May 18, 2018

Ms. Leandra English
Acting Director, Consumer Financial Protection Bureau
1700 G Street, NW
Washington, DC 20552

Mr. Mick Mulvaney
Director, Office of Management and Budget
725 17th Street, NW
Washington, DC 20503

Director Mulvaney and Acting Director English:

We write to express our concern with the Consumer Financial Protection Bureau's (CFPB) decision to undermine student loan borrowers' rights by eliminating the Office for Students and Young Consumers ("Office for Students"). As you know, the Office for Students has secured more than $750 million in relief for consumers, a track record that suggests that maintaining a dedicated unit is effective, appropriate, and in the best interest of borrowers and taxpayers. Additionally, the CFPB revealed that it is abandoning plans to rein in predatory student loan servicing and debt collection practices. These decisions send a message to students who are being misled, cheated, or defrauded by student loan companies that this Administration will not protect them.

The ability to monitor and punish bad actors in our student loan system is critical to our economy and the financial well-being of millions of families. Student loan debt in the United States recently surpassed $1.5 trillion and continues to climb. Recent data show that more than 1.1 million borrowers default on their loans every year—over 3,000 defaults each day. Far too many student loan borrowers have struggled with predatory, fraudulent, and misleading loan products and servicing. The CFPB, spearheaded by the Office of Students, has until recently been instrumental in providing much-needed oversight and transparency to the college financial product and student loan marketplace, protecting students and promoting best practices for institutions of higher education, loan servicers, and financial service providers.

However, under the current Administration, the U.S. Department of Education and the CFPB are closing investigations and rolling back oversight at the behest of corporate interests and putting student borrowers, taxpayers, and the entire economy at risk. Quickly following the announcement of CFPB's decision to scuttle the Office for Students, which worked to collect critical information about the student loan industry, it was reported that Secretary DeVos had largely gutted the Student Aid Enforcement Unit at the U.S. Department of Education, an office which was dedicated to identifying and investigating fraud at institutions of higher education.

The CFPB also abandoned plans to develop rules to reform student loan servicing by removing this important priority from the unified regulatory agenda. This effectively ends an effort originally set in motion in 2015 to identify and address widespread failures by student loan companies. In the lead-up to the financial crisis, lax supervision, ineffective regulation, and poor servicing standards in the mortgage industry helped send the economy into a tailspin. The Ombudsman and the Office for Students sounded the alarm about similar practices in the student loan marketplace. The CFPB cannot forget the lessons of the financial crisis and must act to reform student loan servicing and debt collection practices.

Unfortunately, abandoning the rulemaking effort on student loan servicing confirms that reorganizing the Office for Students was not simply bureaucratic, but a substantive withdrawal of the CFPB's leadership in policing illegal and harmful student loan servicing practices. By disbanding enforcement teams and rulemaking efforts, the federal government is essentially giving predatory servicers and lenders the green light to continue nefarious practices that harm student loan borrowers, including servicemembers, veterans, and older Americans with debt.

In the past, the CFPB and the U.S. Department of Education worked together to address harmful and inefficient practices at lenders and servicers that unnecessarily drive students into default. The vast majority of this work would not have been possible without the expertise of the staff in the Office for Students.

For example, the unit's work led to three enforcement actions last year alone. In 2015, the U.S. Department of Justice worked with Holly Petraeus in the CFPB's Office of Servicemember Affairs, the Ombudsman, and the Office for Students to return $60 million to 77,000 servicemembers whose rights under the Servicemember Civil Relief Act were violated by unscrupulous student loan servicers. The Office's research and reporting on student loan servicing issues also revealed systemic lapses in the offering of U.S. Department of Education's income-driven repayment plans, undermining the Department's efforts to prevent unnecessary defaults and losses.

Additionally, the Office for Students also coordinated with federal and state agencies to end widespread abuse by the predatory Corinthian Colleges, Inc. and ITT Educational Services, Inc. chains, in large part by monitoring and following up on an enormous volume of complaints that could not have been reviewed by the Ombudsman alone. In fact, much of the quantitative data we have on student loans today—the same quantitative data the CFPB has pledged to use in its decision-making process—only exists because of the efforts of the Ombudsman's team in the Office for Students. This team has now been reassigned.

You promised that you would rely on quantitative analysis to make your decisions, and do everything as required by the law. Congress specifically created the Ombudsman to coordinate with the U.S Department of Education to address complaints regarding both private and federal student loans. Clearly, this function requires a dedicated and knowledgeable staff to support the Ombudsman. To help us understand how the CFPB will be able to fulfill its statutory mission without the support of a dedicated Office of Students, we request answers to the following questions and access to the following documentation:

1) The full-time equivalents (FTEs) allocated to the Office for Students on January 19, 2017, and on May 8, 2018, respectively.
2) A detailed list of where the FTEs to the Office for Students were recently reassigned within the CFPB.

3) All internal memoranda, legal analyses, cost-benefit studies, and work products that supported your decision to eliminate the Office for Students.

4) The strategic plan and organizational chart for the Office of Financial Education, including details on its specific goals and responsibilities, and how its strategic plan and organizational chart has been amended to account for consolidation with the Office for Students.

5) The strategic plan and organizational chart of the Consumer Education and Engagement Division, including details on its specific goals and responsibilities, and how its strategic plan has been amended to account for consolidation with the Office for Students.

6) The number of FTEs that will monitor, evaluate, and provide recommendations based on student loan complaints.

7) All official work product in progress regarding student loan servicing regulations, including the CFPB resources that will be devoted to working, in coordination with the U.S. Departments of Treasury and Education, on moving forward with the Joint Statement of Principles on Student Loan Servicing identified in September 2015.

8) A full analysis regarding why the loan servicing regulations were dropped from the CFPB's regulatory agenda.

9) Any analysis or documentation that explains how the CFPB will continue to independently and responsibly meet all of its obligations to monitor and supervise student loan lenders and servicers.

10) Documents that describe policies and procedures you have put in place at the CFPB that ensure Mr. Mulvaney's duty as OMB Director to protect taxpayers' investments in federal debt collection contracts are not allowed to conflict with the CFPB's obligation to fairly and independently administer consumer financial protection laws.

We request that a response to these questions and the relevant documents be provided no later than June 7, 2018. If you have any questions, please contact Corey Frayer with the U.S. Senate Committee on Banking, Housing, and Urban Affairs at (202) 224-7391. Thank you for your attention to this important issue.

Sincerely,

Sherrod Brown
Unites States Senator

Patty Murray
United States Senator

Richard J. Durbin
United States Senator

Elizabeth Warren
United States Senator

Richard Blumenthal
United States Senator

Kirsten Gillibrand
United States Senator

Mazie K. Hirono
United States Senator

Jack Reed
United States Senator