FISCAL YEAR 2013

Financial Report of the Consumer Financial Protection Bureau

Consumer Financial Protection Bureau

Richard Cordray is sworn in as the first Director of the Consumer Financial Protection Bureau by Vice President Joseph Biden and the Secretary of the Department of Health and Human Services, Kathleen Sebelius on July 17, 2013.

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Message from Richard Cordray

Director of the CFPB

Congress established the Consumer Financial Protection Bureau (CFPB) as the Nation's first Federal agency whose sole focus is protecting consumers in the financial marketplace for products and services. Congress provided the CFPB with a set of tools that we used over the past fiscal year to help protect financial consumers and to achieve some specific and tangible results.

During fiscal year 2013, our enforcement actions against several credit card companies for violations of Federal consumer financial laws provided relief of $394 million to 2.1 million harmed individuals. Further, we assessed an additional $50 million in Civil Monetary Penalties to help deter future occurrences of unfair, deceptive and abusive acts or practices in marketing consumer financial products and services.

We exercised our rulemaking authorities and issued new rules affecting the American mortgage market – a market valued at $10 trillion and representing the largest single consumer financial market in the history of humankind. Those new rules will protect consumers from irresponsible mortgage lending, protect struggling consumers from home foreclosure, prevent mortgage lenders from steering borrowers into risky mortgages, and strengthen consumer protections for high-cost mortgages.

Engaging with consumers and providing financial education are also key responsibilities for the CFPB. For example, the outstanding student loan debt in the United States is currently above $1 trillion. We have reached out to parents and students through our website to provide financial information and analytical tools to help people make informed financial decisions about paying for college. The "Paying for College" website provides information from start to finish – throughout the process of researching and applying for college, finding financial aid, choosing a school and a loan, attending college and managing money, and finally repaying student debt.

The CFPB continues to grow and mature as a Federal agency. In our short existence, we have grown from 58 employees at the beginning of fiscal year 2011 to 1,335 employees at the end of fiscal year 2013. As our resources grow and as we do more to protect the rights of consumers, it is also important to be transparent in reporting our performance and the results of our financial operations.

As required by the Dodd-Frank Act, the CFPB prepared comparative financial statements for fiscal years 2013 and 2012. The Government Accountability Office (GAO) rendered an unmodified or “clean” audit opinion on our financial statements. GAO noted no material weaknesses and cited no instances of noncompliance with laws and regulations.

Earlier this year, I was confirmed by the Senate as the first Director of the CFPB. I am very proud of our talented staff, the work they have accomplished over the past year, and the resulting assessment of our operations contained in this report. It reflects the hard work of our colleagues who perform at the highest caliber and with a dedicated commitment to serve the public, protect consumers, support responsible businesses, and help safeguard the American economy.

Sincerely,

Richard Cordray

1. Management's discussion and analysis

1.1 CFPB at a Glance: Overview of the Consumer Financial Protection Bureau

The Bureau of Consumer Financial Protection, known as the Consumer Financial Protection Bureau (CFPB), was established on July 21, 2010 under Title X of the Dodd-Frank Wall Street Reform and Consumer Protection Act Public Law No. 111-203 (Dodd-Frank Act). The CFPB was established as an independent bureau within the Federal Reserve System. The Bureau is an Executive agency as defined in Section 105 of Title 5, United States Code.

The Dodd-Frank Act authorizes the CFPB to exercise its authorities to ensure that, with respect to consumer financial products and services:

1. Consumers are provided with timely and understandable information to make responsible decisions about financial transactions;
2. Consumers are protected from unfair, deceptive, or abusive acts and practices and from discrimination;
3. Outdated, unnecessary, or unduly burdensome regulations are regularly identified and addressed in order to reduce unwarranted regulatory burdens;
4. Federal consumer financial law is enforced consistently in order to promote fair competition; and
5. Markets for consumer financial products and services operate transparently and efficiently to facilitate access and innovation.

Under the Dodd-Frank Act, on the designated transfer date, July 21, 2011, certain authorities and functions of several agencies relating to Federal consumer financial law transferred to the CFPB in order to accomplish the above objectives. These authorities were transferred from the Board of Governors of the Federal Reserve System (Board of Governors), Office of the Comptroller of the Currency (OCC), Office of Thrift Supervision (OTS), Federal Deposit Insurance Corporation (FDIC), National Credit Union Administration (NCUA), and the Department of Housing and Urban Development (HUD). In addition, Congress vested the Bureau with authority to enforce in certain circumstances the Federal Trade Commission's (FTC) Telemarketing Sales Rule and its rules under the FTC Act, although the FTC retains full authority over these rules. The Dodd-Frank Act also provided the CFPB with certain other Federal consumer financial regulatory authorities.

Organizational Structure

Under the Dodd-Frank Act, the Secretary of the Treasury was responsible for establishing the CFPB and performing certain functions of the Bureau until a Director of the CFPB was in place. The Bureau's day-to-day operations were managed by the Special Advisor to the Secretary of the Treasury for the Consumer Financial Protection Bureau until January 4, 2012, when President Obama recess appointed Richard Cordray as the first Director of the CFPB. Subsequently, the U.S. Senate confirmed the appointment of Richard Cordray on July 16, 2013, and Director Cordray was sworn in as the first Senate confirmed Director of the CFPB on July 17, 2013.

To accomplish its mission, the CFPB is organized into six primary divisions:

1. **Consumer Education and Engagement:** provides, through a variety of initiatives and methods, including offices on specific populations, information to consumers to allow them to make financial decisions that are best for them.

2. **Supervision, Enforcement and Fair Lending:** ensures compliance with Federal consumer financial laws by supervising market participants and bringing enforcement actions when appropriate.

3. **Research, Markets and Regulations:** conducts research to understand consumer financial markets and consumer behavior, evaluates whether there is a need for regulation, and determines the costs and benefits of potential or existing regulations.

4. **Legal Division:** ensures the Bureau's compliance with all applicable laws and provides advice to the Director and the Bureau's divisions.

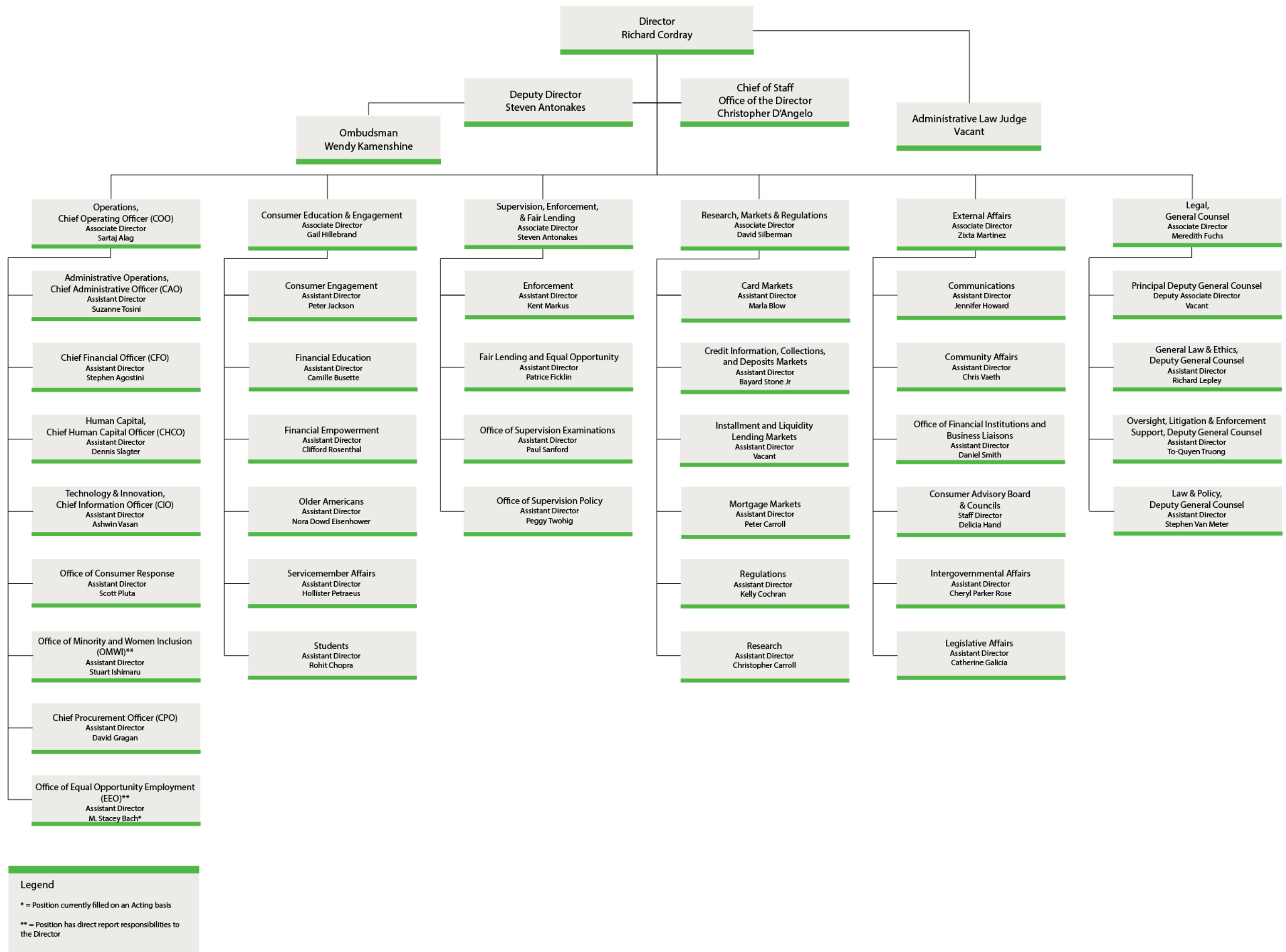
5. **External Affairs:** manages the Bureau's relationships with external stakeholders and ensures that the Bureau maintains robust dialogue with interested stakeholders to promote understanding, transparency, and accountability.

6. **Operations, Chief Operating Officer:** builds and sustains the CFPB's operational infrastructure to support the entire organization and hears directly from consumers about challenges they face in the marketplaces through their complaints, questions, and feedback.

The CFPB workforce is spread across the country with its headquarters in Washington, D.C. and regional offices in Chicago, New York City, and San Francisco. The headquarters is temporarily spread across several locations within Washington, D.C., utilizing space pursuant to interagency agreements with the Department of the Treasury (Treasury), the OCC, and the Federal Housing Finance Agency (FHFA). The workforce in the CFPB's regional offices is predominantly mobile and therefore relatively minimal office space is used in most of the regions.

Additional information on the organizational structure and responsibilities of the CFPB is available on CFPB's website at http://www.consumerfinance.gov/.

President Obama with Director Richard Cordray along with Holly Petraeus, Assistant Director for Servicemember Affairs, and Zixta Martinez, Associate Director for External Affairs.



