

United States House of Representatives  
Committee on Financial Services  
Washington, D.C. 20515

December 20, 2018

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

Dear Director Mulvaney:

It has been more than eight months since your last and only appearance before the House Financial Services Committee (“Committee”) to discuss your activities at the Consumer Financial Protection Bureau (“Consumer Bureau”). That hearing on April 11, 2018, was the *only* oversight hearing held by the Committee during your more than 12 month tenure of running the Consumer Bureau, despite the law requiring, at a minimum, your testimony before the Committee semi-annually.<sup>1</sup> The weak congressional oversight under the direction of the outgoing Republican Majority pales in comparison to their oversight of former Director Richard Cordray’s tenure, when he and other senior officials testified before Congress more than 60 times. Of course, your tenure began when President Trump unlawfully appointed you, his Office of Management and Budget (“OMB”) Director,<sup>2</sup> to run the Consumer Bureau, allowing a White House official to run what should be an independent regulatory agency, creating numerous potential conflicts of interest arising from your dual role running the OMB and Consumer Bureau. I am writing to inform you that while your time running the Consumer Bureau may be over, the time for accountability for your actions is about to begin.

There is a litany of actions the Consumer Bureau took under your leadership that were incredibly harmful to consumers that Congress has yet to scrutinize. The following is a list of actions we are currently aware of:

- **Politicizing the agency:** After you arrived, you dispatched a number of political appointees to run the Consumer Bureau, an unusual approach for an independent regulatory agency with enforcement powers, to apparently control the work of the professional, career employees.<sup>3</sup> According to one former career official, this dynamic resulted in the suppression of a staff report exposing predatory actions by the nation’s largest banks that charge students legally dubious account fees.<sup>4</sup>
- **Restructuring the agency:** You undermined the roles of several established offices that previously led the Consumer Bureau’s efforts to better protect and empower vulnerable consumers, such as by folding the only unit in the federal government solely dedicated to protecting student loan borrowers from predatory actors into a broader financial education office.<sup>5</sup>

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<sup>1</sup> 12 USC 5496

<sup>2</sup> <https://democrats-financialservices.house.gov/news/documentsingle.aspx?DocumentID=400975>

<sup>3</sup> <https://www.americanbanker.com/news/mulvaney-s-plan-to-embed-political-staffers-in-cfpb-sparks-backlash> and [https://www.washingtonpost.com/investigations/how-trump-appointees-curbed-a-consumer-protection-agency-loathed-by-the-gop/2018/12/04/3cb6cd56-de20-11e8-aa33-53bad9a881e8\\_story.html](https://www.washingtonpost.com/investigations/how-trump-appointees-curbed-a-consumer-protection-agency-loathed-by-the-gop/2018/12/04/3cb6cd56-de20-11e8-aa33-53bad9a881e8_story.html)

<sup>4</sup> <https://democrats-financialservices.house.gov/news/documentsingle.aspx?DocumentID=401661>

<sup>5</sup> <https://www.consumerreports.org/student-loans/what-shutdown-of-cfpbs-student-loan-watchdog-means-for-borrowers/>

- **Weakening fair lending enforcement:** One of those harmful structural changes significantly weakened fair lending enforcement being conducted by the Consumer Bureau, when you stripped the Office of Fair Lending and Equal Opportunity of its supervisory and enforcement powers.<sup>6</sup> Furthermore, it is troubling that you would hire and continue to retain an individual entrusted with overseeing the Consumer Bureau’s supervision, enforcement, and fair lending work whose past racist writings<sup>7</sup> suggest at best a lack of understanding of the issue and work.
- **Renaming the agency to diminish its stature:** You directed the renaming of the agency, presumably in an attempt to reduce the public’s awareness of the agency’s role as the top Federal consumer watchdog. In addition to creating confusion for the public and costing taxpayers money, this ideologically-driven step would burden financial institutions—it has been reported that a Consumer Bureau analysis has suggested this would cost the financial industry hundreds of millions of dollars.<sup>8</sup>
- **Eliminating coordination with other agencies:** Your fellow Trump Administration colleague running the Department of Education unilaterally rescinded agreements to cooperate with the Consumer Bureau in overseeing student lenders.<sup>9</sup> While I am aware that former Director Cordray made efforts to resurrect these agreements to promote consistent regulatory treatment of consumer financial and investment products and services,<sup>10</sup> as the law requires,<sup>11</sup> it is not clear that you made any such efforts. A lack of coordination between the agencies can only increase gaps in oversight, allowing harmed students to slip through the cracks and not have their full protections under the law enforced by the federal government.
- **Blocking payday loan cases:** There remain numerous questions about how an enforcement action against four payday lenders who had allegedly misled customers and charged exorbitantly high interest rates close to 1,000 percent was dismissed.<sup>12</sup>
- **Dismantling protections for active-duty servicemembers and their families:** Contrary to the Consumer Bureau’s duty under the law,<sup>13</sup> the agency, under your direction, eliminated routine supervisory exams for compliance with the Military Lending Act, protecting active-duty servicemembers from price gouging.<sup>14</sup>
- **Attempting to hide consumer complaint database:** You reportedly explored ways to take the transparent and highly effective consumer complaint database offline, hiding from the public and state law enforcement agencies more than a million consumer complaints about financial institutions’ misdeeds.<sup>15</sup>
- **Ignoring and effectively terminating Consumer Advisory Board (“CAB”):** You effectively terminated a panel of outside experts that provided useful feedback for years on the agency’s

