

Congress of the United States

Washington, DC 20510

June 25, 2019

Kathleen Kraninger
Director
Consumer Financial Protection Bureau
1700 G St. N.W.
Washington, D.C. 20552

Dear Director Kraninger:

We are writing to express our serious concerns over your continued employment of Paul Watkins as the Assistant Director of the Office of Innovation at the Consumer Financial Protection Bureau (CFPB). According to a new report released this week,¹ from 2012-2015, Mr. Watkins was a Senior Legal Counsel at Alliance Defending Freedom² – a legal “advocacy and training” organization that has been designated as a hate group by the Southern Poverty Law Center for its efforts to develop “legislation and case law that will allow the denial of goods and services to LGBT people.”³ Mr. Watkins’ role at the CFPB gives him wide discretion to exempt companies – or even entire industries -- from anti-discrimination laws and given his past work at a homophobic hate group, we are deeply concerned that he will use this power to scrap crucial protections for the LGBTQ consumers. We therefore ask that you reconsider his employment and his role at the Bureau.

Interim CFPB Director Mick Mulvaney hired Mr. Watkins in July 2018 to lead a new Office of Innovation, which would “creat[e] an environment where companies can advance new products and services without being unduly restricted by red tape that belongs in the 20th century,” citing his “deep expertise.”⁴ But while the press release included his work experience dating back to his graduation from law school in 2006, it failed to mention his three year stint at the Alliance Defending Freedom (ADF), where he was a Senior Counsel from 2012-2015.⁵ The Southern Poverty Law Center (SPLC) designates ADF as an anti-LGBTQ hate-group because it has “supported the recriminalization of homosexuality” and “defended state-sanctioned sterilization of trans people.”⁶ Alan Sears, the former CEO and co-founder of the ADF, has described the “homosexual agenda” as “evil,” and written that homosexual behavior and

¹ Allied Progress, “CFPB Political Appointee Paul Watkins Hid His Work For An Anti-LGBT Hate Group – And Could Soon Have The Authority To Exempt Industry From Crucial Anti-Discrimination Laws,” June 4, 2019, <https://alliedprogress.org/wp-content/uploads/2019/06/2019-06-04-Research-on-Paul-Watkins-Anti-LGBT-Work-Fact-Checked.pdf>.

² Paul Watkins Resume, <https://drive.google.com/file/d/10VflTqaiepDabJbAMKVgGhnGfC3KAzuB/view>.

³ Southern Poverty Law Center, “Alliance Defending Freedom,” <https://www.splcenter.org/fighting-hate/extremist-files/group/alliance-defending-freedom>.

⁴ Consumer Financial Protection Bureau, “Bureau of Consumer Financial Protection Announces Director for the Office of Innovation,” press release, July 18, 2018, <https://www.consumerfinance.gov/about-us/newsroom/bureau-consumer-financial-protection-announces-director-office-innovation/>.

⁵ Paul Watkins Resume, <https://drive.google.com/file/d/10VflTqaiepDabJbAMKVgGhnGfC3KAzuB/view>.

⁶ Southern Poverty Law Center, “Alliance Defending Freedom,” <https://www.splcenter.org/fighting-hate/extremist-files/group/alliance-defending-freedom>.

pedophilia “are often intrinsically linked.”⁷ While working at the ADF, Mr. Watkins assisted with the company’s Blackstone Legal Fellowship program, whose mission was to “recover the robust Christendomic theology of the 3rd, 4th, and 5th centuries,” which it described as “desperately crucial for cultural renewal.”⁸ During his tenure, the ADF also “worked with the state of Arizona to legalize discrimination against LGBTQ people and ban same sex marriage.”⁹ Mr. Watkins’s commitment to an organization with a mission to discriminate and criminalize LGBTQ communities raises significant doubts about his capacity to unbiasedly perform his responsibilities at the CFPB.

