

Banking and Finance Law Daily Wrap Up, OVERSIGHT AND INVESTIGATION—Legislators call for investigation into alleged CFPB failure to protect student loan borrowers, (Oct. 2, 2018)

Banking and Finance Law Daily Wrap Up

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By Lauren Bikoff, MLS

Representative Maxine Waters (D-Calif), Ranking Member of the House Committee on Financial Services, along with 12 other House members, sent a letter to Rep. Jeb Hensarling (R-Texas), Chairman of the Committee, urging him to conduct a formal investigation into allegations raised by Seth Frotman, former Assistant Director and Student Loan Ombudsman at the Consumer Financial Protection Bureau. Frotman resigned from his position in August 2018, and accused current CFPB leadership of hurting American families, particularly student loan borrowers.

Frotman asserts that CFPB leadership suppressed the release of a staff report that allegedly exposed efforts by the nation's largest banks to charge students dubious account fees. He further alleges that senior political leadership "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."

The letter [states](#), "Mr. Frotman cites examples of behavior by Consumer Bureau's current leadership that, if true, appear intended to inappropriately prioritize the protection of the agency's regulated entities over the safeguarding of the protection of consumers from financial misdeeds."

Waters [emphasizes](#) that an investigation into these "serious allegations" is necessary, including "that senior political leadership at the Consumer Bureau undercut its enforcement of Federal consumer financial laws, undermined the operation of the agency as an independent Federal agency, and shielded bad actors from scrutiny."

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