CFO update for the fourth quarter of fiscal year 2013

JULY 1 – SEP 30, 2013

Issued: December 19, 2013

Bureau Fund

In the fiscal year that ended on September 30, 2013, the CFPB spent approximately $539 million for fiscal year 2013 obligations and outlays [1] to carry out the authorities of the Bureau under Federal consumer financial law. Approximately $192 million was spent on employee compensation and benefits for the 1,335 CFPB employees employed by the end of the fiscal year.

In addition to payroll expenses, the largest obligations for fiscal year 2013 were related to contractual services, such as administrative services provided by other Federal agencies, including the Department of the Treasury.

Large obligations of $1 million and over made during the fourth quarter to both non-governmental vendors and governmental agencies included:

- $145.1 million to the General Services Administration to provide for a range of services related to the renovation of CFPB's headquarters building. In addition to the actual renovation of both the interior and exterior of the building, services also include project management, contract management, environmental management, construction oversight and administration, and other technical services.
- $10.0 million to the Board of Governors of the Federal Reserve System and Consumer Financial Protection Bureau Office of Inspector General (OIG) for FY2013 IG services;
- $3.9 million to the Department of Treasury for various administrative support services, including information technology and financial services systems support;
- $3.4 million for maintaining ongoing operations of the CFPB's consumer contact center, and enhancements to the case management database;
- $3.0 million for the Bureau's cloud infrastructure and system administration services;
- $2.3 million for IT customer support services including Service Desk, inventory and asset management, and equipment management
- $2.3 million for cyber security program and analysis, cyber threat monitoring, response and analysis, and other support services;
- $1.9 million for wide area network design, implementation and transition services;
- $1.4 million for wireless and mobile coverage and services;

- $1.1 million to supplement CFPB's collection of anonymous Supervisory data from credit card issuers by completing a one-time incremental purchase of additional historical information. These data, which exclude any direct identifiers in order to maintain the anonymity and protect the privacy of consumers, are 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 research, monitoring, and supervision missions;
- $1.0 million for web development, design, and programming support services, and;
- $1.0 million for developing and delivering a national campaign to increase awareness among high school seniors the benefits of investigating and understanding college finances early. The campaign will encourage students and influencers to utilize CFPB's suite of "Paying for College" tools and information which will aide students in comparing the cost of colleges and calculating their expected debt payments after graduation.

Table 1 and Table 2 categorize final year-to-date CFPB spending by expense category and division/program area:

Table 1: Fiscal Year 2013 spending by expense category:

Expense Category	**Fiscal Year 2013**
Personnel Compensation	143,341,000
Benefit Compensation	49,069,000
Travel	14,484,000
Transportation of Things	154,000
Rents, Communications, Utilities & Misc.	5,612,000
Printing and Reproduction	2,228,000
Other Contractual Services	136,790,000
Supplies & Materials	4,660,000
Equipment	31,587,000
Building Improvements	150,806,000
Interest and Dividends	2,000
Total (as of 9/30/13)	**$538,733,000**

Table 2: Fiscal Year 2013 spending by division/program area:

Division/Program Area	Fiscal Year 2013
Office of the Director	5,235,000
Chief Operating Officer	93,758,000
Consumer Education & Engagement	22,263,000
Research, Markets & Regulations	32,895,000
Supervision, Enforcement, Fair Lending	105,568,000
Legal Division	10,309,000
External Affairs	4,834,000
Other Programs [2]	1,242,000
Centralized Services[3]	262,629,000
Total (as of 9/30/13)	**$538,733,000**

FY 2013 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 2013 was capped at 12 percent (or approximately $598 million) of the total 2009 operating expenses of the Federal Reserve System. Funds transferred into the Bureau Fund during the fiscal year are below the statutory cap.

As of September 30 2013, the CFPB received the following transfers for FY 2013. The amounts and dates of the transfers are shown below.

$136.2 M	October 15, 2012
$108.0 M	January 15, 2013
$79.0 M	April 5, 2013
$195.2M	July 19, 2013
$518.4M	**Total**

Funds transferred into the Bureau Fund for FY2013 were $80 million less than the statutory cap, and $23 million less than the $541 million budget.

