

**Congress of the United States**  
**Washington, DC 20515**

August 13, 2019

The Honorable Kathleen L. Kraninger  
Director  
Consumer Financial Protection Bureau  
1700 G Street, N.W.  
Washington, D.C. 20552

Dear Director Kraninger:

As chairs of the committees with oversight responsibilities for the student loan servicing market, we write to seek information concerning efforts by the Consumer Financial Protection Bureau (Consumer Bureau) to protect consumers from unlawful servicing practices. Vigorous oversight of student loan servicers is critical as our nation faces a growing student debt crisis. The most recent statistics from the U.S. Department of Education (Department of Education) reveal that 43 million Americans owe over \$1.4 trillion in federal student loan debt.<sup>1</sup>

The Consumer Financial Protection Act of 2010 (CFPA) established a Student Loan Ombudsman within the Consumer Bureau to, in part, analyze and report annually on the student loan complaints it receives.<sup>2</sup> These annual reports provide invaluable insights into the problems experienced by borrowers burdened with increasing student loan debt. Despite this statutory mandate, the Consumer Bureau has not issued an annual report on student loan complaints since October 2017.<sup>3</sup> Since that time, consumers have submitted over 14,869 student loan complaints, including many that describe serious servicing deficiencies.<sup>4</sup>

Further, the position of Student Loan Ombudsman has been vacant since Seth Frotman resigned in August 2018. He asserted in his resignation letter that the Consumer Bureau “has abandoned the very

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<sup>1</sup> Federal Student Aid, Federal Student Loan Portfolio, Q1 2019, *available at* <https://studentaid.ed.gov/sa/about/data-center/student/portfolio>.

<sup>2</sup> 12 U.S.C. § 5535(c).

<sup>3</sup> CFPB, *2017 Annual report of the CFPB Student Loan Ombudsman Strategies for consumer-driven reform*, October 2017, *available at* [https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/cfpb\\_annual-report\\_student-loan-ombudsman\\_2017.pdf](https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/cfpb_annual-report_student-loan-ombudsman_2017.pdf).

<sup>4</sup> See CFPB, *Consumer Complaint Database*, *available at* [www.consumerfinance.gov/data-research/consumer-complaints/search/?date\\_received\\_max=2019-06-28&date\\_received\\_min=2017-10-01&from=0&product=Student%20loan&product=Student%20loan%E2%80%A2Federal%20student%20loan%20servicing&product=Student%20loan%E2%80%A2Private%20student%20loan&searchField=all&searchText=&size=25&sort=created\\_date\\_desc](http://www.consumerfinance.gov/data-research/consumer-complaints/search/?date_received_max=2019-06-28&date_received_min=2017-10-01&from=0&product=Student%20loan&product=Student%20loan%E2%80%A2Federal%20student%20loan%20servicing&product=Student%20loan%E2%80%A2Private%20student%20loan&searchField=all&searchText=&size=25&sort=created_date_desc) (last accessed June 28, 2019).

consumers it is tasked by Congress with protecting.”<sup>5</sup> The Consumer Bureau did not publish a job posting to fill that position until more than six months later on March 6, 2019, just one day before you were scheduled to testify before the Committee on Financial Services. To date, the position of Student Loan Ombudsman remains vacant.

More broadly, the Consumer Bureau has taken actions that weaken its ability to fulfill its mission to protect student loan borrowers. In May 2018, the Washington Post reported that then-Acting Director Mick Mulvaney had announced his plan to consolidate the Office of Students and Young Consumers (Office of Students) within the Office of Financial Education, thus eliminating the Consumer Bureau’s office specifically dedicated to addressing the needs of students.<sup>6</sup> According to media reports, all of the employees of the Office of Students subsequently left the Consumer Bureau.<sup>7</sup> The Consumer Bureau’s current organization chart reveals that this reorganization has been implemented, and you have failed to fill the position of Assistant Director for the re-named Section for Students and Young Consumers.<sup>8</sup>