Advisory groups

The CFPB established four independent advisory bodies to provide consultation and advice to the Director on a range of issues within the CFPB's authority. Specifically, the CFPB has formally chartered the following four advisory groups:

- **Consumer Advisory Board –** Through a public process, the Bureau invited external experts, industry representatives, consumers, community leaders, and advocates to nominate individuals to serve as members of this advisory group. The Consumer Advisory Board (CAB) is a group of experts on consumer protection, consumer financial products or services, community development, fair lending, civil rights, underserved communities, and communities that have been significantly impacted by higher-priced mortgage loans. They are a source of market intelligence and expertise, and they advise and consult on federal consumer finance issues. The CAB informs the Director about emerging practices or trends in the consumer finance industry, and shares analysis and recommendations. Members are charged with identifying and assessing the impact of emerging products, practices, or services on consumers and other market participants. During fiscal year 2013 the CAB met three times – February 2013 in Washington D.C., May 2013 in Los Angeles, California and September 2013 in Itta Bena, Mississippi.

- **Community Bank Advisory Council –** The Community Bank Advisory Council (CBAC) advises on the market impact of consumer financial products or services, specifically from the unique perspectives of community banks. Members share information, analysis, and recommendations to better inform the CFPB's policy development, rulemaking, and engagement work. During fiscal year 2013 the CBAC met twice – October 2012 and March 2013 in Washington, D.C. and held conference call meetings in December 2012 and June 2013.

- **Credit Union Advisory Council –** The Credit Union Advisory Council (CUAC) advises on the market impact of consumer financial products or services, specifically from the unique perspectives of credit unions. Members share information, analysis, and recommendations to better inform the CFPB's policy development, rulemaking, and engagement work. During fiscal year 2013 the CUAC held meetings in Washington, D.C. in October 2012 and March 2013, and held conference call meetings in December 2012 and June 2013.

- **Academic Research Council –** The Academic Research Council (ARC) was established to assist the CFPB with research, analysis, and reports on topics relating to CFPB's mission, including developments in markets for consumer financial products and services, consumer awareness, and consumer behavior. The Council is made up of scholars with relevant methodological and subject-matter expertise. The Council advises the CFPB on research methodologies, data collection, and analytic strategies, and provides feedback about research and strategic planning. During fiscal year 2013 the ARC held meetings in Washington, D.C. in December 2012 and June 2013.

Growth of the CFPB

Since its inception, the CFPB has grown in the number of employees and the corresponding funding needed to carry out its duties and responsibilities. At the end of fiscal year 2013, the CFPB was still below the full employment levels and funding it estimates for its steady state in future years. The CFPB's growth to date has been relatively steady and consistent. The charts below provide a historical depiction of the growth for employees and funding levels.

FIGURE 1: EMPLOYEES

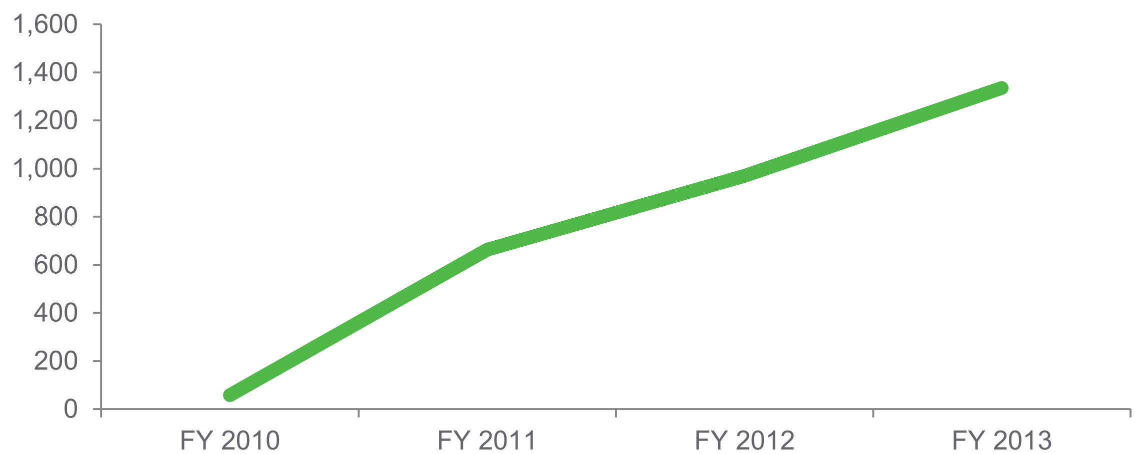
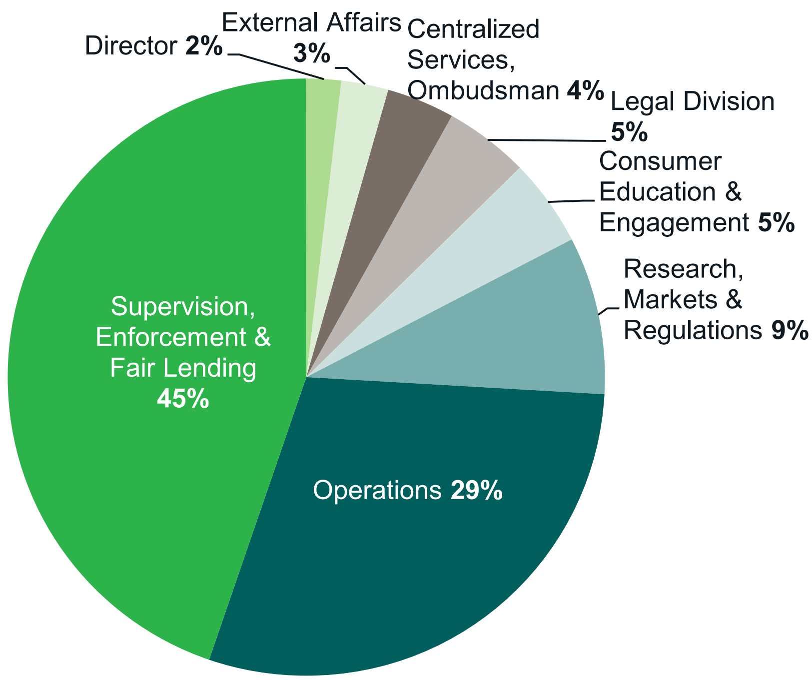
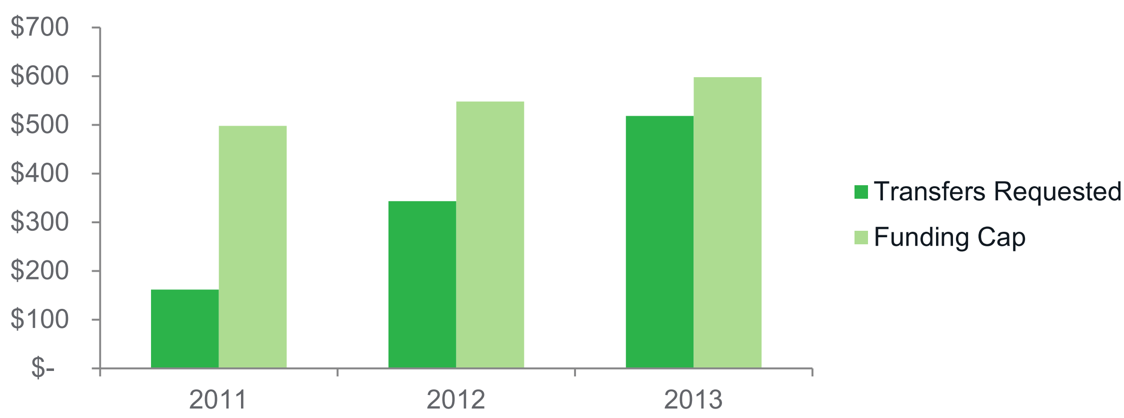


FIGURE 2: OFFICE PERCENTAGE OF TOTAL POSITIONS (AS OF SEPTEMBER 30, 2013)



*Within the Operations Division, displayed as 29% of total CFPB positions, the Office of Consumer Response comprises 11% of total CFPB positions, while all other Operations functions comprise 18%. All percentages provided above are rounded and may not add to 100 %.

FIGURE 3: FISCAL YEAR TRANSFERS REQUESTED COMPARED TO THE FUNDING CAP ($ IN MILLIONS)



*Additional information on how the CFPB is funded can be found in Section 1.5 Financial Analysis.

Mission, Vision and Values

Our Mission

The CFPB is a 21st century agency that helps consumer financial markets work by making rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives.

Our Vision

If we achieve our mission, then we will have encouraged the development of a consumer financial marketplace –

- Where customers can see prices and risks up front and where they can easily make product comparisons;
- In which no one can build a business model around unfair, deceptive, or abusive practices; and
- That works for American consumers, responsible providers, and the economy as a whole.

We will achieve our mission and vision through

DATA-DRIVEN ANALYSIS

The CFPB is a data driven agency. We take in data, manage it, store it, share it appropriately, and protect it from unauthorized access. Our aim is to use data purposefully, to analyze and distill data to enable informed decision-making in all internal and external functions.

INNOVATIVE USE OF TECHNOLOGY

Technology is core to the CFPB accomplishing its mission. This means developing and leveraging technology to enhance the CFPB's reach, impact and effectiveness. We strive to be recognized as an innovative, 21st century agency whose approach to technology serves as a model within government.

VALUING THE BEST PEOPLE AND GREAT TEAMWORK

At the CFPB, we believe our people are our greatest asset. Therefore, we invest in world-class training and support in order to create an environment that encourages employees at all levels to tackle complex challenges. We also believe effective teamwork extends outside the walls of the CFPB. We seek input from and collaborate with consumers, industry, government entities, and other external stakeholders.

We aim to embody the following values in everything we do

SERVICE

Our mission begins with service to the consumer and our country. We serve our colleagues by listening to one another and by sharing our collective knowledge and experience.

LEADERSHIP

Fostering leadership and collaboration at all levels is at the core of our success. We believe in investing in the growth of our colleagues and in creating an organization that is accountable to the American people.

INNOVATION

Our organization embraces new ideas and technology. We are focused on continuously improving, learning, and pushing ourselves to be great.

Director Cordray and Deputy Director Steve Antonakes attend the Des Moines, IA Field Hearing on the Consumer Complaint Database.

1.2 CFPB performance and results

This section provides a summary of the CFPB's key performance outcomes as well as selected accomplishments that it has achieved this past fiscal year. This marks only the beginning of the Bureau's work on behalf of consumers and providers of financial products and services.

The CFPB developed and issued a strategic plan consistent with the Government Performance and Results Act (GPRA). The CFPB published its fiscal years 2013 to 2017 strategic plan in April 2013 which identifies four strategic goals and 28 associated performance measures. Overall results reported below for the selected measures contained in this report show that the CFPB has met or exceeded 10 of the 13 measures (77 percent). In order to meet the required due date of preparing and issuing this financial report not all performance measures could be included. However, a full Performance Report will be published in the first quarter of calendar year 2014 which will include the results of all 28 performance measures, along with an analysis of CFPB's efforts to achieve its performance goals.

