# CFO update for the second quarter of fiscal year 2015

JANUARY 1 – MARCH 31, 2015

Issued: May 28 2015

## Bureau Fund

In the second quarter of fiscal year (FY) 2015 that ended on March 31, 2015, the Consumer Financial Protection Bureau (CFPB) had spent approximately $285 million (including commitments and obligations)[1] to carry out the authorities of the Bureau under federal consumer financial laws. Approximately $129 million was spent on employee compensation and benefits for the 1,459 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. Obligations of $1 million and over made during the second quarter to both non-governmental vendors and governmental agencies included:

- $12.0 million for a one-year building occupancy agreement with the Office of the Comptroller of the Currency;
- $10.1 million to the Department of Treasury's Departmental Offices primarily for information technology infrastructure;
- $6.1 million for technical litigation support services and products provided through an interagency agreement with the Department of Justice;
- $3.6 million for Bureau-wide IT program and project management support services;
- $2.7 million to implement initial incremental releases of Complaint Analytics Solution (previously identified as Consumer Response risk-based targeting system) to address the gap the Bureau faces about the volume and complexity of complaints it receives. The initial release will perform analytics on unstructured complaints data, classify the complaints based on established taxonomy, and provide stakeholders with enhanced search function;
- $2.2 million for architectural and engineering services for CFPB's Washington, DC headquarters office building;
- $2.1 million for a services contract to collect anonymous data from credit card issuers. This data, which excludes any direct identifiers in order to maintain the anonymity and protect the privacy of consumers, is used to monitor conditions in consumer credit markets, to study credit card industry dynamics, to evaluate compliance with consumer laws, and to analyze other issues in support of the Bureau's supervision, research, and monitoring missions;
- $2.8 million for cyber security program management and operations support services
- $1.1 million for consulting services to study the current planning measures, techniques, and administrative duties leading up to the commencement of

enforcement work on an assigned issue. The project will also focus on analysis and evaluation of how final work products are created, edited, and cleared within Enforcement as well as by other stakeholders across the Bureau. The primary goal of this study is to find and eventually implement potential efficiencies in Enforcement's administrative, planning, and review processes.

- $1.0 million for an interagency agreement with the Government Printing Office for the printing of CFPB's financial educational materials for consumers.

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

Table 1: Spending by expense category through the second quarter of FY 2015:

| Expense Category | Fiscal Year 2015 |
|---|---:|
| Personnel Compensation | 93,833,000 |
| Benefit Compensation | 34,942,000 |
| Travel | 8,705,000 |
| Transportation of Things | 29,000 |
| Rents, Communications, Utilities & Misc. | 16,166,000 |
| Printing and Reproduction | 2,492,000 |
| Other Contractual Services | 110,270,000 |
| Supplies & Materials | 2,728,000 |
| Equipment | 13,132,000 |
| Land and Structures | 2,218,000 |
| Interest and Dividends | 0 |
| **Total (as of 3/31/15)** | **$284,515,000** |

Table 2: Spending by division/program area through second quarter of FY 2015:

| Division/Program Area | Fiscal Year 2015 |
|---|---:|
| Office of the Director | 3,499,000 |
| Operations | 57,724,000 |
| Consumer Education & Engagement | 10,785,000 |
| Research, Markets & Regulations | 17,798,000 |
| Supervision, Enforcement, Fair Lending | 72,256,000 |
| Legal Division | 6,267,000 |
| External Affairs | 3,383,000 |
| Other Programs[2] | 1,461,000 |
| Centralized Services[3] | 111,341,000 |
| **Total (as of 3/31/15)** | **$284,515,000** |

## FY 2015 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 FY 2015 is capped at $618.7 million.  As of March 31 2015, the CFPB received the following transfers for FY 2015.  The amounts and dates of the transfers are shown below.

| | |
|---|---|
| $210.2M | October 15, 2014 |
| $91.6M | January 16, 2015 |

## Civil Penalty Fund

The Dodd-Frank Act authorizes the CFPB to collect 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 2015:

In the second quarter (Q2), as of March 31, 2015, $24.2 million was received from 10 defendants. Civil penalties collected in FY 2015 to date total $47.6 million.