Additionally, the Consumer Bureau is providing potentially harmful and conflicting advice to student loan borrowers. On May 28, 2019, the Consumer Bureau tweeted that “if you’re having a hard time paying your student loans, you may qualify for loan forbearance.”<sup>9</sup> As advocates for student loan borrowers articulated in response to the tweet, forbearance is generally not the best long-term option for borrowers struggling to make their payments because interest continues to accrue and is capitalized when a loan is placed in forbearance.<sup>10</sup> Rather, struggling borrowers are often better served by entering into an income-driven repayment plan (IDR). The tweet is even more confusing because it links to prior advice provided by the Consumer Bureau that advises struggling borrowers about the option of IDR before mentioning forbearance. That the Consumer Bureau would promote loan forbearance is particularly worrisome given its ongoing lawsuit against Navient that alleges the company unlawfully steered borrowers into forbearance rather than enrolling them in IDR.<sup>11</sup>

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<sup>5</sup> NPR, *Seth Frotman resignation letter*, Aug. 27, 2018, available at <https://apps.npr.org/documents/document.html?id=4784891-Frotman-Letter>.

<sup>6</sup> The Washington Post, *Mick Mulvaney takes aim at consumer bureau's student protection unit*, May 9, 2018, available at [https://www.washingtonpost.com/news/grade-point/wp/2018/05/09/mick-mulvaney-takes-aim-at-cfpbs-student-protection-unit/?utm\\_term=.606c47432fcb](https://www.washingtonpost.com/news/grade-point/wp/2018/05/09/mick-mulvaney-takes-aim-at-cfpbs-student-protection-unit/?utm_term=.606c47432fcb).

<sup>7</sup> Bloomberg Government, *New Head of Student Loan Oversight Office Will Have Less Power*, Mar. 1, 2019, available at <https://about.bgov.com/news/new-head-of-student-loan-oversight-office-will-have-less-power/>.

<sup>8</sup> CFPB, Bureau Structure, available at <https://www.consumerfinance.gov/about-us/the-bureau/bureau-structure/>; CFPB, Consumer Education and Engagement Division, available at <https://www.consumerfinance.gov/about-us/the-bureau/bureau-structure/consumer-education-engagement/>.

<sup>9</sup> Twitter, consumerfinance.gov, May 28, 2019, available at <https://twitter.com/CFPB/status/1133384182145671169>.

<sup>10</sup> MarketWatch, *Consumer watchdog tweets 'negligent or worse' advice to student-loan borrowers, advocates say*, May 30, 2019, available at <https://www.marketwatch.com/story/cfpb-tweet-offers-negligent-or-worse-student-loan-advice-advocates-say-2019-05-29>.

<sup>11</sup> CFPB, *CFPB Sues Nation's Largest Student Loan Company Navient for Failing Borrowers at Every Stage of Repayment*, Jan. 18, 2017, available at <https://www.consumerfinance.gov/about-us/newsroom/cfpb-sues-nations-largest-student-loan-company-navient-failing-borrowers-every-stage-repayment/>.

We are also deeply troubled by recent reports that the Department of Education has taken steps to impede the Consumer Bureau's oversight of student loan servicers. Specifically, since December 2017 student loan servicers – acting on guidance from the Department of Education - have refused to provide federal student loan information that the Consumer Bureau requested for supervisory examinations.<sup>12</sup> Additionally, the Department of Education terminated its statutorily mandated Memorandum of Understanding<sup>13</sup> with the Consumer Bureau as of October 1, 2017.<sup>14</sup>


Pursuant to their legislative and oversight authority under House Rule X, 116th Congress,<sup>15</sup> the U.S. House Committee on Financial Services, the U.S. House Committee on Education and Labor, and the U.S. House Committee on Oversight & Reform (Committees) ask that the Consumer Bureau provide the records requested in Schedule A of the enclosed request by no later than September 9, 2019. To expedite our review, we ask that you provide responsive records as they are identified, rather than waiting to submit all records in a single production. A second enclosure with this letter provides additional instructions for responding to the Committees' request.