Goal 1: Prevent financial harm to consumers while promoting good practices that benefit them

Prior to Congress enacting the Dodd-Frank Act, consumer financial protection had not been the primary focus of any one federal agency, and no agency could set the rules for the entire consumer financial market. The result was a system without sufficiently effective rules or consistent enforcement of the law. Consumer financial protection is the CFPB's singular focus.

PERFORMANCE GOAL: Complete consumer protection related rulemakings within nine months of receipt of final public comments.

TABLE 1: PERCENTAGE OF PROPOSED RULEMAKINGS, CONDUCTED SOLELY BY THE CFPB, FINALIZED OR OTHERWISE RESOLVED WITHIN NINE MONTHS OF THE DUE DATE FOR RECEIPT OF THE FINAL PUBLIC COMMENTS

	FY 2012	FY 2013
Target	N/A	75%
Actual	100%	78%

PERFORMANCE GOAL: Ensure that all rulemakings are informed by public outreach processes, such as Small Business Regulatory Enforcement Fairness Act (SBREFA) panels and consumer industry roundtables.

TABLE 2: PERCENTAGE OF SIGNIFICANT CONSUMER PROTECTION RELATED, NOTICE-AND-COMMENT RULEMAKINGS INFORMED BY PUBLIC OUTREACH PROCESSES

	FY 2012	FY 2013
Target	N/A	100%
Actual	100%	100%

PERFORMANCE GOAL: Successfully resolve the cases the CFPB files in court and administrative adjudicative proceedings whether by litigation, settlement, issuance of default judgment, or other means.

TABLE 3: PERCENTAGE OF ALL CASES FILED BY THE CFPB SUCCESSFULLY RESOLVED THROUGH LITIGATION, A SETTLEMENT, ISSUANCE OF DEFAULT JUDGMENT, OR OTHER MEANS

	FY 2012	FY 2013
Target	N/A	75%
Actual	100%	100%

Goal 2: Empower consumers to live better financial lives

The CFPB works to arm consumers with the knowledge, tools, and capabilities they need in order to make better-informed financial decisions by engaging them in the right moments of their financial lives, in moments when they are most receptive to seeking out and acting on assistance. To that end, the CFPB will develop and maintain a variety of tools, programs and initiatives that provide targeted, meaningful, and accessible assistance and information to consumers at the moment they need them.

PERFORMANCE GOAL: Decrease time between receiving and closing a complaint.

TABLE 4: INTAKE CYCLE TIME

	FY 2012	FY 2013
Target	N/A	3 Days
Actual	7 Days	1 Day

TABLE 5: COMPANY CYCLE TIME

	FY 2012	FY 2013
Target	N/A	15 Days
Actual	14 Days	12 Days

TABLE 6: CONSUMER CYCLE TIME

	FY 2012	FY 2013
Target	N/A	30 Days
Actual	16 Days	4 Days

TABLE 7: INVESTIGATION CYCLE TIME

	FY 2012	FY 2013
Target	N/A	45 Days
Actual	78 Days	78 Days

PERFORMANCE GOAL: Facilitate the timely response to consumer complaints by companies.

TABLE 8: PERCENTAGE OF COMPLAINTS ROUTED THROUGH THE DEDICATED COMPANY PORTAL

	FY 2012	FY 2013
Target	N/A	85 %
Actual	83 %	87 %

PERFORMANCE GOAL: Expand capacity to handle consumer complaints.

TABLE 9: NUMBER OF CONSUMER COMPLAINTS HANDLED

	FY 2012	FY 2013
Target	N/A	125,000
Actual	74,000	144,000

PERFORMANCE GOAL: Significantly increase targeted outreach activities and digital education materials in order to engage consumers at the right moment.

TABLE 10: TARGETED POPULATIONS OR ORGANIZATIONS DIRECTLY SERVING TARGETED POPULATIONS REACHED BY DIGITAL CONTENT, DECISION TOOLS, EDUCATIONAL MATERIALS AND RESOURCES

	FY 2012	FY 2013
Target	N/A	808,114
Actual	404,057	1,903,417

User activity on consumerfinance.gov is tracked using an analytical tool based on user interactions with the website. Fiscal year 2013 activity exceeds twice the performance measure.

Goal 3: Inform the public, policy makers, and the CFPB's own policy-making with data-driven analysis of consumer finance markets and consumer behavior

Understanding how consumer financial markets work, the avenues for innovation in financial products and services, and the potential for risk to consumers is a core component of the CFPB's mission. The CFPB's aim is to ground all of its work – from writing rules and litigating enforcement actions to its outreach and financial literacy efforts – in the realities of the marketplace and the complexities of consumer behavior.

PERFORMANCE GOAL: Increase the number of reports produced about specific consumer financial products, markets, or regulations and on consumer decision-making.

TABLE 11: REPORTS PRODUCED ABOUT SPECIFIC CONSUMER FINANCIAL PRODUCTS, MARKETS, OR REGULATIONS AND ON CONSUMER DECISION-MAKING

	FY 2012	FY 2013
Target	4	5
Actual	2	4

Goal 4: Advance the CFPB's performance by maximizing resource productivity and enhancing impact

In order to maximize the effectiveness of consumer protections established by Federal consumer financial law, the CFPB must acquire, maintain, support, and direct its resources in a way that enables it to operate efficiently, effectively, and transparently. This means developing, maintaining, and continuously improving the policies and controls in place to ensure the CFPB has the resources it needs and puts those resources to the best use possible.

A key mission of the CFPB is to make financial products and services more transparent in the consumer marketplace. The CFPB strives to achieve the same level of commitment to transparency in its own activities, while respecting consumer privacy and confidentiality. To accomplish this, the CFPB develops and implements mechanisms and provides channels to maintain an open, collaborative dialogue with the public.

PERFORMANCE GOAL: Release new datasets to the public, where legally permissible and appropriate, to allow for innovative uses of the data by individuals, non-profit entities, and businesses for the benefit of consumers.

TABLE 12: PROVISION OF DATA TO THE PUBLIC IN LEGALLY PERMISSIBLE AND APPROPRIATE INSTANCES

	FY 2012	FY 2013
Target	N/A	5 data sets
Actual	3 data sets	4 data sets

PERFORMANCE GOAL: Engage the public by hosting public field hearings, town hall meetings, Consumer Advisory Board meetings, and other events on consumer finance issues.

TABLE 13: NUMBER OF PUBLIC HEARINGS, TOWN HALL MEETINGS, CONSUMER ADVISORY BOARD MEETINGS, AND OTHER PUBLIC EVENTS HOSTED ANNUALLY.

	FY 2012	FY 2013
Target	N/A	8 events
Actual	8 events	11 events

Assistant Director for Servicemember Affairs, Holly Petraeus signs an agreement with the CFPB and the Judge Advocate General's Corps.

1.3 Civil Penalty Fund Annual Report

Section 1055(a) of the Dodd-Frank Act authorizes the CFPB to obtain any appropriate legal or equitable relief for violations of Federal consumer financial law. That relief may include civil penalties. Section 1017(d) of the Dodd-Frank Act further established a "Consumer Financial Civil Penalty Fund" (Civil Penalty Fund) into which the Bureau deposits civil penalties it collects in judicial and administrative actions under Federal consumer financial laws.

Under the Act, funds in the Civil Penalty Fund may be used for payments to the victims of activities for which civil penalties have been imposed under the Federal consumer financial laws. To the extent that such victims cannot be located or such payments are otherwise not practicable, the Bureau may use funds in the Civil Penalty Fund for the purpose of consumer education and financial literacy programs.

On May 7, 2013, the Bureau published the Civil Penalty Fund rule, 12 C.F.R. part 1075, a final rule governing the Bureau's use of the funds in the Civil Penalty Fund. That rule requires the Bureau to issue regular reports on the Fund. Included in this Annual Report are a list of all civil penalty collections from July 18, 2012 through September 30, 2013, the schedule for Civil Penalty Fund allocations, a description of all Civil Penalty Fund allocations to date and the basis for those allocations, and an overview of the distribution of those funds.

Additional background information on the Civil Penalty Fund can be found at: http://www.consumerfinance.gov/budget/civil-penalty-fund/

Civil Penalty Fund collections

TABLE 14: FISCAL YEAR 2012 COLLECTIONS

Defendant name	Civil penalty collected	Collection date
Capital One Bank	$25,000,000	July 18, 2012
Discover	$7,000,000	September 28, 2012
Total	**$32,000,000**	

In fiscal year 2012, the Bureau collected civil penalties from two defendants totaling $32.0 million.

TABLE 15: FISCAL YEAR 2013 COLLECTIONS

Defendant name	Civil penalty collected	Collection date
American Express Centurion Bank	$3,900,000	October 1, 2012
American Express, 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
Total	**$49,520,001**	

In fiscal year 2013, the Bureau collected civil penalties from eleven defendants totaling $49.5 million.

Allocations from the Civil Penalty Fund

Under the Civil Penalty Fund rule, the Civil Penalty Fund Administrator allocates funds in the Civil Penalty Fund to classes of victims and, as appropriate, to consumer education and financial literacy programs according to a schedule published by the Fund Administrator. That schedule established six-month periods and provides that an allocation will be made within 60 days of the end of each period. The Fund Administrator may allocate only those funds that were available as of the end of the six-month period and may allocate funds to a class of victims only if that class had uncompensated harm as of the end of the six-month period.

TABLE 16: SCHEDULE FOR ALLOCATIONS, PERIODS 1 AND 2

Period	Start	End	Allocation Deadline
1	July 21, 2011	March 31, 2013	May 30, 2013
2	April 1, 2013	September 30, 2013	November 29, 2013

The table above displays the start and end dates for the first allocation periods. The first period started on July 21, 2011 and ended on March 31, 2013. This period was longer than six months because it was the first period. The second period began on April 1, 2013 and ended on September 30, 2013. Subsequent periods will be six-months in duration and will begin the day immediately following the end date of the preceding period.

The table also displays the allocation deadlines. Allocations must occur within 60 days after the end of each six-month period. Therefore, under the current schedule, subsequent allocations will also occur between April 1 and May 30 and between October 1 and November 29 of each year.

PERIOD 1: JULY 21, 2011 – MARCH 31, 2013

The Bureau made its first allocation from the Civil Penalty Fund on May 30, 2013. As of March 31, 2013, $46.1 million was in the Civil Penalty Fund. Of that, $1.6million was set aside for any administrative costs and $44.5 million was available for allocation under 12 C.F.R. § 1075.105(c).

TABLE 17: PERIOD 1: CASES IN WHICH A CIVIL PENALTY WAS IMPOSED

Defendant Name	Date of Final Order[1]
Capital One Bank	July 18, 2012
Discover	September 24, 2012
American Express Centurion Bank	October 1, 2012
American Express Bank, FSB	October 1, 2012
American Express Travel	October 1, 2012
Payday Loan Debt Solutions, Inc.	December 21, 2012
Abraham M. Pessar (Gordon, *et. al*)	February 1, 2013

During Period 1, final orders in Bureau enforcement actions imposed civil penalties in seven cases. The table above lists the date of the final order in each of those 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.

