Wells Fargo: #1 Financial Backer of Private Prisons

Profiting From Incarceration, Racial Discrimination, and Banking Scams

Wells Fargo & Company is a multinational banking and financial services corporation with dozens of subsidiaries that, through numerous acquisitions of smaller banks, has become one of the largest in the world. Through backing the private prison industry as a shareholder and lender, Wells Fargo supports the expansion of the private prison model that maximizes profits through minimum occupancy requirements and lobbying for incarceration, and minimizes expenses through a poorly trained and compensated staff, little rehabilitative programming, denial of medical care to inmates, resulting in a track record of human rights abuses.

A Million Shares Club Investor

The two largest private prison companies, Corrections Corporation (CCA) and GEO Group, are publicly-traded corporations and majority-owned by institutional investors. There are 29 U.S.-based major investors in the for-profit prison industry who own over one million shares in CCA and GEO Group. CCA and GEO Group rely heavily on the funding and political support from their major investors to manipulate public policy towards increased criminalization and immigration enforcement. Wells Fargo is a major investor in both CCA and GEO Group. As of their most recent filings, Wells Fargo owned nearly 1.2 million shares worth over $23 million in these two for-profit prison companies.[1]

Active Shareholder in an Unethical Industry

Between 2007 and 2013, Wells Fargo has used their proxy voting power to block CCA and GEO Group shareholder resolutions to report on lobbying payments political contributions,[2] effectively sanctioning a behind-closed-doors approach to lobbying government representatives. Such lobbying efforts have resulted in higher charges and longer sentences for petty drug crimes, greater immigrant detention, and have increased criminalization of immigrants and communities of color.

Wells Fargo's response to the Prison Divestment Campaign: Wells Fargo claims that they are not an investor, saying that they only manage portfolios for Wells Fargo Funds, which are owned by clients.[3] The truth is that WFF is a wholly-owned subsidiary of Wells Fargo & Company, governed by the Wells Fargo Board of Directors.[4] In the past, Wells Fargo has proven capable of selling off Wells Fargo Funds share in prison profiteers,[5] and there is no reason they can't do that again.

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[1] Securities and Exchange Commission 13-F filings for reporting period 6/30/2016.
[2] SEC form N-PX, Annual Report of Proxy Voting Record of Registered Management Investment Company, filed by Wells Fargo Master Trust from 2007 to 2013
[3] "Afrikan Black Coalition petitions for Wells Fargo to end association with private prison industry", The Daily Californian, January 20, 2016
[4] Wells Fargo Funds homepage, accessed September 29, 2016
[5] "Wells Fargo Pressured Over Investments in Private Prisons" Univision, November 12, 2012

Major Lender to Private Prisons

Wells Fargo is also the #1 most loyal lender to CCA and GEO Group. They have extended hundreds of millions in credit lines and term loans to both corporations, and have found buyers for CCA and GEO bonds every single time they have been issued – as recently as April of 2016. Wells Fargo has directly provided over $500 million to CCA and GEO in the form of buying bonds, offering loans, and lines of credit, and helped to facilitate access to over $2 billion of capital through serving as issuing lender and syndication agent on CCA's $900 million line of credit and as a lender towards GEO's $700 million line of credit, as well as serving as trustee for senior notes to both corporations.[6]

As a major lender, Wells Fargo provides CCA and GEO Group with the financial support they need to build new prisons and detention centers, many times preceding a contract to fill these facilities. Once a contract is secured, Wells Fargo reaps returns as both a lender and investor. The prison industry also relies on Wells Fargo to expand their reach. Since 2005, CCA and GEO Group have spent $2.2 billion to acquire smaller companies, turning prisoner re-entry, mental health, electronic monitoring into for-profit ventures.[7]

Wells Fargo's response to the Prison Divestment Campaign: Wells Fargo has not responded to the campaign in defense of their lending practices to private prisons.

Role in American Legislative Exchange Council (ALEC)

In 2011, Wells Fargo was a prominent member of the American Legislative Exchange Council (ALEC), a group responsible for drafting the notorious Arizona SB 1070 (the "show me your papers" law), as well as drug war era policies that target people of color for nonviolent drug offenses. In 2012, Wells Fargo revoked its ALEC membership renewal, likely as a response to public pressure.[8] However, Wells Fargo sponsored ALEC's annual meeting the following year, demonstrating continued support of corporate influence over legislation and policy making.

Sales quota scandal[9]

Wells Fargo recently paid $185 million in a settlement over illegal sales practices, including opening as many as 2 million duplicate accounts and unauthorized credit card accounts as employees tried to meet aggressive sales quotas. A $100 million fine levied by the Consumer Financial Protection Bureau is the largest in the history of the agency. Since investigation into these practices began, 5,300 employees have been fired, but the executive responsible for the Community Banking Unit recently walked away with a $90 million benefits packages.

[6] GEO and CCA SEC filings from 2012-2016

[7] "Fact Sheet: GEO Group and Corrections Corporation of America Spend Billions of Taxpayer Dollars Purchasing Smaller Companies" In the Public Interest, September 1, 2016

[8] "Merck and Wells Fargo Dump ALEC, while Duke Energy Holds Out," PR Watch, September 14, 2012

[9] "Wells Fargo to pay $185m for aggressive, illegal sales tactics" The Guardian, September 8, 2016

When first confronted about this pattern of fraud, CEO John Stumpf and Wells Fargo CFO John Shrewsberry made statements scapegoating the lowest payed employees rather than the management or unrealistic sales goals.

Discriminatory Lending

As a lender, Wells Fargo has a history of discriminating against its African American and Latino clients. Between 2004 and 2009, Wells Fargo engaged in a national pattern of discriminatory lending practices, steering 34,000 Black and Latino borrowers into subprime mortgages or mortgages with higher fees and rates, when white borrowers with similar credit profiles were steered into prime loans. These types of practices played a key role in triggering the financial crisis of 2007-2008. In 2012, WF began paying $184 million in compensation to these Black and Latino borrowers.[10] Wells Fargo has settled charges of discriminatory lending in many cities, including in Baltimore, where affidavits revealed Wells Fargo employees referring to subprime loans to African American communities as “ghetto loans” to “mud people.”[11]

Our Cities, Universities, Churches, and Unions can do better

Many of the institutions we belong to do business with Wells Fargo. This means either holding corporate bonds, short, medium, or long term notes, or even doing our banking with Wells Fargo. There are currently no portfolio screens for stocks or safeguards for bondholders to prevent their investments with Wells Fargo from being used to invest in and extend credit to the for-profit prison industry. The ethical thing to do is to pull this money until financial giant Wells Fargo agrees to cut their ties with the prison industry. When we all do this together, we politically and economically isolate the prison industry, weakening and eventually destroying their ability to push incarceration and detention on our communities.

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[10] “Justice Department Reaches Settlement with Wells Fargo Resulting in More Than $175 Million in Relief for Homeowners to Resolve Fair Lending Claims” Department of Justice Press Release, July 12, 2012

[11] “Affidavits On How Wells Fargo Gave "Ghetto Loans" To "Mud People" Consumerist.com, June 8, 2009