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<sup>6</sup> <https://democrats-financialservices.house.gov/news/documentsingle.aspx?DocumentID=401190>

<sup>7</sup> <https://www.nytimes.com/2018/10/03/us/politics/consumer-bureau-blankenstein-racial-comments.html>

<sup>8</sup> <https://www.americanbanker.com/opinion/mulvaneys-misfire-cfpb-name-change-could-cost-industry-millions-of-dollars>

<sup>9</sup> <https://www.thenation.com/article/betsy-devos-is-helping-education-profiteers-rip-off-students/>

<sup>10</sup> <https://lendedu.com/news/cfpb-director-richard-cordray-responds-to-department-of-education/>

<sup>11</sup> 12 USC 5495

<sup>12</sup> <https://www.americanbanker.com/opinion/mulvaneys-misfire-cfpb-name-change-could-cost-industry-millions-of-dollars>

<sup>13</sup> [https://consumerfed.org/press\\_release/new-report-cfpb-allows-predatory-lenders-to-target-the-nations-military-personnel/](https://consumerfed.org/press_release/new-report-cfpb-allows-predatory-lenders-to-target-the-nations-military-personnel/)

<sup>14</sup> <https://democrats-financialservices.house.gov/news/documentsingle.aspx?DocumentID=401683>

<sup>15</sup> <https://www.npr.org/2018/04/25/605835307/the-consumer-complaints-database-that-could-disappear-from-view>

work, and you barred their future participation in the CAB to express their diverse views to the Consumer Bureau.<sup>16</sup>

- **Enforcement-free zone for bad actors**: In your final days at the Consumer Bureau, the agency announced a new proposal to significantly loosen its “no-action letter” policy in a way that could let bad actors that abuse consumers off the hook entirely from enforcement action by the agency. While it is important for financial regulators to encourage responsible innovation, this is an irresponsible overreach that instead turns a blind eye to consumer abuses by putting certain financial institutions in an enforcement-free-zone.<sup>17</sup> Furthermore, the Consumer Bureau settled with a large financial firm that allegedly violated the law by improperly obtaining consumer reports and providing credit bureaus with inaccurate information without imposing *any* civil money penalty.<sup>18</sup>

These are a sample of the many troubling actions that we are currently aware of regarding the Consumer Bureau’s activities during your tenure. Laws are meaningless when they are not enforced, and consumers are left to fend for themselves when their government will not protect them. Congress specifically designed the Consumer Bureau to protect hardworking Americans from unfair, deceptive or abusive acts and practices in the financial marketplace,<sup>19</sup> and I am committed to ensuring the agency will resume its important work.

To that end, I look forward to your full and complete cooperation with the Committee’s oversight work as we consider and review the actions of the Consumer Bureau at your direction. Please be advised that, as part of this important oversight work, you may be called before the Committee to testify regarding your tenure at the agency.

Sincerely,



MAXINE WATERS  
Ranking Member

cc: The Honorable Kathy Kraninger, Director, Consumer Financial Protection Bureau

<sup>16</sup> [https://www.washingtonpost.com/news/business/wp/2018/06/06/mick-mulvaney-fires-members-of-cfpb-advisory-board/?noredirect=on&utm\\_term=.3c1f1c68305b](https://www.washingtonpost.com/news/business/wp/2018/06/06/mick-mulvaney-fires-members-of-cfpb-advisory-board/?noredirect=on&utm_term=.3c1f1c68305b)

<sup>17</sup> <https://democrats-financialservices.house.gov/news/documentsingle.aspx?DocumentID=401656>

<sup>18</sup> <https://democrats-financialservices.house.gov/news/documentsingle.aspx?DocumentID=401664>. With respect to the need for comprehensive credit reporting reform underscored by this incident, see <https://democrats-financialservices.house.gov/news/documentsingle.aspx?DocumentID=400788>.

<sup>19</sup> <https://democrats-financialservices.house.gov/news/documentsingle.aspx?DocumentID=400699>