Chairwoman Waters, Ranking Member McHenry, Members of the Committee, thank you for the opportunity to testify today.

In March of 2011, I had the honor of joining the Consumer Financial Protection Bureau, and that is where I would like to start today—by recalling what this country looked like in 2011. Because if we are to have any meaningful discussion around the mission and future of the Bureau, it is important to recall what people’s lives looked like—what this nation looked like—as the CFPB opened its doors.

It had been three years since the peak of the financial crisis, but for millions across the country, the crisis was still raging, leaving real, tangible human affliction in its wake. Families were losing their homes. Servicemembers were falling victim to financial predators who viewed them as dollar signs in uniforms. Everyday Americans were targeted with bogus add-ons and hidden fees, leading to financial ruin by a thousand cuts.

And this affliction was fueled by companies that had no shame when stealing the last dollar in someone’s bank account in order to pad their own bottom line—in large part, because they knew they could get away with it. The combined force of these ripples of deceit and devastation left millions of shattered families and shattered dreams.

Across the country, American families needed someone—needed their government—in their corner. That is where the CFPB stepped in.

The United States Congress created the Consumer Financial Protection Bureau to serve as this desperately needed lifeline to the families being pushed off the edge of a financial cliff. It was the Bureau’s job to look out for people who were being crushed by a financial industry whose nefariousness knew no bounds.

And that is exactly who we helped. We helped the family who was at the brink of an illegal foreclosure. We helped the servicemember who was preyed upon by a predatory lender. We helped the single parent who was having her wages garnished after unlawful debt collection efforts.

But that was not our only job. From those early days, all the way until November 2017, we had an equally important mission: make sure that something like this never happened again. We were tasked with making sure another recession was not spurred on by the same systemic illegal conduct that drove the last one. We were tasked with protecting against practices that, in totality, could lead to trillions of dollars of lost household wealth.
broken credit market that declared open season on American consumers, and in turn, destroyed the nation's economy.

And every day we went to work, we knew that millions of American families depended on us to do exactly that.

Were we perfect? Of course not. But the work we did during those years mattered. Between July 21, 2011 and November 24, 2017, the CFPB:

- Put $12 billion back in the pockets of American families;\(^8\)
- Created rules for mortgages that halted the worst practices that drove the financial crisis;\(^9\)
- Returned over half a billion dollars to borrowers who were discriminated against by their lender;\(^10\)
- Created servicing protections that prevented tens of thousands of homeowners from defaulting on their mortgage and created a pathway for more than a hundred thousand people to dig out of delinquency;\(^11\)
- Cracked down on dubious payday lenders making loans they knew could never be repaid and trying to collect on debt that was not legally owed;\(^12\)
- Sought to swing open the courtroom door for consumers seeking justice and relief for wrongdoing;\(^13\)
- Implemented and oversaw the credit card protections that this very Committee worked so hard to pass and saved American consumers billions of dollars;\(^14\)
- Obtained hundreds of millions of dollars in consumer relief as a result of supervisory activity;\(^15\)
- Worked with the Department of Defense to close loopholes exploited by unscrupulous companies targeting military families;\(^16\)
- Handled over a million and a half consumer complaints, including more than 60,000 from student loan borrowers;\(^17\)

And so much more.\(^18\)

Each action by the Bureau meant real money back in the hands of hard-working families. Each action meant real oversight and protections that kept their money there in the first place.

From the day it opened its doors, the Consumer Financial Protection Bureau listened. We listened to the millions of borrowers ripped off at every turn and we took action.
We demonstrated to hundreds of millions of people that the federal government had their back.

Because the Consumer Bureau had one simple mission—protect consumers.

There were no mixed messages. There was one message—protect consumers. We were there to make sure our neighbors, our grandparents, our children—your constituents—were not being ripped off by big banks or small scams.

And that work mattered.

Over the course of my seven years at the CFPB, I traveled all around the country and talked to thousands of people. Out of all of those conversations, the one unifying theme was that consumer financial protection matters.

People are not buying a house in cash or cutting a check to pay for their car or paying for their children’s full college tuition with what they have in their savings accounts. Americans rely on credit—and a well-functioning credit market—to accomplish each of these goals.

But the stakes are much bigger than simply credit markets.

At stake is the character of our country. At stake is the answer to whether the American dream—a house to raise our family, a car to get to work, a college education to earn a better life—will be the province of only a select few, while the rest have their money stolen at every turn, or worse, face denials and discrimination based on factors like race or sex.