Of those cases, two cases—Payday Loan Debt Solution, Inc. (PLDS), and Gordon, *et al*.—had classes of victims with uncompensated harm that is compensable from the Civil Penalty Fund[2]. In particular, the

[1] Under section 1075.101 of the Civil Penalty Fund Rule, for purposes of Civil Penalty Fund allocations, a "Final Order" is a consent order or settlement issued by a court or by the Bureau, or an appealable order issued by a court or by the Bureau as to which the time for filing an appeal has expired and no appeals are pending. Appeals include petitions for reconsideration, review, rehearing, and certiorari.

[2] Under the Civil Penalty Fund rule, 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

PLDS victims had $488,815 in uncompensated harm, and the Gordon victims had $10 million in uncompensated harm. The victims in the other five cases had no uncompensated harm that is compensable from the Civil Penalty Fund.

The Bureau allocated $488,815 to the PLDS class of victims and $10 million to the Gordon class of victims, enough to compensate fully each class's uncompensated harm. After making that allocation, $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

The remaining amounts from Period 1 that were not allocated remained available for future allocations. Civil penalties collected on or after April 1, 2013 are available for allocation following the conclusion of Period 2.

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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. *See* 12 C.F.R. § 1075.104.

During FY 2013, the CFPB advertised a competitive solicitation for vendors who specialize in administering payments to victims. In early July, the Bureau hired two vendors to manage Civil Penalty Fund distributions to victims. Under the contract with those vendors, the Bureau issued a task order to begin work on distributing funds to victims in the Payday Loan Debt Solution, Inc. case. On November 21, 2013, the Bureau began distributing funds to victims in accordance with the distribution plan approved by the Fund Administrator. Consistent with the task order, a full accounting of all distributed funds will be performed to ensure payments were made to only eligible victims for their compensable harm, and all un-cashed checks are returned to the Civil Penalty Fund. The Bureau plans to issue a separate task order for the distribution of funds to victims in the Gordon case in early December.

PERIOD 2: 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).

TABLE 18: PERIOD 2: CASES IN WHICH A CIVIL PENALTY WAS IMPOSED

Defendant Name	Date of Final Order
United Guaranty Corporation	April 5, 2013
Genworth Mortgage Ins. Corp.	April 5, 2013
Mortgage Guaranty Ins. Corp. (MGIC)	April 5, 2013
Radian Guaranty Inc.	April 9, 2013
American Debt Settlement Solutions, Inc.	June 6, 2013
JPMorgan Chase	September 18, 2013
National Legal Help Center	September 23, 2013

During Period 2, final orders in Bureau enforcement actions imposed civil penalties in seven cases. The table above lists the date that the order in each of those cases became a “final order” within the meaning of the Civil Penalty Fund rule. 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.

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

The remaining unallocated Civil Penalty Fund balance remains available for future allocations. Civil penalties collected on or after October 1, 2013 are available for allocation following the conclusion of Period 3.

1.4 Management assurances and audit results

CFPB statement of management assurance

Fiscal Year 2013, December 11, 2013

The management of the Consumer Financial Protection Bureau (CFPB) is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act of 1982 (FMFIA). Continuous monitoring and periodic evaluations provide the basis for the annual assessment and report on management's controls, as required by FMFIA. The CFPB is leveraging the established OMB Circular A-123 and the FMFIA assessment methodologies to assist in assessing the applicable entity-wide controls, documenting the applicable processes, and identifying and testing the key controls. Based on the results of these ongoing evaluations, the CFPB can provide reasonable assurance that internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations meet the objectives of FMFIA, and no material weaknesses were found in the design or operation of the internal controls as of September 30, 2013.

As required by the Dodd-Frank Act, the CFPB is to provide a management assertion as to the effectiveness of the CFPB's internal control over financial reporting. The CFPB management is responsible for establishing and maintaining effective internal control over financial reporting. The CFPB conducted its assessment of the effectiveness of internal control over financial reporting based on the criteria established under 31 U.S.C. Sec. 3512(c) and applicable sections of OMB Circular A-123. Based on the results of this evaluation, the CFPB can provide reasonable assurance that its internal control over financial reporting as of September 30, 2013 was operating effectively and no material weaknesses were found in the design or operation of the internal control over financial reporting.

Under the Dodd-Frank Act, the CFPB is required to maintain financial management systems that comply substantially with Federal financial management systems requirements and applicable Federal accounting standards. The CFPB utilizes financial management systems that substantially comply with the requirements for Federal financial management systems and applicable Federal accounting standards.

Richard Cordray

Richard Cordray
Director of the Consumer Financial Protection Bureau

Federal Managers' Financial Integrity Act

The CFPB was established as an independent bureau in the Federal Reserve System under the Dodd-Frank Act Section 1011 (a). As an independent, non-appropriated bureau, CFPB recognizes the importance of Federal laws associated with implementing effective enterprise risk management, including the Federal Managers' Financial Integrity Act. This includes ensuring that CFPB operations and programs are effective and efficient and that internal controls are sufficient to minimize exposure to waste and mismanagement.

In fiscal year 2013, CFPB performed an evaluation of its risks and systems of internal controls and employed an independent accounting firm to assist CFPB management in its evaluations. The results of those evaluations helped to support the CFPB's reasonable assurance of effective internal control with no material weaknesses.

The CFPB is committed to continuously enhancing and improving its systems of internal control and realizing more effective and efficient ways to accomplish its mission. Although no material weaknesses in internal control were identified, the CFPB noted two significant deficiencies regarding the accounts payable accrual process and the capitalization of costs associated with property and equipment. The CFPB will continue to take necessary steps to strengthen internal control over these areas.

As a result of our evaluation, the CFPB also identified several enhancement areas to focus on over the next fiscal year: continued implementation of a more comprehensive asset management process, ongoing implementation of a more comprehensive external risk management program, further development and enhancement of policies and procedures, and implementation and enhancement of the continuity of operations plan.

Federal financial management systems requirements

Section 1017(a)(4)(C) of the Dodd-Frank Act requires the CFPB to implement and maintain financial management systems that substantially comply with Federal financial management systems requirements and applicable Federal accounting standards. As discussed below in the section on Financial Management System Strategy, the CFPB has entered into an agreement with the Bureau of Fiscal Services, Administrative Resource Center (BFS/ARC) for the cross-servicing of the CFPB's core financial management system needs. As such, BFS/ARC has provided assurances to the CFPB that BFS/ARC's system is in compliance with the Federal Financial Management Improvement Act (FFMIA) whereby the system is substantially compliant with:

- Federal financial management system requirements,
- Applicable federal accounting standards, and
- The United States Standard General Ledger at the transaction level.

BFS/ARC has reported that its system substantially complies with these three requirements of FFMIA and recently completed a Statement on Standards for Attestation Engagement (SSAE) No. 16, Reporting on Controls at a Service Organization. The independent auditors opined in the SSAE-16 report that BFS/ARC's controls were suitably designed to provide reasonable assurance that control objectives would be achieved if customer agencies applied the complementary customer agency controls.

The CFPB evaluated its internal controls over the processing of transactions between the CFPB and BFS/ARC. The CFPB has determined it has adequate complementary customer controls in place.

Financial statement audit and report on internal control over financial reporting

Sections 1017(a)(4)(B) and (D) of the Dodd-Frank Act require the CFPB to prepare and submit to GAO annual financial statements and an assertion of the effectiveness of the internal control over financial reporting. Section 1017(a)(5)(A) and (B) of the Dodd-Frank Act also require GAO to audit those financial statements and report their results to the Bureau, Congress and the President. The CFPB prepared comparative financial statements for fiscal years 2012 and 2013.

GAO issued an unmodified or "clean" audit opinion on the CFPB's fiscal years 2012 and 2013 financial statements. GAO opined that the CFPB maintained in all material respects effective internal control over financial reporting as of September 30, 2013. Further, GAO noted no material weaknesses in the CFPB's internal control. However, GAO noted two significant deficiencies regarding accounts payable and property and equipment. GAO reported that its tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for fiscal year 2013 that would be reported under U.S. generally accepted government auditing standards.

Financial management systems strategy

The CFPB recognized during its initial years of operation it needed to leverage from other federal agencies existing financial management resources, systems and information technology platforms. Initially, all of the CFPB's financial management transactions were processed through the Department of the Treasury's Departmental Offices. The Bureau also relied on Treasury for much of its information technology infrastructure. The CFPB has maintained an agreement with the BFS for the cross-servicing of a commercial off-the-shelf core financial management system designed and configured to meet generally accepted accounting principles for Federal entities. In addition to the core financial management system, BFS provides services that include transactional processing, financial reporting, human resource services, procurement services, and travel services. The CFPB's goal is to continue providing an effective strategy that supports our financial management systems.

The CFPB recognizes the importance of financial management systems and oversight as a part of the capital planning and investment control process. Accordingly, the CFPB relies on the Investment Review Board (IRB) as the executive advisory body responsible for ensuring that all business and technology investments are aligned to the CFPB's mission, vision, strategic goals and initiatives, and have utilized program management best practices to achieve the maximum return on investments. The IRB is chaired by the Chief Financial Officer (CFO). All investments over $500,000 are reviewed by the IRB, unless waived by the Chair in consultation with IRB members. The Chair may require IRB review of investments less than $500,000 if the investment is deemed significant.

Federal Information Security Management Act

The Federal Information Security Management Act (FISMA) requires Federal agencies to develop, document, and implement an agency-wide program to provide security for the information and information systems that support the operations and assets of the agency. The CFPB has developed a Cyber Security Program in accordance with FISMA that is grounded in a foundation of well documented policies, standards and processes. The Bureau relies on the soundness of this program to conduct reviews of its third party service organizations including other federal entities with whom we have cross servicing agreements that enable us to leverage their existing information technology and platforms. As the CFPB continues to mature and grow, the security program will adjust as well to ensure the safety and protection of the Bureau's data and assets.

Improper payments

The Improper Payments Elimination and Recovery Act of 2011 (IPERA) requires agencies to review their programs and activities annually to identify those susceptible to significant improper payments. While the CFPB's Bureau Fund is not subject to the Act, in the interest of being consistent with government best practices, the Office of the Chief Financial Officer conducted such a review of five areas of payments during fiscal year 2013 – Purchase Card, Contract Payments and/or Invoices, Travel Card, Claims and/or Vouchers and Payroll. The CFPB's risk assessment process did not identify any programs susceptible to significant improper payments.

Director Cordray participates in communication with a consumer at the Coralville, IA Consumer Response contact center.

