Banking and Finance Law Daily Wrap Up, CONSUMER FINANCIAL PROTECTION BUREAU—Waters, Green, Foster urge investigation into CFPB shutdown, (Mar. 3, 2025)

Banking and Finance Law Daily Wrap Up

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By Sherri M. Schroeder, J.D.

Calling the efforts to shut down the CFPB "unlawful and unconstitutional," the members on the House's Financial Services Committee urge the GAO and the Fed Inspector General to move quickly to investigate attempts to shut down the Bureau.

U.S. Representatives Maxine Waters (D-Calif.), Al Green (D-Texas), and Bill Foster (D-Ill.), members of the House Financial Services Committee, have sent a letter to the Government Accountability Office (GAO) and the Inspector General (IG) for the Federal Reserve urging both offices to investigate the "unlawful and unconstitutional" efforts to eliminate the Consumer Financial Protection Bureau by the Trump Administration, Elon Musk, the Department of Government Efficiency (DOGE), former CFPB Acting Director Scott Bessent, and current CFPB Acting Director Russell Vought. Waters is the top Democrat on the House Financial Services Committee, while Green is the Ranking Member of the Subcommittee on Oversight & Investigations, and Foster is the Ranking Member on the Subcommittee on Financial Institutions.

"A robust investigation by each of your offices would help shed light on the full extent of any misconduct by these individuals to circumnavigate the will of Congress to ensure there remains a strong Federal watchdog protecting consumers in the financial marketplace," the letter urges.

The main body of the letter highlights six actions that the three legislators believe warrant scrutiny since President Trump fired CFPB former Director Rohit Copra on Feb. 1, 2025, replacing him with Bessent and then, subsequently, Vought. These include:

- **Stop-Work Orders:** On February 3, Bessent issued an order for CFPB staff to stop carrying out most work, including investigations of consumer financial protection law violations and settlement of enforcement actions. After Vought replaced Bessent, he expanded the stop-work order to require CFPB staff "not perform any work tasks," including examining big banks and other large financial firms for illegal activity. "By definition they are preventing the agency from carrying out the many statutory duties Congress required of the CFPB, including supervising large banks for compliance with consumer financial protection laws and enforcing consumer financial protection laws," write Waters, Green, and Foster.
- **Defunding CFPB:** The legislators note that Vought's request for $0 from the Federal Reserve to fund the CFPB for its third quarter may be unlawful and that there are new concerns that Vought may attempt to send any funds the CFPB has either back to the Fed or to the Treasury Department. The letter also includes comments that this approach runs counter to the approach taken by the Bureau during President Trump's first term when Acting Director Mulvaney "acknowledged he was required to implement the law and request funds necessary to allow the CFPB to carry out its mission."
- **Mass Firings:** The lawmakers estimate that the mass firings ordered by the Trump Administration have already resulted in an estimated 10 percent reduction in the CFPB's workforce and notes that there were reports of plans to fire potentially as many as 95 percent of the agency's workforce before the courts intervened. "It would be impossible for a small staff to implement the law and carry out CFPB's many obligations," which includes regulating thousands of financial firms, notes the letter.

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- **Offices, Contracts, Website:** Despite the Trump Administration previously ordering agencies to end remote work, the CFPB's headquarters were closed and staff directed to work remotely on February 9th. There were also reports that Vought was canceling all CFPB building leases, but it was unclear if there would be any penalties for prematurely canceled leases. The CFPB's X account was canceled, and its website was altered to imply it no longer functioned, though certain aspects of it still did, according to the letter. The lawmakers also notes that more than $100 million in contracts were canceled by Vought, including contracts with expert witnesses that were to testify in litigation on 37 pending enforcement cases. "Taken together, these actions undoubtedly undermine CFPB's enforcement work and ability to carry out other statutory obligations," according to the letter.
- **DOGE Access:** The rapid access given to DOGE to "potentially vast amounts of personally identifiable information" and confidential supervisory information (CSI) relating to thousands of financial firms, including payment firms, also troubled the letter writers. Particularly troubling was Elon Musk's access to the payment firms' CSI, as he "reportedly plans to expand X (formerly known as Twitter) into a payment app, making the firm a direct competitor with these financial firms that CFPB supervises and regulates." The Democratic lawmakers further write, "It is unclear if these DOGE-affiliated individuals have received the typical training to handle this kind of sensitive data, whether they are performing the statutorily required audits when using Active Directory access to CFPB systems, and if any of the data they obtained has been shared with Elon Musk or others for the benefit of companies providing or soon to be providing consumer financial products or services."
- **DEIA Mandates:** Lastly, the members of Congress state that there are a number of statutory obligations that the CFPB has to advance diversity, equity, inclusion, and accessibility (DEIA), including operating an Office of Minority and Women Inclusion, which is required by Section 342 of the Dodd-Frank Act, and enforcing laws like the Equal Credit Opportunity Act. "Concerns have been raised that Acting Director Russell Vought may be unlawfully advancing the Trump Administration's efforts to dismantle [DEIA] and environmental justice offices, along with their personnel, as well as terminate equity-focused federal grants and contracts," write Waters, Green, and Foster. "[A]ny effort to unlawfully undermine these duties should be closely reviewed," they urge.

In closing their letter, the legislators write that "[t]hese efforts to 'delete' the CFPB will likely serve to increase fraud and abuse perpetrated by entities the CFPB is supposed to regulate." They therefore urge both offices to investigate, report any findings, and share any recommendations to ensure the CFPB is "fulfilling its statutory duties and mission."

LegislativeActivity: CFPB OversightInvestigations

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