That is why the CFPB matters. That is why this hearing matters. That is why this Committee’s work matters. Because consumer financial protection matters.

And that is why the actions of the Trump Administration and the political leadership installed at the Bureau have been so devastating.

The last 15 months at the Bureau have been plagued with inaction and incompetence, all under the guise of some supposed ideology. The political leadership has engaged in costly vanity exercises while real people are getting hurt. They have prioritized the wishes of the most powerful financial companies in America over the needs of the very people they were tasked by Congress to protect, all under the selective invocation of “statutory restraint.”

The fact of the matter is that the efforts of Mick Mulvaney and Kathy Kraninger have hurt—and are continuing to hurt—real people. Their actions have hurt families. Their actions have hurt communities. And in the process, their actions have hurt our nation.

And perhaps the most poignant example of this is how their actions are hurting the 44 million Americans with student loan debt.
The Student Debt Crisis

Forty-four million Americans collectively owe $1.56 trillion in student loan debt. Student debt is now the second largest class of consumer debt in this country, larger than both auto and credit cards, behind only mortgages. And people are drowning under the weight of this unprecedented burden.

Last year, over a million borrowers defaulted on their student loan. These borrowers joined the one-million-plus borrowers who defaulted the year before that, and the year before that. In fact, every 28 seconds, another borrower defaults on their student loan. Today, more than eight million student loan borrowers are in default. Another five million are at least two payments behind—borrowers we can expect the system to fail as we continue to do nothing.

But it is not only those who are behind on their loans who are struggling. For every borrower who misses a student loan payment or defaults on a debt, there is another borrower who is struggling to buy a home, start a business, or save for retirement. Student debt has imperiled access to these key pillars of the middle class for far too many Americans.

We now see evidence that declines in household formation and homeownership are being driven by student debt—creating barriers to economic mobility for borrowers across the country. One study found that rising levels of student debt resulted in 400,000 fewer homes purchased by only millennials over the last 15 years. Another study showed that student loan borrowers are less likely to stay in rural communities, raising questions about the impact student debt is having on rural economies across America. We are also beginning to see how this debt fuels economic, gender, and racial inequality, inhibits asset accumulation, accelerates wealth gaps, and carves out a generational divide that, even in the best of circumstances, will take decades to erase.

After piling historic levels of debt onto an entire generation, we push them into a market plagued with harmful and illegal practices that drive them to financial ruin. Collectively, this adds billions of dollars of additional student debt to household balance sheets, damaging the financial future for millions of people.

From student loan servicers to for-profit schools, from debt collectors to private student lenders, from private equity firms to debt relief scams—we have seen entire industries build their profit models off of taking advantage of student loan borrowers.

And that is what the Bureau worked to stop. For the first time, 44 million people had a champion in the federal government. From the work of Elizabeth Warren and Rohit Chopra up until the day Richard Cordray left, the Bureau fought on behalf of the tens of millions of our fellow Americans with student debt.

We helped servicemembers and disabled veterans. We helped teachers and nurses.
We helped borrowers in all 50 states and every US territory.\textsuperscript{50} We helped borrowers of every age, from the 18-year-old being targeted by for-profit schools, to the 83-year-old navigating her loan disability discharge.

Student loan borrowers were being ripped off from before they even got their first bill, until they paid off their last loan, and we were there to help.\textsuperscript{51}

We took enforcement action against those who broke the law, from small scammers to large financial institutions like Wells Fargo, Discover, and Navient.\textsuperscript{52}

Our perspective was clear—if you were chasing the American dream, you should not be ripped off at every turn.

And we worked with anyone and everyone who wanted to help student loan borrowers, from federal agencies like the Departments of Education, Treasury, and Justice,\textsuperscript{53} to state law enforcement,\textsuperscript{54} to city governments.\textsuperscript{55} But most importantly we never shied away from doing our job. Our job was to independently enforce and implement the consumer financial protection laws of the United States against providers of consumer financial products and services—even when it made those in the Administration—in any Administration—uncomfortable.\textsuperscript{56}

We were an independent agency that utilized every authority bestowed upon us by Congress—from supervision to enforcement, from documenting complaints to helping individual consumers.

