



Consumer Financial
Protection Bureau

1700 G Street NW, Washington, DC 20552

August 27, 2018

The Honorable Mick Mulvaney
Acting Director
Consumer Financial Protection Bureau
1700 G Street NW
Washington, DC 20052

Acting Director Mulvaney:

It is with great regret that I tender my resignation as the Consumer Financial Protection Bureau's Student Loan Ombudsman. It has been the honor of a lifetime to spend the past seven years working to protect American consumers; first under Holly Petraeus as the Bureau defended America's military families from predatory lenders, for-profit colleges, and other unscrupulous businesses, and most recently leading the Bureau's work on behalf of the 44 million Americans struggling with student loan debt. However, after 10 months under your leadership, it has become clear that consumers no longer have a strong, independent Consumer Bureau on their side.

Each year, tens of millions of student loan borrowers struggle to stay afloat. For many, the CFPB has served as a lifeline—cutting through red tape, demanding systematic reforms when borrowers are harmed, and serving as the primary financial regulator tasked with holding student loan companies accountable when they break the law.

The hard work and commitment of the immensely talented Bureau staff has had a tremendous impact on students and their families. Together, we returned more than \$750 million to harmed student loan borrowers in communities across the country and halted predatory practices that targeted millions of people in pursuit of the American Dream.

The challenges of student debt affect borrowers young and old, urban and rural, in professions ranging from infantrymen to clergymen. Tackling these challenges should know no ideology or political persuasion. I had hoped to continue this critical work in partnership with you and your staff by using our authority under law to stand up for student loan borrowers trapped in a broken system. Unfortunately, under your leadership, the Bureau has abandoned the very consumers it is tasked by Congress with protecting. Instead, you have used the Bureau to serve the wishes of the most powerful financial companies in America.

As the Bureau official charged by Congress with overseeing the student loan market,¹ I have seen how the current actions being taken by Bureau leadership are hurting families. In recent months, the Bureau has made sweeping changes, including:

- **Undercutting enforcement of the law.** It is clear that the current leadership of the Bureau has abandoned its duty to fairly and robustly enforce the law. The Bureau’s new political leadership has repeatedly undercut and undermined career CFPB staff working to secure relief for consumers. These actions will affect millions of student loan borrowers, including those harmed by the company that dominates this market. In addition, when the Education Department unilaterally shut the door to routine CFPB oversight of the largest student loan companies, the Bureau’s current leadership folded to political pressure. By undermining the Bureau’s own authority to oversee the student loan market, the Bureau has failed borrowers who depend on independent oversight to halt bad practices and bring accountability to the student loan industry.
- **Undermining the Bureau’s independence.** The current leadership of the Bureau has made its priorities clear—it will protect the misguided goals of the Trump Administration to the detriment of student loan borrowers. For nearly seven years, I was proud to be part of an agency that served no party and no administration; the Consumer Bureau focused solely on doing what was right for American consumers. Unfortunately, that is no longer the case. Recently, senior leadership at the Bureau 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. Similarly, senior leadership also blocked attempts to alert the Department of Education to the far-reaching harm borrowers will face due to the Department’s unprecedented and illegal attempts to preempt state consumer laws and shield student loan companies from accountability for widespread abuses. At every turn, your political appointees have silenced warnings by those of us tasked with standing up for servicemembers and students.
- **Shielding bad actors from scrutiny.** The current leadership of the Bureau has turned its back on young people and their financial futures. Where we once found efficient and innovative ways to collaborate across government to protect consumers, the Bureau is now content doing the bare minimum for them while simultaneously going above and beyond to protect the interests of the biggest financial companies in America. For example, late last year, when new evidence came to light showing that the nation’s largest banks were ripping off students on campuses across the country by saddling them with legally dubious account fees, Bureau leadership suppressed the publication of a report prepared by

¹ Section 1035 of the Dodd-Frank Act establishes a Student Loan Ombudsman at the CFPB to “provide timely assistance to borrowers,” “compile and analyze” borrower complaints, and “make appropriate recommendations to the Director [of the CFPB], the Secretary [of the Treasury], the Secretary of Education, the Committee on Banking, Housing, and Urban Affairs and the Committee on Health, Education, Labor, and Pensions of the Senate and the Committee on Financial Services and the Committee on Education and Labor of the House of Representatives.” See 12 U.S.C. § 5535.

Bureau staff. When pressed by Congress about this, you chose to leave students vulnerable to predatory practices and deny any responsibility to bring this information to light.

American families need an independent Consumer Bureau to look out for them when lenders push products they know cannot be repaid, when banks and debt collectors conspire to abuse the courts and force families out of their homes, and when student loan companies are allowed to drive millions of Americans to financial ruin with impunity.

In my time at the Bureau I have traveled across the country, meeting with consumers in over three dozen states, and with military families from over 100 military units. I have met with dozens of state law enforcement officials and, more importantly, I have heard directly from tens of thousands of individual student loan borrowers.

A common thread ties these experiences together—the American Dream under siege, told through the heart wrenching stories of individuals caught in a system rigged to favor the most powerful financial interests. For seven years, the Consumer Financial Protection Bureau fought to ensure these families received a fair shake as they as they strived for the American Dream.

Sadly, the damage you have done to the Bureau betrays these families and sacrifices the financial futures of millions of Americans in communities across the country.

For these reasons, I resign effective September 1, 2018. Although I will no longer be Student Loan Ombudsman, I remain committed to fighting on behalf of borrowers who are trapped in a broken student loan system.

Sincerely,

Seth Frotman
Assistant Director & Student Loan Ombudsman
Consumer Financial Protection Bureau

cc: Hon. Steven Mnuchin, Secretary, U.S. Department of the Treasury
Hon. Betsy DeVos, Secretary, U.S. Department of Education
Sen. Mike Crapo, Chairman, Senate Committee on Banking, Housing, and Urban Affairs
Sen. Sherrod Brown, Ranking Member, Senate Committee on Banking, Housing, and Urban Affairs
Sen. Lamar Alexander, Chairman, Senate Committee on Health, Education, Labor and Pensions
Sen. Patty Murray, Ranking Member, Senate Committee on Health, Education, Labor and Pensions
Rep. Jeb Hensarling, Chairman, House Financial Services Committee

Rep. Maxine Waters, Ranking Member, House Financial Services Committee
Rep. Virginia Foxx, Chairman, House Committee on Education and the Workforce
Rep. Bobby Scott, Ranking Member, House Committee on Education and the
Workforce