

CFO update for the first quarter of fiscal year 2014

OCTOBER 1 – DECEMBER 31, 2013

Issued: February 18, 2014

Bureau Fund

In the first quarter of fiscal year 2014 that ended on December 31, 2013, the Consumer Financial Protection Bureau (CFPB) had spent approximately \$155 million (including commitments and obligations)¹ to carry out the authorities of the Bureau under federal consumer financial laws. Approximately \$63 million was spent on employee compensation and benefits for the 1,380 CFPB employees employed by the end of the quarter.

In addition to payroll expenses, the largest obligations for the quarter were related to contractual services. Large obligations of \$1 million and over made during the first quarter to both non-governmental vendors and governmental agencies included:

- \$11.1 million to the Department of Treasury's Bureau of Financial Services for cross-servicing of various administrative support services, including human resource and financial management services (i.e., core financial accounting, procurement, transaction processing and reporting, travel and payroll);
- \$10.9 million for Bureau-wide IT program and project management support services;
- \$10.4 million for maintaining ongoing operations of CFPB's consumer contact center and enhancements to the case management database;
- \$3.5 million for enterprise-wide cloud hosting infrastructure and system administration support and services;
- \$2.4 million management and consulting services for CFPB's Office of Consumer Response;
- \$2.3 million for facility operation and maintenance costs for CFPB's headquarters building;
- \$2.1 million for an e-document review tool which allows CFPB to obtain, process and analyze electronic documents received in investigations;
- \$1.8 million for CFPB's headquarters electricity;
- \$1.2 million to the Office of Personnel Management for background investigative support services;
- \$1.2 million to further develop customized course software for delivering 3 ½ - day, 5 - day, and 9 - day consumer compliance courses that emphasize case studies, role-plays, and feedback that supports knowledge retention on New Mortgage Rules, Operations and Deposits/Prepaid Products, and Lending Principles, and;
- \$1.1 million to the General Services Administration for rental payment for CFPB's Northeast regional office space.

Table 1 and Table 2 categorize first quarter CFPB spending by expense category and division/program area:

Table 1: First Quarter Fiscal Year 2014 spending by expense category:

Expense Category	Fiscal Year 2014
Personnel Compensation	45,568,000
Benefit Compensation	17,730,000
Travel	3,848,000
Transportation of Things	8,000
Rents, Communications, Utilities & Misc.	4,203,000
Printing and Reproduction	341,000
Other Contractual Services	66,088,000
Supplies & Materials	1,454,000
Equipment	15,646,000
Land and Structures	0
Interest and Dividends	0
Total (as of 12/31/13)	\$154,886,000

Table 2: First Quarter Fiscal Year 2014 spending by division/program area:

Division/Program Area	Fiscal Year 2014
Office of the Director	1,003,000
Chief Operating Officer	35,638,000
Consumer Education & Engagement	6,459,000
Research, Markets & Regulations	10,114,000
Supervision, Enforcement, Fair Lending	32,898,000
Legal Division	2,945,000
External Affairs	1,649,000
Other Programs ²	573,000
Centralized Services ³	63,607,000
Total (as of 12/31/13)	\$154,886,000

FY 2014 Funds Transfers Received from the Federal Reserve

The CFPB is funded principally by transfers from the Federal Reserve System, up to the limits set forth in the Dodd-Frank Act. Funding from the Federal Reserve System for fiscal year 2014 is capped at \$608 million. As of December 31 2013, the CFPB received the following transfers for FY 2014. The amounts and dates of the transfers are shown below.

\$181.0M	October 15, 2013
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Civil Penalty Fund

The Dodd-Frank Act authorizes the CFPB to retain for specified purposes civil penalties it obtains in judicial and administrative actions under federal consumer financial laws. The CFPB is authorized to use these funds for payments to victims of activities for which civil penalties have been imposed, and may also use the funds for consumer education and financial literacy programs to the extent that such victims cannot be located or payments to them are otherwise not practicable. As directed by the Dodd-Frank Act, the CFPB maintains a separate account for these funds at the Federal Reserve Bank of New York.