And it worked. In those seven years, the CFPB returned more than $750 million to student loan borrowers.\textsuperscript{57}

But almost immediately upon the arrival of Mick Mulvaney and his political appointees, this work came to a grinding halt. For example:

- In December of 2017, the Bureau refused to publish findings documenting how large banks such as Wells Fargo were siphoning off the last dollars of vulnerable students on college campuses through legally dubious fees;\textsuperscript{58}

- In February of 2018, the political leadership of the Bureau blocked attempts by career staff to alert the Department of Education to the far reaching harm borrowers would face due to the Department’s illegal and unprecedented attempts to place student loan servicers above state consumer protection laws.\textsuperscript{59} The Education Department’s effort was publicly rebuked by the National Governors Association,\textsuperscript{60} the Conference of State Banking Commissioners,\textsuperscript{61} a bipartisan group of 25 state attorneys general,\textsuperscript{62} and Members of Congress on both sides of the aisle.\textsuperscript{63}

- In May of 2018, the political leadership of the Bureau shuttered the only office in the federal government whose sole mission was protecting student borrowers against predatory practices in the financial sector.\textsuperscript{64}
• In May of 2018, the political leadership of the Bureau withdrew a planned student loan servicing rulemaking that would have provided enhanced consumer protections, leaving student loan borrowers with fewer protections when compared to consumers in nearly any other consumer market.65

• In July of 2018, the political leadership of the Bureau refused to document concerns raised by the Offices of Servicemember Affairs and Students about how the proposed rollbacks of accountability regulations of for-profit schools would disproportionately harm military families.66

• As documented in public accounts throughout 2018, there exists significant questions about the extent to which the Bureau is engaged in full and robust supervisory oversight of the private sector companies that manage $1.2 trillion in federal student loans on behalf of 42 million people.67 There remains real and substantial questions about whether the Bureau’s political agenda has left a trillion-dollar blind spot in the nation’s financial markets.

And since I left the Bureau in September of 2018, this abdication of responsibility has continued. The position of the Student Loan Ombudsman, as mandated by Congress, sits vacant.68 The Bureau’s congressionally mandated student loan complaint report remains unwritten.69 The Bureau has once again failed to highlight how big banks continue to take advantage of students on campuses across the country.70

Perhaps most disconcerting is that, in the last 15 months, it is impossible to cite a single significant or substantial action that the Bureau has initiated on behalf of the 44 million student loan borrowers in this country.

There is no ideology that justifies these actions—or more accurately—inaction. The complete abdication of the Bureau’s responsibility for this market will have real and lasting consequences both for American families and the larger economy. Shielding companies from the consequences of their lawlessness is not “making markets work.”71 Protecting Betsy DeVos from the consequences of the Department of Education’s failures is not “conservative.” The Bureau is not meant to be a political appendage of any administration—particularly one that is flailing as it mismanages the trillion-dollar portfolio it holds.72

The last 15 months at the Consumer Financial Protection Bureau reflect a fundamental lack of seriousness in the work that Congress tasked the Bureau to perform and willful negligence in addressing the deep, systemic problems that plague borrowers owing the second largest class of consumer debt in this nation.

**Keeping the Promise**

And that is why the work of the Financial Services Committee is so important—both in terms of oversight and policymaking.
The student debt crisis is more than a higher education policy issue. It is a significant—perhaps the most significant—consumer finance issue threatening our nation at this time.

We cannot continue to treat student loan borrowers as second-class citizens simply because the word “student” comes before the word “loan.” Student loan borrowers face breakdowns and harmful practices that we would simply never permit in other markets. We cannot only focus on making the system better for the next applicant while ignoring the plight tens of millions of people face every day.

Because right now, we have a trillion-dollar black hole in our financial markets. Millions of Americans with student debt are falling further behind as their federal government coddles predatory players.

So, thank you for asking the tough questions of this Administration. Thank you for taking on the challenge to make sure that student loan borrowers have the rights and protections that exist in nearly every other debt market.

And I would like to close with this: the student debt crisis is not political. It knows no ideology, and it has no bounds—rural and urban, young and old, black and white.

Over the last two weeks, I was in both Oregon and Massachusetts—states that are three thousand miles apart, yet share this in common: their elected leaders are working together, in a bipartisan fashion, to stand up for student loan borrowers. Their leaders understand that an entire generation is being crushed by student debt, and these borrowers need help.

We cannot forget the promise the federal government made to American consumers back in 2011. Because these people are still standing at the edge of that cliff. They need that lifeline. And they are relying on our promise never to let something like this happen again.

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2 See, e.g., Patricia A. McCoy, Barriers to Foreclosure Prevention During the Financial Crisis, 55 Ariz. L. Rev. 723, 726 (2013) (finding that artificial barriers to foreclosure prevention programs inflicted “enormous, needless losses on borrowers, investors, and society at large”).