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 2013:

Table: FY 2013 Civil Penalty Fund Deposits

Defendant Name	CMP Collected	Collection Date
American Express Centurion Bank	$3,900,000	October 1, 2012
American Express Bank, FSB	$1,200,000	October 1, 2012
American Express Travel	$9,000,000	October 1, 2012
Payday Loan Debt Solution, Inc.	$5,000	December 28, 2012
Abraham M. Pessar (Gordon, *et. al*)	$1	February 26, 2013
United Guaranty Corporation	$4,500,000	April 11, 2013
Genworth Mortgage Ins. Corp.	$4,500,000	April 15, 2013
Mortgage Guaranty Ins. Corp. (MGIC)	$2,650,000	April 16, 2013
Radian Guaranty Inc.	$3,750,000	April 29, 2013
American Debt Settlement Solutions, Inc.	$15,000	June 12, 2013
JPMorgan Chase	$20,000,000	September 19, 2013
Totals	$49,520,001	

In the first quarter of FY 2013, the CFPB settled enforcement actions against three American Express subsidiaries and Payday Loan Debt Solution, Inc. (PLDS). The American Express subsidiaries agreed to pay a total of $14.1 million in civil penalties to the CFPB. PLDS agreed to pay a total of $5,000 in civil penalties to the CFPB.

In the second quarter of FY 2013, the CFPB settled an enforcement action against three defendants in the case of *CFPB v. Gordon, et al*. This resulted in the collection of $1 in civil penalties, as well as injunctive and other significant relief.

In the third quarter of FY2013, the CFPB collected a total of $15.4 million in civil money penalties from five defendants through settlements of Bureau enforcement actions. In April, the Bureau settled with four defendants in a captive reinsurance case, collecting $4.5 million, $4.5 million, $2.65 million, and $3.75 million in civil penalties from United Guaranty Corporation, Genworth Mortgage Insurance Corporation, Mortgage Guaranty Insurance Corporation, and Radian Guaranty Inc., respectively. In June, American Debt Settlement Solutions paid $15,000 in civil penalties.

In the fourth quarter of FY2013, the CFPB collected $20 million in civil penalties from one defendant, JPMorgan Chase.

Civil Penalty Funds Allocated in FY 2013:

Period 1 Allocation: July 21, 2011 – March 31, 2013

The Bureau made its first allocation from the Civil Penalty Fund, in accordance with the Civil Penalty Fund rule, 12 C.F.R part 1075, on May 30, 2013.

As of March 31, 2013, the Bureau received civil money penalties totaling $46.1 million pursuant to seven final orders.

Of the cases that concluded as of March 31, 2013,two cases—Payday Loan Debt Solution, Inc. (PLDS), and Gordon, *et al*.—had classes of victims with uncompensated harm[4] that is compensable from the Civil Penalty Fund.

After allocating $10.5 million to compensate the victims in the PLDS and Gordon cases, and setting aside $1.6 million for administrative expenses, $34.0 million remained available for allocation. Of this figure, the Bureau allocated $13.4 million for consumer education and financial literacy programs.

Period 1 Allocation Summary:

Victim Compensation: $10,488,815

- *Payday Loan Debt Solution, Inc.*
  - *Victim Class Allocation: $488,815*
- *Gordon, et al.*
  - *Victim Class Allocation: $10,000,000*

Consumer Education and Financial Literacy Programs: $13,380,000

Total Allocation: $23,868,815

Civil penalties collected on or after April 1, 2013 were deposited in the Fund. The amount in the Fund as of September 30, 2013 was available for allocation following the conclusion of Period 2 as provided by 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 purposes of this update, *outlays* are payments that result any time the CFPB issues checks, disburses cash, or makes electronic transfers of funds to pay off an obligation. 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. The amounts in this report reflect obligations incurred during the fiscal year, and include some upward adjustments to prior year obligations.

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. 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.