1.5 Financial analysis

How the CFPB is funded and other sources of revenue and collections

BUREAU FUND

Under the Dodd-Frank Act, the CFPB is funded principally by transfers from the Board of Governors of the Federal Reserve System up to a limit set forth in the statute. The CFPB requests transfers from the Board of Governors in amounts that are reasonably necessary to carry out its mission. Funding is capped at a pre-set percentage of the total 2009 operating expenses of the Federal Reserve System, subject to an annual adjustment. Specifically, the CFPB fund transfers are capped as follows:

- In fiscal year 2011, up to 10 percent of these Federal Reserve System expenses (or approximately $498 million),
- In fiscal year 2012, up to 11 percent of these expenses (or approximately $547.8 million),
- In fiscal year 2013, up to 12 percent of these expenses (or approximately $597.6 million), and
- In fiscal year 2014 and beyond, the cap remains at 12 percent but will be adjusted annually based on the percentage increase in the employment cost index for total compensation for State and local government workers published by the Federal Government.

The Dodd-Frank Act requires the CFPB to maintain an account with the Federal Reserve – "Bureau of Consumer Financial Protection Fund" (Bureau Fund). Funds requested from the Board of Governors are transferred into the Bureau Fund. Bureau funds determined not to be needed to meet the current needs of the CFPB are invested in Treasury securities on the open market. Earnings from the investments are also deposited into this fund. During fiscal year 2013, four transfers totaling $518.4 million were received from the Board of Governors. The amount transferred from the Board of Governors to the CFPB was $80 million less than the funding cap of $598 million, and $23 million less than the $541 million budget for fiscal year 2013.

The Dodd-Frank Act explicitly provides that Bureau funds obtained by or transferred to the CFPB are not Government funds or appropriated funds.

CIVIL PENALTY FUND

As discussed previously in Section 1.3 of this report entitled, "Civil Penalty Fund Annual Report," the CFPB collected civil penalties from judicial or administrative actions in the amount of $49,520,001 for fiscal year 2013 and $32,000,000 for fiscal year 2012.

OTHER COLLECTIONS

During fiscal year 2013, the CFPB collected approximately $146,900 in filing fees pursuant to the Interstate Land Sales Full Disclosure Act of 1968. The fees were deposited into an account maintained by the Department of the Treasury, and are retained and available until expended for the purpose of covering all or part of the costs that the Bureau incurs to operate the Interstate Land Sales program.

Fiduciary activity and custodial revenue

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. Fiduciary assets are not assets of the CFPB and are not recognized on the balance sheet. During fiscal year 2013, the CFPB collected $122,804 in redress to be administered by the CFPB. Further information is contained in our financial statements Note 18 entitled, Fiduciary Activities.

Further, section 1055 of the Act provides that the CFPB may obtain the remedy of disgorgement for a violation of Federal consumer law. Disgorgement paid by the defendant is treated by CFPB as custodial revenue and maintained in the Miscellaneous Receipts Fund of the U.S. Treasury. CFPB reported the fiscal year 2013 disgorged deposits of $118,194 and any other miscellaneous funds collected or receivable (i.e., FOIA fees of $10,007) on the Statement of Custodial Activity – a statement that displays all custodial revenue for fiscal year 2013.

TABLE 19: OVERALL SUMMARY OF CFPB REVENUE AND RECEIPTS BY TYPE AND FISCAL YEAR

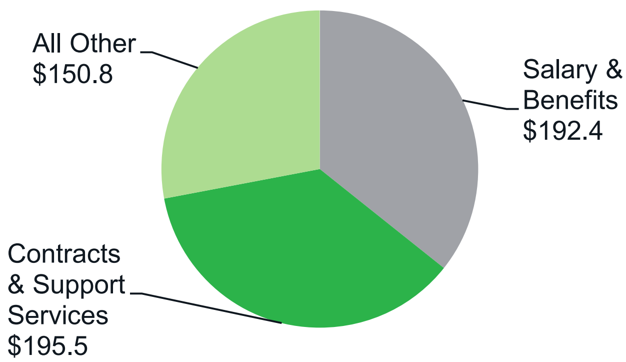
Fiscal Year	Transfers requested	Civil Penalty Fund receipts	Fiduciary receipts	Custodial revenue
2013	$518,400,000	$49,520,001	$122,804	$128,201
2012	$343,281,564	$32,000,000	$-0-	$8,132

What the CFPB has funded

The CFPB continued its start-up efforts during fiscal year 2013; therefore, many of its obligations related to resources essential to operations and activities such as personnel, information technology, mission-specific and human capital support, and other general start-up activities. The CFPB incurred

$539 million in obligations[3] – $196 million in Contracts & Support Services [4], $192 million in Salary & Benefits, and $151 million in All Other.

FIGURE 4: FISCALYEAR 2013 OBLIGATIONS INCURRED ($ IN MILLIONS)



Some of the larger obligations incurred for CFPB's fiscal year 2013 activities included in the $196 million for contracts and support services include:

- Assets in development, such as:
  - $7.4 million for the software development of the compliance analysis tool kit
  - $19.2 million for the software development of the Consumer Response system

[3] Obligations incurred amount of $ 538.7 million that is reported here and on the Statement of Budgetary Resources, includes $7 million in upward adjustments to prior year obligations, and $532 million associated with the fiscal year 2013 budget.

[4] Includes $68.6 million of interagency agreements (IAA) CFPB entered into with other Federal agencies. IAA's are not reported in USASpending.gov

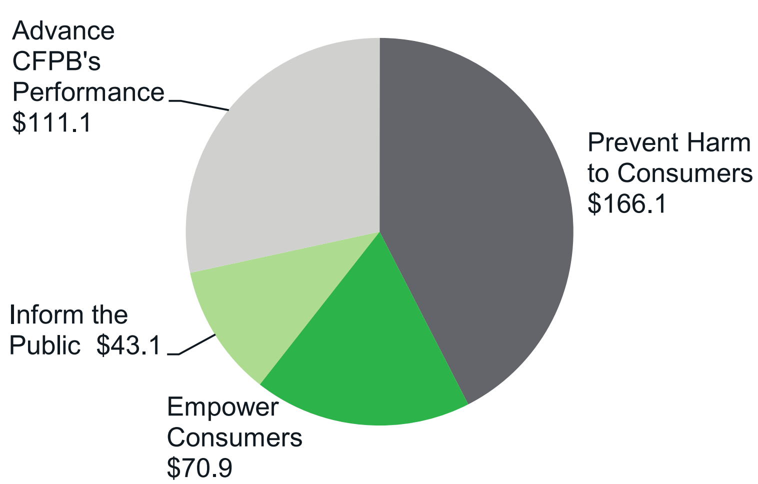
- $17.6 million to the Department of the Treasury, Departmental Offices for various services such as information technology and human resource systems support;
- $10 million in agreements with the Office of the Inspector General (OIG) of the Board of Governors of the Federal Reserve System to provide fiscal year 2013 OIG services; and
- $7.6 million to the BFS/ARC for cross-servicing of various human resource and financial management services, such as core financial accounting, transaction processing and reporting, travel and payroll.

Within the Other category of $151 million of funded items for fiscal year 2013, $145.1 million was associated with the interagency agreement between the General Services Administration and the CFPB to provide for services related to the planned renovation of CFPB's Headquarters office space located in Washington, D.C.

Net costs of the CFPB's operations

The Statement of Net Cost presents the CFPB net cost for its four strategic goals: (1) Prevent Financial Harm to Consumers While Promoting Good Practices That Benefit Them; (2) Empower Consumers to Live Better Financial Lives; (3) Inform the Public, Policy Makers, and the CFPB's own Policy-Making with Data-Driven Analysis of Consumer Finance Markets and Consumer Behavior; and, (4) Advance the CFPB's Performance by Maximizing Resources Productivity and Enhancing Impact. Net program costs for fiscal year 2013 are displayed in the chart below.

FIGURE 5: FISCAL YEAR 2013 PROGRAM COSTS ($ IN MILLIONS)



1.6 Possible future risks and uncertainties

Funding and independence

The Congress, in implementing the Dodd-Frank Act, followed a long-established precedent in providing the CFPB with sources of funding outside of the congressional appropriations process to ensure full independence as the Bureau supervises and regulates providers of consumer financial products and services and protects financial consumers. Congress has consistently provided for independent sources of funding for Federal bank supervisors to allow for long-term planning and the execution of complex initiatives and to ensure that banks are examined regularly and thoroughly for compliance with the law.

The CFPB has been tasked with supervising more entities than all other Federal bank supervisors combined, including supervising the largest, most complex banks. Effective supervision that assures a level playing field between bank and non-bank institutions requires dedicated and predictable resources and independent examiners.

Although Congress provided the CFPB with a source of funding outside the appropriations process, the CFPB is nonetheless the only bank supervisor with a statutory cap on its primary source of funding. If the Director were to determine that the non-appropriated funds to which it is entitled under the Act are insufficient to carry out its responsibilities, Section 1017(e) of the Dodd-Frank Act authorizes the CFPB to also obtain appropriated funds through fiscal year 2014, up to a capped amount and subject to apportionment. In accordance with the Dodd-Frank Act and appropriations law requirements, further action would be required on the part of the Director and Congress in order for the CFPB to obtain such appropriated funds. These additional funds would be subject to apportionment under section 1517 of Title 31, United States Code, and restrictions that generally apply to the use of appropriated funds in Title 31, United States Code, and other laws. After fiscal year 2014, CFPB's current authority to request an appropriation expires.

Possible future impact on financial services environment

It is anticipated that markets in both U.S. and foreign financial services sectors will evolve to address different and ever-changing implications based on their programs, unique business mixes, and organizational structures. These future external challenges must be monitored, as they will impact the work of the CFPB in protecting financial consumers and addressing a continually changing financial environment.

2. Financial statements and note disclosures

Message from the Chief Financial Officer

During fiscal year 2013, the Office of the Chief Financial Officer provided support for the continued growth and maturity of the Consumer Financial Protection Bureau (CFPB) as a Federal agency. CFPB continues to experience growth in its resources, employees and support contracts that facilitate the work of the only Federal agency with the sole focus of protecting the rights of financial consumers and enforcing Federal financial consumer laws.

The Office of the Chief Financial Officer made continuous improvements to our financial management processes and enhanced the reporting of financial management results to CFPB decision makers and interested stakeholders. Some of those actions included:

- Providing significant contributions to the development and issuance of the CFPB's Strategic Plan, as well as the initial report of performance results;
- Providing advice and guidance, as the chair of the Senior Management Council, to help facilitate each CFPB division's timely review of internal control and report the status of planned corrective actions; and,
- Providing program managers with monthly and quarterly financial data and information such as the status of funds for relevant programs, key investment progress, travel costs, staffing status, and the availability to request funds for unanticipated needs.

I am pleased to present the CFPB's financial statements as an integral part of the fiscal year 2013 Financial Report. For fiscal year 2013, the Government Accountability Office rendered an unmodified or "clean" audit opinion on the CFPB's financial statements and noted no material weaknesses in the CFPB's internal control and cited no instances of non-compliance with laws and regulations.

