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## United States Senate

WASHINGTON, DC 20510

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The Honorable Mark Bialek  
Inspector General  
Board of Governors of the Federal Reserve System  
and Consumer Financial Protection Bureau  
20<sup>th</sup> Street and Constitution Ave. NW, Mail Stops K-300  
Washington, D.C. 20551

Dear Inspector General Bialek:

In November 2017, President Trump named Office of Management and Budget Director Mick Mulvaney as Acting Director of the Consumer Financial Protection Bureau (CFPB), an appointment that is being legally challenged in federal court. Since then, Mr. Mulvaney has taken a number of actions that undermine the effectiveness and authority of the CFPB, adversely impacting consumers harmed by fraudulent business practices. I write to request an investigation into whether Mr. Mulvaney and his staff violated any ethics or conflict of interest rules in their recent actions that benefited payday and installment lenders. Mr. Mulvaney, now at the helm of this critical consumer protection agency, has previously received thousands of dollars in campaign contributions from payday lending companies while in Congress.

As you know, the CFPB is responsible for overseeing and regulating payday lending, a predatory practice that often traps vulnerable, mainly low-income, borrowers in cycles of unsustainable debt from loans with astronomical interest rates and draconian fees. Payday loans have high default rates and are associated with higher rates of delinquency on other bills, closed checking accounts, and even bankruptcy.

Last October, the CFPB finalized a common sense rule to cut down on predatory payday lending practices by requiring lenders to determine a borrower's ability to afford repayments before issuing these loans. This rule was developed over five years of careful consideration, research, and review of more than one million comments submitted from a vast array of stakeholders including payday lenders and borrowers.<sup>1</sup>

Despite this careful and thorough vetting process, resulting in reasonable restrictions on certain payday lending practices, in January, Mr. Mulvaney announced plans to undermine the Payday rule by announcing the CFPB's intention to delay and reconsider the rule. Further, the CFPB also dropped—without explanation or justification—a lawsuit against four installment lenders—Golden Valley Lending, Mountain Summit Financial, Majestic Lake Financial, and

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<sup>1</sup> <https://www.consumerfinance.gov/about-us/newsroom/cfpb-finalizes-rule-stop-payday-debt-traps/>

Silver Cloud Financial—that the agency had previously alleged charged borrowers abusive interest rates, ranging from 440 percent to 950 percent, on loans made in violation of state law.<sup>2</sup>

Mr. Mulvaney, a former Congressman from South Carolina, has also reportedly closed an investigation of the World Acceptance Corporation, a high-cost installment lender from his home state that contributed of thousands of dollars to his congressional campaigns during his last two election cycles.<sup>3</sup> Over the course of Mr. Mulvaney's political career, donations from payday and other high-cost lenders have totaled in excess of \$60,000.<sup>4</sup>

As a federal employee, the Acting Director is subject to certain basic principles and *minimum* standards of ethical conduct that require him to “act impartially and not give preferential treatment to any private organization or individual.”<sup>5</sup> In carrying out his official responsibilities, he must “avoid any action creating the appearance that [he is] violating the law or the ethical standards.”<sup>6</sup> In light of the campaign donations he received from payday and other high-cost lenders prior to joining the Administration, the recent actions taken by the Acting Director concerning the Payday rule, and the CFPB's decision to drop a lawsuit and an ongoing investigation, including at least case one involving a recent donor to Mr. Mulvaney's campaigns, raise serious concerns about whether he has complied with his ethical and legal obligations.

I urge you to immediately launch an investigation to examine if Mr. Mulvaney's actions have posed a conflict of interest—including any justification for the dropped investigations into installment lenders—hindering the CFPB's core mission, and his ability to prioritize the financial well-being of Americans families.

Sincerely,



RICHARD BLUMENTHAL  
United States Senator

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<sup>2</sup> <http://www.kansascity.com/news/politics-government/article195623824.html>

<sup>3</sup> <http://www.ibtimes.com/political-capital/cfpb-drops-investigation-payday-lender-contributed-mick-mulvaney-campaigns>

<sup>4</sup> [https://www.followthemoney.org/show-me?c-t-eid=6670008&d-cci=148#\[%7B1%7Cgro=y](https://www.followthemoney.org/show-me?c-t-eid=6670008&d-cci=148#[%7B1%7Cgro=y)

<sup>5</sup> 5 C.F.R. § 2635.101(b)(8).

<sup>6</sup> 5 C.F.R. § 2635.101(b)(14).