Civil Penalty Funds Collected in FY 2014:

Table: FY 2014 Q1 Civil Penalty Fund Deposits

Defendant Name	Civil Penalty Collected	Collection Date
Washington Federal	\$34,000	October 11, 2013
Mortgage Master, Inc.	\$425,000	October 15, 2013
Castle & Cooke Mortgage, LLC	\$4,000,000	November 13, 2013
Cash America International, Inc.	\$5,000,000	November 25, 2013
Meracord LLC ⁴	\$555,000	November 26, 2013
Republic Mortgage Insurance Company	\$100,000	December 5, 2013
American Express Bank, FSB	\$2,000,000	December 23, 2013
American Express Centurion Bank	\$3,600,000	December 23, 2013
American Express Travel Related Services Company, Inc.	\$4,000,000	December 23, 2013
Ally	\$18,000,000	December 30, 2013

In the first quarter of FY 2014, the CFPB collected a total of \$37.7 million in civil penalties from ten defendants.

Civil Penalty Funds Allocated in FY 2014:

Period 2 Allocation: April 1, 2013 – September 30, 2013

On November 29, 2013, the Bureau made its second allocation from the Civil Penalty Fund. As of September 30, 2013, the Civil Penalty Fund contained an unallocated balance of \$56.1 million. This amount was available for allocation pursuant to 12 C.F.R. § 1075.105(c).

During Period 2, final orders in Bureau enforcement actions imposed civil penalties in seven cases. Under the Civil Penalty Fund rule, the victims of the violations for which the civil penalties were imposed in these cases are eligible to receive payment from the Civil Penalty Fund to compensate their uncompensated harm. ⁵

Of those seven cases, the Civil Penalty Fund Administrator determined that one case did not have a class of victims with uncompensated harm that is compensable from the Civil Penalty Fund, and that two cases included classes of victims with uncompensated harm that is compensable from the Civil Penalty Fund. As of the time of the allocation, the Fund Administrator did not have sufficient information to determine whether classes of victims in the remaining four cases had “compensable harm” or “uncompensated harm” as defined by the Civil Penalty Fund Rule.

The two cases with classes of victims with uncompensated harm that is compensable from the Civil Penalty Fund were American Debt Settlement Solutions, Inc. (ADSS) and National Legal Help Center (NLHC). Specifically, the ADSS victims had \$499,248 in uncompensated harm, and the NLHC victims had \$2.1 million in uncompensated harm.

The Bureau allocated \$499,248 to two classes of victims in ADSS and \$2.1 million to the NLHC class of victims, enough to compensate fully those victim classes’ uncompensated harm. No funds were allocated to consumer education and financial literacy programs.

Period 2 Allocation Summary:

Victim Compensation: \$2,557,231

- *American Debt Settlement Solutions, Inc.*
 - *Victim Classes Allocation: \$499,248*
- *National Legal Help Center*
 - *Victim Class Allocation: \$2,057,983**

Consumer Education and Financial Literacy Programs: \$0

Total Allocation: \$2,557,231

*Note: A previously published version of “CFO update for the first quarter of fiscal year 2014” erroneously listed the allocation for the NLHC victim class as \$1,057,983.

The remaining unallocated Civil Penalty Fund balance remains available for future allocation. Civil penalties collected on or after October 1, 2013 were deposited in the Fund. The amount in the Fund as of March 31, 2014 will be available for allocation following the conclusion of Period 3 in accordance with 12 C.F.R. § 1075.105(c).

For additional information on CFPB’s Civil Penalty Fund, see <http://www.consumerfinance.gov/budget/civil-penalty-fund/>.

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- ¹ Definitions. For the purpose of this update, this amount includes both obligations and commitments. An *obligation* is a transaction or agreement that creates a legal liability and obligates the government to pay for goods and services ordered or received. A *commitment* is a reservation of funds in anticipation of a future obligation.
 - ² Other Programs comprises the costs of the Office of Ombudsman, Administrative Law Judges, and other CFPB programs.
 - ³ Centralized services include the cost of certain administrative and operational services provided centrally to other Divisions (e.g., building space, utilities, and IT-related equipment and services) in support of all strategic goals.

- 4 Meracord agreed to pay a \$1.38M in civil penalty according to a four-year payment schedule.
- 5 Victims' compensable harm is determined by looking to the terms of the relevant court or administrative order. If the amount of a victim's compensable harm cannot be determined based on the terms of the relevant order, the victim's compensable harm generally will be his or her out-of-pocket losses that resulted from the violation. To determine the amount of a victim's uncompensated harm, the Bureau will take the victim's total compensable harm, and subtract out any compensation that the victim has received—or is reasonably expected to receive—for that harm.