

October 1, 2018

Honorable Jeb Hensarling  
Chairman  
Committee on Financial Services  
Room 2129 Rayburn House Office Building  
Washington, DC 20515

Dear Chairman Hensarling:

As you are aware, on August 27, 2018, the Assistant Director and Student Loan Ombudsman, Seth Frotman, resigned his position at the Consumer Financial Protection Bureau (“Consumer Bureau”).<sup>1</sup> In his resignation letter, Mr. Frotman listed several troubling reasons for his decision to step down from his position at the agency. We write to request that the Committee on Financial Services (“Committee”) conduct a formal investigation, using the full range of the Committee’s oversight authorities, into these serious allegations, including that senior political leadership at the Consumer Bureau undercut its enforcement of Federal consumer financial laws, undermined the operation of the agency as an independent Federal agency, and shielded bad actors from scrutiny.<sup>2</sup>

As you will recall, the Consumer Bureau was established in the Dodd-Frank Wall Street Reform and Consumer Protection Act, in part, to ensure that “consumers are protected from unfair, deceptive, or abusive acts and practices and from discrimination.”<sup>3</sup> This role is especially important given our nation’s student debt crisis. Americans now owe more than \$1.5 trillion in student loan debt, with the average new graduate owing more than \$28,000.<sup>4</sup> And student loan borrowers, like all other consumers, have rights under the law that must be preserved. But, those legal protections are meaningless if they are not enforced.

Mr. Frotman’s letter alleges that Mr. Mulvaney has completely upended the primary mission of the Consumer Bureau, politicized its enforcement actions, and, in Mr. Frotman’s words, “abandoned the very consumers it is tasked by Congress with protecting.”<sup>5</sup> In several troubling passages, Mr. Frotman cites examples of behavior by Consumer Bureau’s current leadership that, if true, appear intended to inappropriately prioritize the protection of the agency’s regulated entities over the safeguarding of the protection of consumers from financial misdeeds.

Mr. Frotman asserts that the Consumer Bureau’s leadership suppressed the release of a staff report that allegedly exposed efforts by the nation’s largest banks to charge students dubious account fees. He further alleges that senior political leadership “blocked efforts to call attention to the ways in which the actions of this administration will hurt families ripped off by predatory for-profit schools.”<sup>6</sup>

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<sup>1</sup> Seth Frotman, Letter to Mick Mulvaney, dated August 27, 2018.

<sup>2</sup> *Id.*

<sup>3</sup> Section 1021(b)(2) of Dodd-Frank.

<sup>4</sup> Katie Lobosco, “Student loan debt just hit \$1.5 trillion. Women hold most of it.” CNN Money (June 5, 2018), available at: <https://money.cnn.com/2018/06/05/pf/college/student-loan-stats/index.html>.

<sup>5</sup> Seth Frotman, Letter to Mick Mulvaney, dated August 27, 2018.

<sup>6</sup> *Id.*

Mr. Chairman, the Consumer Bureau was purposefully established by Congress to serve as a strong Federal watchdog tasked as its primary mission the protection of all hardworking American consumers but particularly consumers vulnerable populations and traditionally underserved communities, such as older Americans, student loan borrowers, and servicemembers and their families, that face unique and difficult challenges in obtaining fair and equal treatment in the offering and provision of consumer financial products and services. We hope that if you share our dismay about the troubling allegations outlined in Mr. Frotman's letter, you will initiate an immediate investigation into this matter, in the same manner in which you championed the investigations at the Consumer Bureau throughout almost the entire tenure of the agency's first Director, Richard Cordray.

Sincerely,

Alvin Waters

Wm. Lucy Clay

Carolyn B. Malony

Wm. Snower

Jon Vargas

Daniel T. Killeen

Denny Heck

Al Dur

Ch. J. Walsh

Rep. M. Why

Suzanne W. Muth

Rep. J. Lujan