CEO John Stumpf said the bank was "very pleased to have put this legacy issue behind us."

NEW YORK (AP) -- Wells Fargo, the country's biggest mortgage lender, reported a 25 percent increase in fourth-quarter earnings Friday. The bank made more loans, set aside less money for potential defaults and enjoyed above-average returns from the investments made by its private equity business.

The San Francisco-based bank was the first major lender to report fourth-quarter earnings. Revenue grew over the year in credit cards, wealth management and other units, and the bank brought in more in service charges and investment fees. Mortgage lending slowed from the third quarter, however.

Revenue rose 7 percent, to $21.9 billion, beating the $21.3 billion expected by analysts polled by FactSet. Wells Fargo earned $4.9 billion before paying dividends on preferred stock. That amounted to 91 cents per share, more than the 87 cents per share analysts were expecting. In the same period a year earlier the bank earned $3.9 billion, or 73 cents per share.

As in the previous quarter, mortgages were the main driver of the bank's results. The bank said it funded $125 billion in mortgages, up from $120 billion in the same period a year ago.

However, that was also down from $139 billion in the third quarter, stoking some investors' concerns that the mortgage boom, which Wells Fargo is heavily dependent on, could be slowing.

Chief financial officer Tim Sloan said he was "very pleased" with the bank's performance, but also noted the "challenging" problems of "low interest rates and elevated unemployment." Low interest rates can hurt banks because they get a lower return from lending out money. Well's Fargo's net interest income fell 2 percent from the same period a year ago.

The stock fell 40 cents, about 1 percent, to $35 in pre-market trading.

Also top of mind was Monday's national foreclosure settlement, in which Wells Fargo and nine other banks agreed to spend a combined $8.5 billion to settle the government's accusations that they had wrongfully foreclosed on some struggling borrowers.

Wells Fargo said it would pay $766 million in cash and commit an extra $1.2 billion to "foreclosure prevention actions," such as mortgage modifications, for its part of the settlement. The settlement forced it to take a $644 million charge to fourth-quarter results.

The settlement also eliminates an uncertainty that had been hanging over the bank and means the bank no longer has to go through individual, independent reviews of its foreclosures. The bank said that hiring external consultants and extra staff for the foreclosure reviews had recently been costing it about $125 million a quarter.

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