Stephen J. Agostini

Stephen J. Agostini

2.1 U.S. Government Accountability Office auditor's report

GAO U.S. GOVERNMENT ACCOUNTABILITY OFFICE

441 G St. N.W.
Washington, DC 20548

Independent Auditor's Report

To the Director of the Bureau of Consumer Financial Protection

In our audits of the fiscal years 2013 and 2012 financial statements of the Bureau of Consumer Financial Protection, known as the Consumer Financial Protection Bureau (CFPB), we found

- the financial statements as of and for the fiscal years ended September 30, 2013, and 2012, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- although internal controls could be improved, CFPB maintained, in all material respects, effective internal control over financial reporting as of September 30, 2013; and
- no reportable noncompliance for fiscal year 2013 with provisions of applicable laws, regulations, contracts, and grant agreements we tested.

The following sections discuss in more detail (1) our report on the financial statements and on internal control over financial reporting, which includes required supplementary information (RSI) and other information included with the financial statements; (2) our report on compliance with laws, regulations, contracts, and grant agreements; and (3) CFPB's comments on a draft of this report.

Report on the Financial Statements and on Internal Control over Financial Reporting

As required by the Dodd-Frank Wall Street Reform and Consumer Protection Act[1] and the Full-Year Continuing Appropriations Act, 2011,[2] we have audited CFPB's financial statements. CFPB's financial statements comprise the balance sheets as of September 30, 2013, and 2012; the related statements of net cost of operations, changes in net position, budgetary resources, and custodial activity for the fiscal years then ended; and the related notes to the financial statements. We also have audited CFPB's internal control over financial reporting as of September 30, 2013, based on criteria established under 31 U.S.C. § 3512(c), commonly known as the Federal Managers' Financial Integrity Act (FMFIA), and applicable sections of the Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Internal Control*.

We conducted our audits in accordance with U.S. generally accepted government auditing standards. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinions.

[1]Pub. L. No. 111-203, § 1017(a)(5), 124 Stat. 1376, 1976-1977 (2010), codified at 12 U.S.C. § 5497(a)(5).

[2]Pub. L. No. 112-10, § 1573(a), 125 Stat 38, 138 (2011), codified at 12 U.S.C. § 5496a.

Management's Responsibility

CFPB management is responsible for (1) the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; (2) preparing, measuring, and presenting the RSI in accordance with U.S. generally accepted accounting principles; (3) preparing and presenting other information included in documents containing the audited financial statements and auditor's report, and ensuring the consistency of that information with the audited financial statements and the RSI; (4) maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; (5) evaluating the effectiveness of internal control over financial reporting based on the criteria established under FMFIA and applicable sections of OMB Circular A-123; and (6) providing its assertion about the effectiveness of internal control over financial reporting as of September 30, 2013, based on its evaluation, included in the accompanying Management Report on Internal Control over Financial Reporting in appendix I.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements and an opinion on CFPB's internal control over financial reporting based on our audits. U.S. generally accepted government auditing standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement, and whether effective internal control over financial reporting was maintained in all material respects. We are also responsible for applying certain limited procedures to the RSI and other information included with the financial statements.

An audit of financial statements involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the auditor's assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit of financial statements also involves evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, evaluating the design and operating effectiveness of internal control over financial reporting based on the assessed risk, and testing relevant internal control over financial reporting. Our audit of internal control also considered the entity's process for evaluating and reporting on internal control over financial reporting based on criteria established under FMFIA and applicable sections of OMB Circular A-123. Our audits also included performing such other procedures as we considered necessary in the circumstances.

We did not evaluate all internal controls relevant to operating objectives as broadly established under FMFIA, such as those controls relevant to preparing performance information and ensuring efficient operations. We limited our internal control testing to testing controls over financial reporting. Our internal control testing was for the purpose of expressing an opinion on whether effective internal control over financial reporting was maintained, in all material respects. Consequently, our audit may not identify all deficiencies in internal control over financial reporting that are less severe than a material weakness.[3]

Definitions and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and (2) transactions are executed in accordance with laws governing the use of budget authority and with other applicable laws, regulations, contracts, and grant agreements that could have a direct and material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error. We also caution that projecting any evaluation of effectiveness to future periods is subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion on Financial Statements

In our opinion, CFPB's financial statements present fairly, in all material respects, CFPB's financial position as of September 30, 2013, and 2012, and its net cost of operations, changes in net position, budgetary resources, and custodial activity for the fiscal years then ended in accordance with U.S. generally accepted accounting principles.

Opinion on Internal Control over Financial Reporting

Although certain controls could be improved, CFPB maintained, in all material respects, effective internal control over financial reporting as of September 30, 2013, based on criteria established under FMFIA and applicable sections of the OMB Circular A-123. Our opinion on CFPB's internal control over financial reporting is consistent with CFPB's assertion that its internal control over financial reporting was effective as of September 30, 2013, and that no material weaknesses were found in the design or operation of the controls. As discussed in greater detail later in this report, our fiscal year 2013 audit identified deficiencies in CFPB's internal control over accounts payable and property and equipment that collectively constituted significant deficiencies in CFPB's internal control over financial reporting.[4]

During our fiscal year 2013 audit, we also identified deficiencies in CFPB's internal control over financial reporting that we do not consider to be material weaknesses or significant deficiencies. Nonetheless, these deficiencies warrant CFPB management's attention. We have

[3]A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

[4]A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

communicated these matters to CFPB management and, where appropriate, will report on them separately, along with recommendations for corrective actions.

Significant Deficiency over Accounts Payable

During our fiscal year 2013 audit, we found that CFPB did not consistently implement effective internal control over its year-end accrual process. Specifically, we found that CFPB did not record a payable for certain goods and services received as of September 30, 2013, and did not record an appropriate amount for other goods and services received as of September 30, 2013.

CFPB's accounts payable consists primarily of amounts owed for goods and services received relating to contracts and property and equipment acquisitions that have not been paid. As of September 30, 2013, CFPB's accounts payable (including both intragovernmental and amounts due to the public) amounted to approximately $32 million. CFPB's Office of the Chief Financial Officer (OCFO) is responsible for the year-end accrual process. CFPB's established procedures state that the OCFO will send a report to the Contracting Officer Representative (COR) of each division or program office, asking each to respond with an amount for services provided or goods received through the end of the fiscal year, for which CFPB has not received an invoice. The COR is then responsible for estimating an amount for each contract, purchase order, or interagency agreement that should be accrued as of the end of the fiscal year. The OCFO reviews all input from the CORs, and then approves the amounts to be accrued as accounts payable at fiscal year-end. During our audit, we found that in multiple instances the CORs did not adequately estimate the amount owed for goods and services received as of September 30, 2013, and that while reviews by the OCFO occurred, they were not in sufficient detail to reasonably ensure that the amounts recorded were accurate and complete. Specifically, we found that as of September 30, 2013, CFPB did not record as accounts payable approximately $2.5 million for seven invoices relating to goods and services received during fiscal year 2013. In addition, CFPB did not record an appropriate amount as accounts payable or accrual for other goods and services received from five vendors. In these cases, CFPB understated the amount owed by approximately $1.6 million.

After we brought these issues to CFPB's attention, CFPB made the corresponding corrections as of September 30, 2013. However, until CFPB fully implements adequate control over its year-end accrual process, CFPB's financial reporting will continue to be at risk of misstatement. Given the magnitude of the errors and the nature of the issues we identified, we conclude that CFPB has a significant deficiency in its internal control over its accounts payable process that merits attention by those charged with governance.

Significant Deficiency over Property and Equipment

During our fiscal year 2013 audit, we found that CFPB did not consistently implement effective internal controls over the recording of its property and equipment, increasing the risk of misstatements to its financial statements and other financial reports. CFPB's property and equipment consist of general-purpose furniture and equipment, leasehold improvements in development, internal use software, and internal use software in development. CFPB acquired approximately $24 million in property and equipment during fiscal year 2013.

CFPB's capitalization policy calls for capitalizing costs associated with its various categories of property and equipment with estimated useful lives of 2 years or more as follows: Equipment acquisitions of $50,000 or more are capitalized. Bulk purchases of $250,000 or more of similar items, which individually do not meet the capitalization threshold, are capitalized. Internal use software purchased or developed is capitalized for software of $750,000 or more. Other property items, normal repairs, and maintenance are charged to expense as incurred. CFPB's established procedures for recording its property and equipment additions stipulate that on a quarterly basis, the OCFO reviews property and equipment acquisitions and goods and services transactions of $50,000 and greater to ensure that purchased items and costs associated with internal use software are appropriately classified as capitalized assets or operating expenses, consistent with its capitalization policy. However, we found during our fiscal year 2013 audit that the OCFO did not effectively implement these procedures, resulting in not all property and equipment-related transactions being timely and accurately recorded in CFPB's general ledger and certain period costs not being appropriately expensed. Specifically, we found that CFPB (1) did not capitalize certain assets received as of September 30, 2013; (2) did not capitalize certain leasehold improvements in development; (3) erroneously recognized as capitalized internal use software certain maintenance and operating costs that should have been expensed; and (4) erroneously capitalized software licenses that did not meet its minimum useful life threshold. Further, we found that while CFPB's OCFO performed its quarterly reviews, these reviews were not in sufficient detail to reasonably ensure that the amounts recorded were accurate or complete. Specifically, we found that as of September 30, 2013, CFPB did not capitalize $2.8 million in property received. In addition, we found that CFPB erroneously recognized $1.8 million in maintenance and operating expenses as capitalized equipment and internal use software. Also, CFPB capitalized $1.7 million in purchased software licenses that did not meet its capitalization criteria. After we brought these issues to CFPB's attention, CFPB made the corresponding corrections as of September 30, 2013.

The deficiencies we identified with respect to CFPB's internal control related to the recording of its property and equipment increase the risk that CFPB's reported balances for property and equipment as well as its reported expenses could be misstated, and collectively represent a significant deficiency in CFPB's internal control over its accounting for property and equipment that merits attention by those charged with governance.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) require that RSI be presented to supplement the financial statements.[5] Although not a part of the financial statements, FASAB considers this information to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with U.S. generally accepted government auditing standards, which consisted of inquiries of management about the methods of preparing the RSI and comparing the information for consistency with management's responses to the auditor's inquiries, the financial statements, and other knowledge we obtained during the audit of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

[5]RSI is comprised of "Management's Discussion and Analysis" that is included with the financial statements.

Other Information

CFPB's other information contains information, some of which is not directly related to the financial statements.[6] This information is presented for purposes of additional analysis and is not a required part of the financial statements or RSI. We read the other information included with the financial statements in order to identify material inconsistencies, if any, with the audited financial statements. Our audit was conducted for the purpose of forming an opinion on CFPB's financial statements. We did not audit and do not express an opinion or provide any assurance on the other information.

Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

In connection with our audits of CFPB's financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with the auditor's responsibility discussed below. We caution that noncompliance may occur and not be detected by these tests. We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards.

Management's Responsibility

CFPB management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to CFPB.

Auditor's Responsibility

Our responsibility is to test compliance with selected provisions of laws, regulations, contracts, and grant agreements applicable to CFPB that have a direct effect on the determination of material amounts and disclosures in the CFPB financial statements, and perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to CFPB.

Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for fiscal year 2013 that would be reportable under U.S. generally accepted government auditing standards. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to CFPB. Accordingly, we do not express such an opinion.

Intended Purpose of Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on compliance. This report is an integral

[6] Other information is comprised of information included with the financial statements, other than RSI and the auditor's report.

part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering compliance. Accordingly, this report on compliance with laws, regulations, contracts, and grant agreements is not suitable for any other purpose.

Agency Comments

In commenting on a draft of this report, the Director of CFPB stated that he was pleased to receive an unmodified audit opinion on CFPB's fiscal years 2013 and 2012 financial statements and that CFPB will continue to work to enhance its system of internal control and ensure the reliability of its financial reporting. The Director acknowledged the two significant deficiencies we reported regarding accounts payable and property and equipment and added that CFPB is developing and implementing corrective actions. The complete text of CFPB's comments is reprinted in appendix II.

J. Lawrence Malenich

J. Lawrence Malenich
Director
Financial Management and Assurance

December 11, 2013

APPENDIX I. MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

cfpb Consumer Financial Protection Bureau

1700 G Street, N.W., Washington, DC 20552

December 11, 2013

Mr. Gene Dodaro
Comptroller General of the United States
441 G Street, NW
Washington, DC 20548

Dear Mr. Dodaro,

As required by Section 1017 of the Dodd-Frank Act, 12 U.S.C. Section 5497(a)(4)(D), the Consumer Financial Protection Bureau (CFPB) provides this management assertion regarding the effectiveness of internal control that apply to financial reporting by the CFPB based on criteria established in Section 3512(c) of Title 31, United States Code (commonly known as the Federal Managers' Financial Integrity Act) and applicable sections of Office of Management and Budget Circular A-123.

The CFPB's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition; and (2) transactions are executed in accordance with laws governing the use of budget authority and with other applicable laws, regulations, contracts, and grant agreements that could have a direct and material effect on the financial statements.

CFPB management is responsible for maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. CFPB management evaluated the effectiveness of CFPB's internal control over financial reporting as of September 30, 2013, based on the criteria established under 31 U.S.C. 3512(c) and applicable sections of Office of Management and Budget Circular A-123.

Based on that evaluation, we conclude that as of September 30, 2013, CFPB's internal control over financial reporting was effective.

Richard Cordray
Director
Consumer Financial Protection Bureau

Stephen J. Agostini
Chief Financial Officer
Consumer Financial Protection Bureau

APPENDIX II: MANAGEMENT'S RESPONSE TO THE AUDITOR'S REPORT

Consumer Financial Protection Bureau

1700 G Street NW, Washington, DC 20552

December 11, 2013

Mr. J. Lawrence Malenich
Director, Financial Management and Assurance
Government Accountability Office
441 G Street, N.W., Room 5T45
Washington, DC 20548

Dear Mr. Malenich,

I appreciate the opportunity to respond to the Government Accountability Office's (GAO) draft audit report titled, Financial Audit: Bureau of Consumer Financial Protection's Fiscal Years 2013 and 2012 Financial Statements, and want to thank you and your staff for your dedicated efforts and for working with us to meet the audit requirements.

We are pleased that GAO's auditors rendered an unmodified or "clean" audit opinion, which means they found that the CFPB financial statements are presented fairly, in all material respects, and in conformity with U.S. generally accepted accounting principles; that CFPB maintained, in all material respects, effective internal control over financial reporting; and that there were no instances of reportable noncompliance with laws and regulations tested by GAO.

During fiscal year 2013, the CFPB experienced again significant growth in personnel, budgetary resources, and regulatory authority and associated responsibilities. I am proud of how we have met the challenge of managing our growth. Maintaining an unmodified audit opinion on the CFPB's comparative financial statements for fiscal years 2013 and 2012 is a true testament to the efforts of the CFPB management and staff.

In fiscal year 2013, the GAO cited two significant deficiencies regarding accounts payable and property and equipment. We are developing and implementing corrective actions to mitigate the risks identified by the GAO. The CFPB will continue to work to enhance our system of internal control and ensure the reliability of CFPB's financial reporting. The CFPB looks forward to working with GAO in future audits and truly appreciates GAO's work over the past fiscal year.

If you have any questions relating to this response, please contact Stephen J. Agostini, Chief Financial Officer.

Richard Cordray

Richard Cordray
Director
Consumer Financial Protection Bureau

consumerfinance.gov

2.2 Financial statements and notes

CONSUMER FINANCIAL PROTECTION BUREAU
BALANCE SHEET
As of September 30, 2013 and 2012
(In Dollars)

	2013	2012
Assets:		
Intragovernmental		
Fund Balance with Treasury (Note 2)	$ 26,764,046	$ 21,623,999
Investments (Note 3)	343,797,086	186,695,680
Advances and Prepayments (Note 6)	4,993,642	4,463,881
Total Intragovernmental	375,554,774	212,783,560
Cash, and Other Monetary Assets		
Cash in the Bureau Fund (Note 4)	325,312	312,284
Cash in the Civil Penalty Fund (Note 4)	81,520,001	32,000,000
Total Cash, and Other Monetary Assets	81,845,313	32,312,284
Accounts Receivable	54,883	21,650
Property, Equipment, and Software, Net (Note 5)	27,684,477	5,819,962
Advances and Prepayments (Note 6)	749,699	14,666,795
Total Assets	$ 485,889,146	$ 265,604,251
Liabilities:		
Intragovernmental		
Accounts Payable	$ 12,778,174	$ 7,848,838
Benefits Payable	6,570,070	2,869,925
Other (Note 7)	270,811	394,379
Total Intragovernmental	19,619,055	11,113,142
Accounts Payable	19,400,933	5,611,247
Employer Benefits Contributions	11,131,319	6,165,965
Accrued Funded Payroll	3,441,835	6,428,847
Civil Penalty Fund Allocation (Note 4)	13,046,046	-
Unfunded Leave	11,939,809	7,767,225
Other (Note 7)	864	13,882
Total Liabilities (Note 8)	78,579,861	37,100,308
Commitments and Contingencies (Note 9)		
Net Position:		
Cumulative Results of Operations - Funds from Dedicated Collections (consolidated totals) (Note 16)	407,309,285	228,503,943
Total Liabilities and Net Position	$ 485,889,146	$ 265,604,251

The accompanying notes are an integral part of these financial statements.

CONSUMER FINANCIAL PROTECTION BUREAU
STATEMENT OF NET COST
For the Fiscal Years Ended September 30, 2013 and 2012
(In Dollars)

	2013	2012
Program Costs:		
Prevent Financial Harm to Consumers While Promoting Good Practices That Benefit Them:		
Gross Costs	$ 166,120,841	$112,614,599
Net Prevent Financial Harm to Consumers While Promoting Good Practices That Benefit Them	166,120,841	112,614,599
Empower Consumers to Live Better Financial Lives:		
Gross Costs	70,921,575	38,379,886
Net Empower Consumers to Live Better Financial Lives	70,921,575	38,379,886
Inform The Public, Policy Makers, and the CFPB's own Policy-Making with Data-Driven Analysis of Consumer Finance Markets and Consumer Behavior:		
Gross Costs	43,144,983	23,563,777
Net Inform The Public, Policy Makers, and the CFPB's own Policy-Making with Data-Driven Analysis of Consumer Finance Markets and Consumer Behavior	43,144,983	23,563,777
Advance the CFPB's Performance by Maximizing Resource Productivity & Enhancing Impact:		
Gross Costs	111,137,443	71,639,742
Net Advance the CFPB's Performance by Maximizing Resource Productivity & Enhancing Impact	111,137,443	71,639,742
Total Gross Program Costs	391,324,842	246,198,004
Net Cost of Operations (Note 10)	$ 391,324,842	$ 246,198,004

The accompanying notes are an integral part of these financial statements.

CONSUMER FINANCIAL PROTECTION BUREAU
STATEMENT OF CHANGES IN NET POSITION
For the Fiscal Years Ended September 30, 2013 and 2012
(In Dollars)

	2013	2012
Cumulative Results of Operations:		
Beginning Balances	$ 228,503,943	$ 96,472,664
Budgetary Financing Sources:		
Nonexchange Revenue		
Transfers from the Board of Governors of the Federal Reserve System	518,400,000	343,281,564
Civil Penalties	49,520,001	32,000,000
ILS Fees	146,900	156,760
Interest from Investments	204,345	94,851
Total Nonexchange Revenue	568,271,246	375,533,175
Other	10,089	721
Other Financing Sources (Non-Exchange):		
Transfers In/Out Without Reimbursement	-	433,146
Imputed Financing Sources	1,848,849	2,262,241
Total Financing Sources	570,130,184	378,229,283
Net Cost of Operations	(391,324,842)	(246,198,004)
Net Change	178,805,342	132,031,279
Cumulative Results of Operations - Funds from Dedicated Collections (consolidated totals) (Note 16)	407,309,285	228,503,943
Net Position	$ 407,309,285	$ 228,503,943

The accompanying notes are an integral part of these financial statements.

CONSUMER FINANCIAL PROTECTION BUREAU
STATEMENT OF BUDGETARY RESOURCES
For the Fiscal Years Ended September 30, 2013 and 2012
(In Dollars)

	2013	2012
Budgetary Resources:		
Unobligated Balance Brought Forward, October 1	$ 131,568,070	$ 47,719,902
Recoveries of Prior Year Unpaid Obligations	8,750,005	8,103,573
Unobligated balance from prior year budget authority, net	140,318,075	55,823,475
Funds Available for Obligation	568,288,019	375,504,321
Spending authority from offsetting collections	84,614	-
Total Budgetary Resources	$ 708,690,708	$ 431,327,796
Status of Budgetary Resources:		
Obligations Incurred (Note 11)	$ 538,759,116	$ 299,759,726
Unobligated balance, end of year:		
Exempt from apportionment	169,931,592	131,568,070
Total Budgetary Resources	$ 708,690,708	$ 431,327,796
Change in Obligated Balance:		
Unpaid obligations:		
Unpaid Obligations, brought forward, October 1	$ 109,033,128	$ 51,583,044
Obligations Incurred	538,759,116	299,759,726
Outlays (gross)	(356,591,467)	(234,206,069)
Recoveries of prior year unpaid obligations (-)	(8,750,005)	(8,103,573)
Unpaid obligations, end of year	$ 282,450,772	$ 109,033,128
Memorandum (non-add) entries:		
Obligated balance, start of year	$ 109,033,128	$ 51,583,044
Obligated balance, end of year	$ 282,450,772	$ 109,033,128
Budget Authority and Outlays, Net:		
Budget authority, gross	$ 568,372,633	$ 375,504,321
Actual offsetting collections	(84,614)	-
Budget Authority, net	$ 568,288,019	$ 375,504,321
Outlays, gross	$ 356,591,467	$ 234,206,069
Actual offsetting collections	(84,614)	-
Agency outlays, net	$ 356,506,853	$ 234,206,069

The accompanying notes are an integral part of these financial statements.

