same kind of risks. It was as if Wells Fargo was not part of the Wall Street culture of the time. Why was that?

MR. STUMPF: You know, first of all, we're not on Wall Street. I mean, not that I-- I mean, we do some sophisticated things for top end clients, but we are very much in the real economy. And what you do during boom times is much more important than what you do during the down times. So, I'll just give you a quick story. Back in 2003 or so, Wells Fargo was the largest mortgage company in America. Not that we wanted to be the largest, it's just that we thought we were doing a good job for our customers.

Then we started to hear about negative amortizing loans. And what those are is you buy a house and let's say you borrow $500,000 and the interest rate is 8 percent so you owe $40,000 a year interest, which is about 3,500 bucks a month. but the bank says to you, “No, no, only pay us a thousand dollars a month. We’ll take the other 2,500, we’ll add it to your principal.” Called negative am. So you owe more later than what you started with. And we said, “Really? How is this customer friendly? How can this help customers succeed financially?” which is our-- you know, that's what we do every morning. In fact, I tell our people. When you get up in the morning and go to work, your most important job is not to make money. Buffett knows that, all of our investors know it. The most important thing is to serve customers. The result is you'll make money. Never put the stagecoach in front of the horses.

So what we did is we got our market share. We became number two, then number three. Others were doing this stuff and layered risk on, you know, tell me what you make loans and liars and this sort of thing like that. And when it all blew up, that's when we got big in the business because you make your best loans after a downturn, not going into one.

So it’s a focus on customer. I tell you, I didn't see this bubble coming. I didn't see 2008 coming, and I've been in the industry since 1975 because I didn’t have an appreciation for all that was going on. And we didn't do everything perfectly. We didn’t make every right decision. But when you put customer first and really honor that, stick with your customers, good things generally happen.

MR. BELKIND: Thank you Mr. Stumpf. You mentioned Mr. Buffett. What influence does Mr. Buffett have on operating decisions?

MR. STUMPF: He could have as much as he wanted, but he has none because he doesn't ask for it. First of all, Warren is just a terrific human being. And I'll tell you just a quick story because he’s-- I could tell stories all day on Warren Buffett. So I got to know Warren just a little bit before I became CEO because I play online bridge. And any time I need a good shellacking, I play with him because he’s a very accomplished player. In fact, Sharon Osberg, one of our former team members, is his partner and they're tough at the table.

But once I became CEO, we started doing a home and home dinner or lunch. So, my first time to Omaha to have dinner with him, we went to-- I can't remember, it was Piccolo Pete’s or Gorash’s [?], and Warren eats a full meal, let me tell you. He has a T-bone steak, medium rare, side of chicken parmesan, mashed potatoes, cherry Coke and when the food comes, Warren grabs a saltshaker in his left hand, one in his right hand and it’s a snowstorm. And I know a snowstorm when I see one because I'm from Minnesota. And I said, “Warren, what does your doctor say about all the sodium?” He looks at me like, “Doctor, really?” No doctor, no directions.

So I said, “Warren, seriously, this is not good.” I said, “Is health a strength in your family? What's your genealogy like?” He said, “Well, really,” he said, his father I think passed away early, I can't remember exactly what the time was. But we started talking about colon issues and colon cancer. And he said-- I said, “Warren, that's really important. You got to get a colonoscopy. That's an absolute requirement.” He said, “Well, I did. A few years ago, ten years ago.” He said, “And they actually took a foot out.” He said, “I'm great now,” but he said, “I went into the hospital with a colon, I came out with a semicolon.” And he laughed at that, so Warren had me.

Now, how much of this is all true, but he had me going the whole time. But here's about Warren. I remember another story, we were at an event last fall where we had 500 of our bankers together and he was kind enough to come, which is a rare occasion. And we were sitting next to one another on the stage. We were doing an hour, hour and a half, side by side-- if you're old enough to remember Huntley Brinkley, we were kind of doing that side by side thing. And one of our team members, these are all of our team members, somebody from the audience says to him, “Mr. Buffett, how do you decide what companies to invest in?” Because Warren is very disciplined about-- he’s got an in basket that says yes, one says no and one says too difficult. So he says you only do what you know.