Mr. Watkins’ role as Director of the Office of Innovation is especially troubling given the broad authority that office has to exempt companies from consumer protection and anti-discrimination laws under policies that Mr. Watkins designed. The CFPB’s Office of Innovation is responsible for overseeing the creation of policies that “facilitate innovation” and review “outdated or unnecessary regulations” for financial technologies (fintech).¹⁰ You recently wrote to Senator Warren in response to a letter about how the CFPB enforces anti-discrimination laws in the fintech industry, “the [CFPB] is responsible for the providing oversight and enforcement of certain Federal laws intended to ensure ‘fair, equitable, and nondiscriminatory access to credit for both individuals and communities,’” and “will continue to enforce fair lending laws as they apply to all lenders, whether they use algorithms for underwriting or not.”¹¹ According to CFPB legal analysis, the prohibition of sex discrimination in the Equal Credit Opportunity Act (ECOA), which the CFPB is “responsible for administering and enforcing” affords broad protection against credit discrimination on the bases of gender identity and sexual orientation.¹² Discrimination in lending against LGBTQ borrowers is rampant – according to one recent study that surveyed 25 years of mortgage data, “gay couples were 73 percent more likely to be denied a mortgage than heterosexual couples with the same financial worthiness.”¹³

Mr. Watkins joined the Bureau and was named as assistant director of the Office of Innovation by then-Acting Director Mick Mulvaney in July 2018, and continues to serve in that role today. Shortly after Mr. Watkins joined the bureau, the CFPB proposed policies that conferred onto this office new authority to exempt certain fintech companies from complying

⁷ Id.

⁸ Think Progress, “The 800 Pound Gorilla of the Christian Right,” Josh Israel, May 1, 2014, <https://thinkprogress.org/the-800-pound-gorilla-of-the-christian-right-89b8cfca7051/>.

⁹ The Advocate, “Trump Appointee Worked for Anti-LGBTQ Group and Tried to Hide It,” David Artavia, June 24, 2019, <https://www.advocate.com/politics/2019/6/24/trump-appointee-worked-anti-lgbtq-group-and-tried-hide-it>.

¹⁰ Consumer Financial Protection Bureau, “Bureau of Consumer Financial Protection Announces Director for the Office of Innovation,” press release, July 18, 2018, <https://www.consumerfinance.gov/about-us/newsroom/bureau-consumer-financial-protection-announces-director-office-innovation/>.

¹¹ Letter from Consumer Financial Protection Bureau Director Kraninger to Senator Warren, June 24, 2019. (On file with Senator Warren’s office.)

¹² Letter from Consumer Financial Protection Bureau Director Richard Cordray to Michael Adams, Chief Financial Officer, and Aaron Tax, Director of Government Relations, for Services and Advocacy for GLBT Elders (SAGE), August 30, 2016, <https://www.consumerfinancemonitor.com/wp-content/uploads/sites/14/2016/09/SAGE-Letter.pdf>.

¹³ The Washington Post, “Same Sex Couples Applying for a Mortgage Face Higher Rejection and Worse Rates, Study Finds,” Hamza Shaban, April 17, 2019, https://www.washingtonpost.com/business/2019/04/17/same-sex-couples-applying-mortgage-face-higher-rejection-worse-rates-study-finds/?utm_term=.182c0be14a06.

with laws like ECOA for the sake of this innovation.¹⁴ Specifically, under his leadership, the Bureau introduced a “Policy on No-Action” and “Product Sandbox” to give fintech companies a “safe harbor” from liability,” where qualifying companies would be “immune from enforcement actions by any Federal or State authorities.” According to the National Consumer Law Center, these policies, if finalized, “would permit exemptions from provisions of the laws governing...fair lending laws that prohibit discrimination.”¹⁵ Under the policy he designed, Mr. Watkins would be the person responsible for granting these exemptions to ECOA and other anti-discrimination and consumer protection law. His previous work as an advocate against LGBTQ interests, therefore, makes him entirely unfit for this role and must disqualify him from performing it.