Additionally, please provide to the Committees your written acknowledgment of this letter within five days of its receipt. We ask that you please make your staff and counsel available to meet and confer within five days of receipt of this letter to discuss the enclosed production schedule

Please address any questions regarding this request to Carolyn Hahn at (202) 225-4247.

  
MAXINE WATERS  
CHAIRWOMAN

Sincerely,

  
BOBBY SCOTT  
CHAIRMAN

  
ELIJAH E. CUMMINGS  
CHAIRMAN

cc: The Honorable Patrick McHenry, Ranking Member  
The Honorable Virginia Foxx, Ranking Member  
The Honorable Jim Jordan, Ranking Member

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<sup>12</sup> NPR, *CFPB Chief Says Education Department Is Blocking Student Loan Oversight*, May 16, 2019, available at <https://www.npr.org/2019/05/16/723568597/cfpb-chief-says-education-department-is-blocking-student-loan-oversight>.

<sup>13</sup> 12 U.S.C. § 5535(c)(2).

<sup>14</sup> NPR, *CFPB Chief Says Education Department Is Blocking Student Loan Oversight*, May 16, 2019, available at <https://www.npr.org/2019/05/16/723568597/cfpb-chief-says-education-department-is-blocking-student-loan-oversight>.

<sup>15</sup> Rule X, Rules of the House of Representatives, 116<sup>th</sup> Congress.

## SCHEDULE A

In accordance with the attached schedule instructions, the Committees request that you, the Consumer Financial Protection Bureau (CFPB), produce, in unredacted form, all Records described below:

1. All Communications to and from the Director, Deputy Director, Chief of Staff, and Principal Policy Director (Office of the Director) referring or related to the decision to merge the Office of Students and Young Consumers (Office of Students) into the Office of Financial Education.
2. All Communications between Seth Frotman and the Office of the Director, Gail Hillebrand, or the Policy Associate Director for Consumer Education and Engagement referring or related to the decision to merge the Office of Students into the Office of Financial Education.
3. All decision memoranda to the Director referring or related to the decision to merge the Office of Students and Young Consumers into the Office of Consumer Education, including but not limited to any and all draft memoranda.
4. All Communications between Seth Frotman and the Office of the Director, Gail Hillebrand, or the Policy Associate Director for Consumer Education and Engagement referring or related to the 2017 annual report to Congress titled “College Credit Card Agreements.”
5. All Communications between the Office of the Director and the Secretary of Education, Betsy DeVos, since January 20, 2017.
6. All Communications between the Office of the Director, Seth Frotman, Office of Students, or Cheryl Parker-Rose and any Employee at the Department of Education since January 20, 2017, referring or related to any memorandum of understanding between the two agencies.
7. All Communications between the Office of the Director, Seth Frotman, Office of Students, or Cheryl Parker-Rose and any Employee at the Department of Education referring or related to the Department of Education’s December 27, 2017 memorandum titled, “Ownership of and Access to U.S Department of Education Records and Data.”
8. All Records and Communications referring or related to the Department of Education’s March 12, 2018, Federal Register notice preempting state regulations of student loan servicers (Preemption Notice).<sup>16</sup>
9. All Communications to or from the Office of Director referring or related to the hiring of a Student Loan Ombudsman since August 27, 2018.

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<sup>16</sup> 83 FR 10619, Mar. 12, 2018, available at <https://www.federalregister.gov/documents/2018/03/12/2018-04924/federal-preemption-and-state-regulation-of-the-department-of-educations-federal-student-loan>.

10. All Communications between the Office of the Director, Seth Frotman, Office of Students, or Cheryl Parker-Rose and Dr. A. Wayne Johnson, Chief Operating Officer of Department of Education's Office of Federal Student Aid (FSA).
11. All supervisory letters or exam reports issued to student loan servicers since December 27, 2017.