And without missing a beat, Warren-- I'm sitting right next to him-- and Warren says, “I like to invest in companies that are so simple to run even an idiot can do it because sooner or later one will.” (Laughter) But Warren, what's so special about Warren, he takes the long view. And he understands culture, he understands risk, he understands the human nature. And we are so fortunate to have him as our largest investor and for us to be one of his largest holdings, from the best investor the world’s ever known. And for those who don’t know him, the best person the world’s ever known. So I can't be objective, he’s that good a person.

MR. BELKIND: Immigration is one of Washington’s long-term issues. From the Wells Fargo standpoint, what needs to be done? Do you think more needs to be done to allow well educated immigrants to come to the United States?

MR. STUMPF: Well, let me just say first off, this is an issue that is best dealt with here. It’s an issue that needs to be dealt with. Yeah, we're a nation of immigrants. My family, my dad’s side of the family came here in 1850s. Since we bank all over the country, we serve many first generation immigrants and others. We've always won in this country as a team. I'm just hopeful that however it goes that Congress will have the will, along with the administration to deal with this issue.

MR. BELKIND: Does Wells Fargo support the Securities and Exchange Commission advancing a rule that would require brokers to act in the best interests of their clients when providing retail investment advice?

MR. STUMPF: You know, I don't know every regulation, every rule but I think what we're getting at here is going from a suitability standard to a fiduciary standard. And

I think that any of our 16 or 17 thousand wealth advisors want to do that every day; to do things that are not only appropriate but in the best interests of the client.

MR. BELKIND: You mentioned growth in the U.S. energy industry. Please, could you elaborate on its long-term economic impact?

MR. STUMPF: In fact, this is one of the most exciting things for this country. And without going through a big energy discussion here, let me just tease out a few facts that maybe you know and maybe you don't know. The value in BTUs, the energy value in a barrel of oil, is six times that of an MCF of gas, metric cubic feet. Just so we get that on the table. The average price-- let's say the average price for a barrel of oil in the world is $90. Now, it's a little bit higher if you're talking this versus Texas suite and there's Brent, there's different terms for that. But that would mean if you divide that by six, an MCF of gas should cost $15. If you go to China or Southeast Asia, price is about $15. If you go to Europe, the price is a little bit less, they get gas out of Russia, so maybe it's $12 or so.

What do you think the price of an MCF of gas in the United States is? It's about four bucks. What do you mean, four bucks? Isn't this a commodity? No. Well, why don't we just ship it everyplace over the world? Well, you need LNG plants. You have to liquefy it. And you have to get approval from the government. So, and yet we have this gift of gas everywhere. Now, there's controversy around that. But think of the advantage we have vis-à-vis the rest of the world to develop an industry at a cost advantage vis-à-vis the rest of the world maybe a factor of two or three times that we could put into finished goods, not even raw product but finished goods, to supply the world with things that they want to buy that are American.

MR. BELKIND: We are almost out of time, but before asking the last question, there's one more to go, I'd like to remind you about two upcoming speakers' events. This Friday, September 19th, our guest will be Larry Merlo, the president and CEO of the CVS Corporation. And next Tuesday, September 23rd, we will have former Senator Jim Webb of Virginia.

And finally, I'd like to present you with the traditional National Press Club mug. I've never been inside your office. I think it could maybe-- you would like to have this on your desk.

MR. STUMPF: I've been waiting for it for years, thank you. (Laughter)

MR. BELKIND: And our last question. As the head of Wells Fargo, how often do you get to ride in a stagecoach?

MR. STUMPF: Well, I'll give you a quick deal. The stagecoach, if you've ever seen one, it actually had capacity for 18 people, nine inside and it's not very big inside, and nine on top. And it's actually a very unique design in that they used straps, leather straps, as part of the suspension. And it's really an interesting, wonderful part of our culture and it’s an iconic brand. So thank you very much, everybody, I really appreciate it. (Applause)

MR. BELKIND: Ladies and gentlemen, thank you all for coming today. We are adjourned. (Sounds gavel.)

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