In addition to his role making policy, the continued employment of Mr. Watkins by CFPB raises questions about the agency’s commitment to diversity and inclusion. In its FY 2019 Annual Performance Report, the CFPB emphasized the importance of fostering a diverse work environment and stated that it will achieve operational excellence, in part, by “maintain[ing] a talented, diverse, inclusive and engaged workforce.”¹⁶ To demonstrate its commitment to this cause, the report cited programs that offices within the CFPB lead during the last fiscal year, including initiatives that supported “LGBTQ-employee interests (RISE, Adelante, and Pride, respectively).”¹⁷ Despite efforts to promote inclusivity within the Bureau, the CFPB’s inclusion quotient, which rates employee’s perceptions of diversity and inclusion, “decreased by 5.3% from last year.”¹⁸ One component in this steep one-year decline is no doubt a change in culture among the leadership in the Bureau, including your continued employment of former Policy Associate Director Eric Blankenstein, also in a position of authority over fair lending laws, for months after reports emerged about his history of racist writings.¹⁹ Repairing the harm done to the culture of diversity and inclusion by Blankenstein should be among your top priorities because the CFPB’s most valuable resource is a dedicated civil service workforce. Fraying this culture further by allowing Mr. Watkins, who has actively worked to undermine the dignity of the consumers that the CFPB is supposed to serve and some of the dedicated staff you are supposed to lead, would be a monumental failure of leadership.

In response to our concerns about your employment of Mr. Watkins, we ask that you provide answers to the following questions no later than July 9, 2019.

¹⁴ Federal Register, “Policy on No-Action Letters and the BCFP Product Sandbox,” proposed rule by the Consumer Financial Protection Bureau, December 13, 2018, <https://www.federalregister.gov/documents/2018/12/13/2018-26873/policy-on-no-action-letters-and-the-bcfp-product-sandbox>.

¹⁵ National Consumer Law Center, “Consumer Bureau’s Shocking New “No Consumer Protection” Policy,” press release, December 11, 2018, <https://www.nclc.org/media-center/pr-consumer-bureau-s-shocking-new-no-consumer-protection-policy.html>.

¹⁶ Consumer Financial Protection Bureau, “Fiscal Year 2019: Annual Performance Plan and Report, and Budget Overview,” February 2019, pg. 78-87, https://files.consumerfinance.gov/f/documents/cfpb_performance-plan-and-report_fy19.pdf.

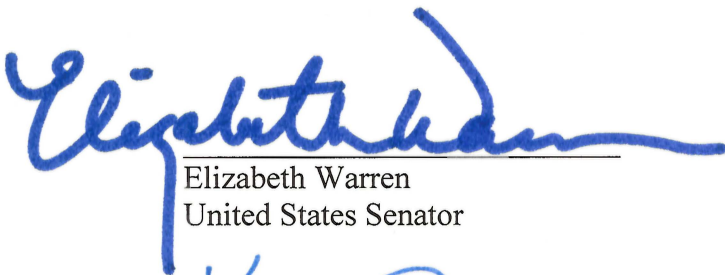
¹⁷ Id.

¹⁸ Id.

¹⁹ The Washington Post, “Trump Appointee, Whose Past Blogs on Race Sparked Backlash, to Join HUD,” Renae Merle, June 20, 2019, <https://www.washingtonpost.com/business/2019/06/20/trump-appointee-whose-past-blogs-race-sparked-backlash-join-hud>.

- 1.) Was the CFPB aware of Mr. Watkins's employment at Alliance Defending Freedom prior to hiring him?
- 2.) How was Mr. Atkins selected for his CFPB job? Please describe the process by which he was selected, either through political appointment, a competitive hiring process, or another means.
- 3.) What hiring practices, guidelines, and/or procedures are in place at the CFPB? Were those practices, guidelines and/or procedures followed when searching and selecting for candidates to fill this position?
- 4.) Were any other individuals evaluated for his role?
- 5.) Please describe in detail your method(s) for identifying potential candidates to undergo this selection process. Please include any information related to background checks performed by the CFPB for potential candidates.
- 6.) Please describe your process for vetting individuals for CFPB jobs and provide all documents related to the conducting of background checks or other due diligence. Please include whether such background checks entail verifications of an applicant's prior work history and the extent to which this response is fact-checked.
- 7.) Did any Administration official, in CFPB, the White House, or elsewhere, recommended Mr. Watkins for this job?
- 8.) Does Mr. Watkins have an ethics agreement? Is he recused from any decisions related to CFPB activities regarding LGBTQ discrimination given his previous role at an organization that worked to develop "legislation and case law that will allow the denial of goods and services to LGBT people?"

Sincerely,



Elizabeth Warren
United States Senator



Ayanna Pressley
Member of Congress



Katie Porter
Member of Congress