Ensure Student Success, (Majority Staff Rep. 2012),


6 See, e.g., Press Release, U.S. Dep’t of Treasury, Treasury Deputy Secretary Neal Wolin Written Testimony before the Senate Banking Committee on “Implementing the Dodd-Frank Wall Street Reform and Consumer Protection Act” (Sept. 30, 2010), https://www.treasury.gov/press-center/press-releases/Pages/tg881.aspx (“The Act builds a stronger financial system by addressing major gaps and weaknesses in regulation that helped cause the financial crisis that led to the recession. It puts in place buffers and safeguards to reduce the chance that another generation will have to go through a crisis of similar magnitude.”).


25 See id at 2017 Q1-Q4, 2016 Q1-Q4.


30 See, e.g., CFPB, Snapshot Of Older Consumers And Student Loan Debt 14 (2017), http://files.consumerfinance.gov/f/documents/201701_cfpb_OA-Student-Loan-Snapshot.pdf (reporting that borrowers nearing retirement "had a lower median amount in their employer-based retirement account or an Individual Retirement Account (IRA) than consumers without student loan debt"); Joseph Egolian, 73 Will Be the Retirement Norm for Millennials, NerdWallet (Oct. 23, 2013), https://www.nerdwallet.com/blog/investing/73-retirement-norm-millenials (finding that a 4 year college graduate with median student loan debt of $23,000 has about $115,000 less in retirement savings than a 4 year college graduate with no student loans by the time they reach age 73).

31 See, e.g., Daniel Cooper & J. Christina Wang, Student Loan Debt and Economic Outcomes, Fed. Res. Bank of Bos.: Current Pol’y Persp. (Oct. 14, 2014), https://www.bostonfed.org/-/media/Documents/Workingpapers/PDF/economic/cpp1407.pdf (“In addition, the distribution of total wealth excluding student debt liabilities is lower for homeowners with student debt than for homeowners without student loan debt (again conditional on at least some college attendance). This wealth disparity remains even after controlling for a wide range of demographic and other factors.”).


34 See Daniela Kraiem, The Cost of Opportunity: Student Debt and Social Mobility, 48 Suffolk U. L. Rev. 689, 699 (2015) (“Students with unmanageable debt are more likely to be low-income, female, black, and have dependent members such as children or elderly parents.”).


44 See Robert Hiltonsmith, At What Cost? How Student Debt Reduces Lifetime Wealth 9, Demos (2013), https://www.demos.org/publication/what-cost-how-student-debt-reduces-lifetime-wealth; see also Richard Fry, Young Adults, Student Debt, and Economic Well Being, Pew Res.Ctr. (May 14, 2014), http://www.pewsocialtrends.org/2014/05/14/young-adults-student-debt-and-economic-well-being ("[S]howing that millennials who incur debt after graduation have an average net worth of seven times less than that of their non-indebted counterparts. Millennials with no debt when graduating have an average net worth of $64,700, while millennials graduating with student debt have only $8,700 on average."). Cooper & Wang, supra note 31; see generally Emily Rauscher & William Elliott, The Relationship Between Income and Net Worth: A Virtuous Cycle for High but Not Low Income Households, 20 J. Poverty 380 (2016) (finding that a college graduate with an extra $10,000 in student loans will achieve the nation’s median net worth 26 percent slower than a college graduate without that debt, concluding that financing higher education through student loans can put college graduates who begin school with few assets even further behind their wealthier peers).

45 See, e.g., Sen. Patty Murray, Senator Murray Delivers Keynote Speech Outlining Need for Bold, Federal Action in Higher Education to Help Students Succeed (Feb. 28, 2019), https://www.murray.senate.gov/public/index.cfm/mobile/newsroom?ID=FF5FF711-10D2-43BF-999C-9784EF2C7590 ("We see servicing breakdowns at every servicer, for all types of borrowers, and at every stage of repayment—and it must be fixed now.").

46 See, e.g., Complaint at 23, CFPB v. Navient Corp., No. 3:17-cv-00101-RDM (M.D. Pa. 2018) (stating “At the conclusion of those forbearances, Navient had added nearly four billion dollars of unpaid interest to the principal balance of their loans.”).


49 See, e.g., Complaint at 45, CFPB v. Navient Corp., No. 3:17-cv-00101-RDM (M.D. Pa. 2017) ("Pioneer’s false promises that rehabilitation would remove all adverse information regarding the borrowers’ loans from their credit
veterans.