Table: FY 2015 Q1-Q2 Civil Penalty Fund Deposits

| Defendant Name | Civil Penalty Collected | Collection Date |
|---|---|---|
| U.S. Bank | $5,000,000 | October 3, 2014 |
| Lighthouse Title | $200,000 | October 3, 2014 |
| Flagstar Bank, F.S.B. | $10,000,000 | October 9, 2014 |
| M&T Bank | $200,000 | October 17, 2014 |
| DriveTime | $8,000,000 | November 25, 2014 |
| Premier Consulting Group, LLC et al. [4] | $46,050 | December 12, 2014<br>March 5, 2015 |
| Freedom Stores, Inc. | $ 100,000 | January 16, 2015 |
| College Education Services | $ 25,000 | January 30, 2015 |
| American Preferred Lending, Inc. [5] | $ 70,000 | February 20, 2015<br>March 23,2015 |
| J.P. Morgan Chase (Genuine Title Matter) | $ 500,000 | February 18, 2015 |
| Wells Fargo (Genuine Title Matter) | $21,000,000 | February 13, 2015 |
| Todd & Elaine Cohen (Genuine Title Matter) | $ 30,000 | February 20, 2015 |
| Continental Finance Company, LLC | $ 250,000 | February 11, 2015 |
| NewDay Financial, LLC | $ 2,000,000 | February 19, 2015 |
| Flagship Financial Group, LLC | $ 225,000 | March 2, 2015 |
| **Total** | **$47,646,050** | |

Civil Penalty Funds Allocated in FY 2015:

Period 4: April 1, 2014- September 30, 2014

On November 28, 2014, the Bureau made its fourth allocation from the Civil Penalty Fund. As of September 30, 2014, the Civil Penalty Fund contained an unallocated balance of $112.8 million. This amount was available for allocation pursuant to 12 C.F.R. § 1075.105(c).

During Period 4, final orders in Bureau enforcement actions imposed civil penalties in 13 cases. For three cases with final orders from Period 4, the civil penalties were received after 9/30/14 and were not included as available funds for allocation in Period 4. 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. [6]

Of those 13 cases, ten cases have classes of eligible victims with no uncompensated harm that is compensable from the Civil Penalty Fund, and three cases have classes of eligible victims with uncompensated harm. As part of the Period 4 allocation, one case from Period 3 and four cases from Period 2 have been reviewed. In these five cases, the Fund Administrator has determined that the classes of victims in these cases do not have uncompensated harm that is compensable from the Civil Penalty Fund.

The three cases with compensable uncompensated harm -- Amerisave, Culver Capital LLC, and Global Client Solutions -- received an allocation from the Civil Penalty Fund. The Bureau allocated $1.38 million to the Amerisave victim class, enough to compensate fully that victim class's uncompensated harm. The Bureau also allocated $3.4 million to the Culver Capital victim class, and $108 million to the Global Client Solutions victim class, enough to compensate 89% of those victim classes' uncompensated harm. No funds were allocated to consumer education and financial literacy programs.

There was no remaining unallocated Civil Penalty Fund balance available for future allocation. Civil penalties collected on or after September 30, 2014 were deposited in the Fund. The amount in the Fund as of September 30, 2014 will be available for allocation following the conclusion of Period 4 in accordance with 12 C.F.R. § 1075.105(c).

*Period 4 Allocation Summary:*

*Victim Compensation: $112,776,305*

- *Culver Capital, LLC*
  - *Victim Classes Allocation: $3,400,434*
- *Amerisave*
  - *Victim Class Allocation: $1,380,470*
- *Global Client Solutions*
  - *Victim Class Allocation: $107,995,400*

*Consumer Education and Financial Literacy Programs: $0*

*Total Allocation: $112,776,305*

## Bureau-Administered Redress

Dodd-Frank Act section 1055 authorizes a court in a judicial action, or the CFPB in an administrative proceeding, to grant any appropriate legal or equitable relief for a violation of Federal consumer financial law. Such relief may include redress for victims of the violations, including refunds, restitution, and damages. Relief that is intended to compensate victims is treated as fiduciary funds and deposited into the "Legal or Equitable Relief Fund" established at the Department of the Treasury.

Bureau Administered Redress Collected in FY 2015:

In the first quarter of FY 2015, the Bureau collected $30 million in Bureau-Administered Redress funds. A collection of $27.5 million was received from Flagstar Bank, $730,000 was received Franklin Loan Corporation and $2.01 million was received from Global Client Solutions. [7] In the second quarter of FY 2015, the Bureau collected $687,033 in Bureau-Administered Redress funds. A collection of $386,280 was received from Freedom Stores, Inc. and $300,753 was received from J.P. Morgan Chase (Genuine Title Matter). In all cases, funds will be distributed in accordance with the terms of their respective final orders.

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 *Premier Consulting Group, LLC agreed to pay civil penalty of $69,075 in 3 installments of $23,025. Two installments totaling $46,050 have been received through March 31, 2015. The Bureau anticipates collecting the remaining $23,025in accordance with the schedule in the order.*

5 *American Preferred Lending, Inc. is to pay $85,000 in CMPs in 3 installments. Two installments totaling $70,000 have been received through March 31, 2015. The Bureau anticipates collecting the remaining $15,000 in accordance with the schedule in the order.*

[6] *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.*

[7] *Global Client Solutions agreed to transfer $6.01 million in Bureau-administered redress funds to the Bureau in 2 installments. The first installment of $4.0 million was transferred to the Bureau in FY14 and $2.01 million to the Bureau in FY15.*