

Statement Regarding Resignation of Seth Frotman, Student Loan Ombudsman of the Consumer Financial Protection Bureau

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WASHINGTON - Today, Seth Frotman announced that he is resigning as the Student Loan Ombudsman of the Consumer Financial Protection Bureau. According to his letter of resignation, the current administration “has turned its back on young people and their financial futures,” and “abandoned the very consumers it is tasked by Congress with protecting.”

Persis Yu, staff attorney at the National Consumer Law Center and director of NCLC’s Student Loan Borrower Assistance Project issued the following statement:

“Frotman’s charge that the current administration is betraying the trust of 44 million student loan borrowers is deeply troubling for those who rely on the Bureau to ensure that they are not being ripped off and abused by their lender, servicer, or debt collector. Student loan borrowers need a watchdog that will listen to the evidence and put borrowers’ interests above big business.

“Under Frotman’s leadership, the Office of Students and Young Consumers has uncovered systemic abuses in student loan servicing, prompting important reforms to the industry. Critically, the Office uncovered problems with the U.S. Department of Education’s implementation of income-driven repayment plans, eventually leading to a lawsuit against student loan servicer Navient for practices that caused borrowers to pay thousands of additional dollars on their federal student loans and added years to their repayment.

“Unfortunately, Frotman’s allegations that the current administration is undercutting enforcement of the law raise concerns about the future of the Navient lawsuit as well as future enforcement of known abusive practices.

“For years, the National Consumer Law Center has documented servicer and debt collector abuses that can cost borrowers thousands of dollars and years of repayment. At their worst, student loan servicing and debt collection abuses result in the seizure of Earned Income Tax Credits and Social Security benefits that threaten low-income borrowers’ ability to keep a roof over their heads, food on the table, and pay for critical prescription medication. The student loan industry needs accountability and oversight by a strong Consumer Bureau focused on protecting students and other consumers.”