58 In February 2018, the Office of Management and Budget shared a “Notice and Interpretation” authored by the U.S. Department of Education, for review by the Consumer Financial Protection Bureau. This interpretation purported to block the enforcement of all state consumer protection laws against student loan servicers. Federal Preemption and State Regulation of the Department of Education's Federal Student Loan Programs and Federal Student Loan Servicers, 83 Fed. Reg. 10619 (Mar. 12, 2018), https://www.federalregister.gov/documents/2018/03/12/2018-04924/federal-preemption-and-state-regulation-of-the-department-of-educations-federal-student-loan. CFPB staff prepared a memorandum to Acting Director Mick Mulvaney warning the Acting Director that this maneuver was harmful to consumers and lacked a firm legal basis under the law. Rather than “pass back” expert, staff-level comments to the Department of Education, CFPB’s political leadership suppressed these views. Recently, one federal judge dismissed an industry effort to give legal weight to this notice, explaining that it “lacks requisite thoroughness and persuasiveness...[and] [t]hus, the court gives no deference...”. Student Loan Servicing Alliance v. Taylor, No. 2018-0640 (D.D.C. Nov. 21, 2018); see also Danielle Douglas-Gabriel, Education Dept. tells student loan companies to ignore state authority, Wash. Post (Mar. 9, 2018), https://www.washingtonpost.com/news/grade-point/wp/2018/03/09/education-dept-tells-student-loan-companies-to-ignore-state-authority/?utm_term=.3d5f919850c2.


64 See Michael Stratford, CFPB gives up on plans to regulate student loan servicers (May 9, 2018), https://subscriber.politicopro.com/education/article/2018/05/cfpb-gives-up-on-plans-to-regulate-student-loan-
In May of 2018, in the same week in which it shuttered the Office for Students and Young Consumers, the political leadership of the Bureau withdrew a planned student loan servicing rulemaking from its regulatory agenda. This rule was intended to provide enhanced consumer protections to student loan borrowers. The political leadership withdrew this planned rulemaking despite widespread recognition that student loan borrowers have fewer protections than borrowers with any other major class of consumer debt. In fact, just seven weeks after scrapping this rulemaking, the Trump Administration’s own Treasury Department warned of significant risks to student loan borrowers and taxpayers because “[f]ederal student loan servicing currently lacks effective minimum servicing standards.”. U.S. Dep’t of the Treasury, *A Financial System That Creates Economic Opportunities: Nonbank Financials, Fintech, and Innovation* 125 (July 2018), https://home.treasury.gov/sites/default/files/2018-08/A-Financial-System-that-Creates-Economic-Opportunities---Nonbank-Financials-Fintech-and-Innovation_0.pdf.


Earlier this year, the Administration announced it had scrapped this proposal and would restart this process again in 2019. See Andrew Kreighbaum, *DeVos to Rewrite Overhaul of Obama Loan Rule*, Inside Higher Ed (Jan. 21, 2019), https://www.insidehighered.com/quicktakes/2019/01/21/devos-rewrite-overhaul-obama-loan-rule.


Annual report of the CFPB Student Loan Ombudsman (Oct. 2016),

70 See CFPB, College credit card agreements (Dec. 2018),
https://files.consumerfinance.gov/f/documents/College_Credit_Card_Agreements_Report_2018_Final.pdf (where the CFPB failed to include a section on campus debt cards) and CFPB, College credit card agreements (Dec. 2017),
https://files.consumerfinance.gov/f/documents/2016_cfpb_student_banking_report.pdf (where the Bureau included a section on the “high cost account fees and aggressive marketing” used by banks with college-sponsored accounts.).


72 See U.S. Dep’t of Educ., Office of the Inspector Gen., ED-OIG/A05Q0008, Federal Student Aid: Additional Actions Needed to Mitigate the Risk of Servicer Noncompliance with Requirements for Servicing Federally Held Student Loans (Feb. 12, 2019),
https://www2.ed.gov/about/offices/list/oig/auditreports/fy2019/a05q0008.pdf; see also Ken Sweet, Report finds problems with student loan servicing, oversight, Assoc. Press (Feb. 14, 2019),
https://apnews.com/cc655fdea293469d86231e4bcb10a5ee.

https://www.gazettenet.com/Student-loan-bill-advances-in-Mass-Senate-16801763; Aubrey Wieber, Attorney general, legislators look to protect student loan borrowers from predatory lenders, Salem Reporter (Feb. 25, 2019),