CONSUMER FINANCIAL PROTECTION BUREAU
STATEMENT OF CUSTODIAL ACTIVITY
For the Fiscal Years Ended September 30, 2013 and 2012
(In Dollars)

	2013	2012
Revenue Activity:		
Sources of Cash Collections:		
Disgorgement	$ 118,194	$ -
Miscellaneous	3,369	5,579
Total Cash Collections	121,563	5,579
Accrual Adjustments	6,638	2,553
Total Custodial Revenue	128,201	8,132
Disposition of Collections:		
Amounts Transferred to the Department of the Treasury	121,563	5,579
Increase/(Decrease) in Amounts Yet to be Transferred	6,638	2,553
Net Custodial Activity	$ -	$ -

The accompanying notes are an integral part of these financial statements.

Note 1: Summary of significant accounting policies

A. Reporting entity

The Bureau of Consumer Financial Protection, known as the Consumer Financial Protection Bureau (CFPB), was established on July 21, 2010 under Title X of the Dodd-Frank Wall Street Reform and Consumer Protection Act Public Law No. 111-203 (Dodd-Frank Act). The CFPB was established as an independent bureau within the Federal Reserve System. The Bureau is an Executive agency as defined in section 105 of Title 5, United States Code. Section 1017 of the Dodd-Frank Act provides that the CFPB financial statements are not to be consolidated with the financial statements of either the Board of Governors of the Federal Reserve or the Federal Reserve System.

The Dodd-Frank Act authorizes the CFPB to exercise its authorities to ensure that, with respect to consumer financial products and services:

a. Consumers are provided with timely and understandable information to make responsible decisions about financial transactions;
b. Consumers are protected from unfair, deceptive, or abusive acts and practices and from discrimination;
c. Outdated, unnecessary, or unduly burdensome regulations are regularly identified and addressed in order to reduce unwarranted regulatory burdens;
d. Federal consumer financial law is enforced consistently in order to promote fair competition; and
e. Markets for consumer financial products and services operate transparently and efficiently to facilitate access and innovation.

Under the Dodd-Frank Act, on the designated transfer date, July 21, 2011, certain authorities and functions of several agencies relating to Federal consumer financial law were transferred to the CFPB in order to accomplish the above objectives. These authorities were transferred from the Board of Governors of the Federal Reserve System (Board of Governors), Comptroller of the Currency (OCC), Office of Thrift Supervision (OTS), Federal Deposit Insurance Corporation (FDIC), National Credit Union Administration (NCUA), and the Department of Housing and Urban Development (HUD). In addition, Congress vested the Bureau with authority to enforce in certain circumstances the Federal

Trade Commission's (FTC) Telemarketing Sales Rule and its rules under the FTC Act, although the FTC retains full authority over these rules. The Dodd-Frank Act also provided the CFPB with certain other federal consumer financial regulatory authorities in addition to these transferred authorities.

To accomplish its mission, the CFPB is organized into six primary divisions/offices:

1. **Consumer Education and Engagement:** provides, through a variety of initiatives and methods, including offices on specific populations, information to consumers to allow them to make financial decisions that are best for them.

2. **Supervision, Enforcement and Fair Lending:** ensures compliance with Federal consumer financial laws by supervising market participants and bringing enforcement actions when appropriate.

3. **Research, Markets and Regulations:** conducts research to understand consumer financial markets and consumer behavior, evaluates whether there is a need for regulation, and determines the costs and benefits of potential or existing regulations.

4. **Legal Division:** ensures the Bureau's compliance with all applicable laws and provides advice to the Director and the Bureau's divisions.

5. **External Affairs:** manages the Bureau's relationships with external stakeholders and ensures that the Bureau maintains robust dialogue with interested stakeholders to promote understanding, transparency, and accountability.

6. **Operations, Chief Operating Officer:** builds and sustains the CFPB's operational infrastructure to support the entire organization and hears directly from consumers about challenges they face in the marketplaces through their complaints, questions, and feedback.

The CFPB workforce is spread across the country with its headquarters in Washington, D.C. and regional offices in Chicago, New York City, and San Francisco. The headquarters is temporarily spread across several locations within Washington, D.C., utilizing space pursuant to interagency agreements with the Department of the Treasury (Treasury), the OCC, and the Federal Housing Finance Agency (FHFA). In addition to its locations within Washington D.C., the CFPB also utilizes space pursuant to occupancy agreements with GSA for the regional offices in New York and San Francisco.

Additional information on the organizational structure and responsibilities of CFPB is available on CFPB's website at http://www.consumerfinance.gov/.

B. Basis of presentation

The CFPB's principal statements were prepared from its official financial records and general ledger in conformity with U.S. generally accepted accounting principles (GAAP) and generally tracks the general presentation guidance established by OMB Circular A-136, *Financial Reporting Requirements,* as revised. The financial statements are a requirement of the Dodd-Frank Act. The financial statements are in addition to the financial reports prepared by the CFPB, which are used to monitor and control budgetary resources. The financial statements have been prepared to report the financial position, net cost of operations, changes in net position, the status and availability of budgetary resources, and the custodial activities of the CFPB. Financial statements are presented on a comparative basis. During fiscal year 2013, the CFPB prepared and issued a strategic plan that contains four strategic goals and associated performance metrics. The strategic plan was designed to meet the objectives of the Government Performance and Results Act and help the CFPB measure its performance in fulfilling its responsibilities under the Dodd-Frank Act.

The newly adopted CFPB strategic goals result in the preparation of a Statement of Net Cost with four responsibility segments to report fiscal years 2013 and 2012 activity. The change from three responsibility segments to four has no impact to the overall total net cost of operations; consequently, fiscal year 2012 was reclassified into the new four responsibility segments. It is the same total net cost of operations allocated by direct and indirect costs to the four responsibility segments based on the strategic goals instead of the three responsibility segments based on the CFPB's organizational structure.

C. Basis of accounting

Transactions are recorded on both an accrual accounting basis and a budgetary basis. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal requirements and controls over the use of funds. The Statement of Custodial Activity is presented on the modified cash basis of accounting. Cash collections and amounts transferred to Treasury are reported on a cash basis. The change in receivables is reported on an accrual basis. The CFPB conforms to U.S. generally accepted accounting principles (GAAP) for federal entities as prescribed by the standards set forth by the Federal Accounting Standards Advisory Board (FASAB). FASAB is recognized by the American Institute of Certified Public Accountants as the body designated to establish GAAP for federal government entities. Certain assets, liabilities and costs have been classified as intragovernmental throughout the financial statements and notes. Intragovernmental assets and liabilities are those due from or to other federal entities. Intragovernmental costs are payments or accruals due to other federal entities. The CFPB has rights and ownership of all assets, except for custodial assets, reported in these financial statements. Custodial/Non-entity assets can result from CFPB enforcement actions that require the defendant to pay disgorgement as well as from the collection of Freedom of Information Act fees. Disgorgement is an equitable remedy that a court or the CFPB can impose in a judicial or administrative action to deprive defendants of their ill-gotten gains and to deter violations of Federal consumer financial laws. In addition, as further discussed in Note 1.R. and Note 18, the CFPB also administers certain funds in a fiduciary capacity.

D. Funding sources

The CFPB's funding is obtained primarily through transfers from the Board of Governors, interest earned on investments, and penalties and fees collected. The Dodd-Frank Act requires the CFPB to maintain an account with the Federal Reserve – the "Bureau of Consumer Financial Protection Fund" (Bureau Fund). The Director of the CFPB, or his designee, requests transfers from the Board of Governors in amounts necessary to carry out the authorities and operations of the Bureau. The Board of Governors transfers the funds into the Bureau Fund, which is maintained at the Federal Reserve Bank of New York (FRBNY). Bureau funds determined not needed to meet the current needs of the Bureau are invested in Treasury securities on the open market. Earnings from the investments are also deposited into this fund. The CFPB requests funds on a quarterly basis. The funds maintained at the FRBNY are reported in the financial statements and related notes and represent budget authority for CFPB.

The CFPB funding requests for the Bureau Fund are capped as follows:

The amount that shall be transferred to the Bureau in each fiscal year shall not exceed a fixed percentage of the total operating expenses ($4.98 billion) of the Federal Reserve System, subject to an annual inflation adjustment, as reported in the Annual Report, 2009, of the Board of Governors, equal to:

- In fiscal year 2011, up to 10 percent of these Federal Reserve System expenses (or approximately $498 million),
- In fiscal year 2012, up to 11 percent of these expenses (or approximately $547.8 million),
- In fiscal year 2013, up to 12 percent of these expenses (or approximately $597.6 million), and
- In fiscal year 2014 and beyond, the cap remains at 12 percent but will be adjusted annually based on the percentage increase in the employment cost index for total compensation for State and local government workers published by the Federal Government.

The Dodd-Frank Act explicitly provides that Bureau funds obtained by or transferred to the Bureau Fund are not Government funds or appropriated funds.

If the Director were to determine that the non-appropriated funds to which it is entitled under the Act are insufficient to carry out its responsibilities, the Act provides the potential for the CFPB also to obtain appropriated funds, up to a capped amount, in fiscal years 2011-2014. There has been no such determination at this time. In accordance with the Act and appropriations law requirements, further action would be required on the part of the Director and Congress in order for CFPB to obtain such appropriated funds.

The CFPB also collects filing fees from developers under the Interstate Land Sales Full Disclosure Act (ILSA). ILSA protects consumers from fraud and abuse in the sale or lease of land. On July 21, 2011, the responsibility for administering ILSA was transferred to the CFPB from HUD pursuant to the Dodd-Frank Act. The Dodd-Frank Act requires land developers to register subdivisions of 100 or more non-exempt lots and to provide each purchaser with a disclosure document called a Property Report. Developers must pay a fee when they register such subdivisions. While the CFPB continues to administer the legislation with respect to the transfer of these functions under the ILSA, and collect the fees, the fees are currently being deposited into an account maintained by Treasury. The fees collected may be retained and are available until expended for the purpose of covering all or part of the costs that the Bureau incurs for ILSA program operations.

Pursuant to the Dodd-Frank Act, the CFPB is also authorized to obtain civil penalties for violations of Federal consumer financial laws. The Act requires the CFPB to maintain a separate fund, known as the Consumer Financial Civil Penalty Fund (Civil Penalty Fund). Civil penalties are deposited into the Civil Penalty Fund established and maintained at the FRBNY. The Act authorizes the CFPB to use the Civil

Penalty Fund for payment to the victims of activities for which civil penalties have been imposed and, in certain circumstances, for consumer education and financial literacy programs. Amounts in the Civil Penalty Fund are available "without fiscal year limitation." The Civil Penalty Fund had its initial collections and deposits in fiscal year 2012.

The CFPB also recognizes imputed financing sources. An imputed financing source is recognized by the receiving entity for costs that are paid by other entities. The CFPB recognized imputed costs and financing sources in fiscal years 2013 and 2012 as prescribed by accounting standards. The CFPB recognizes as an imputed financing source the amount of pension and post-retirement benefit expenses for current employees that OCC and the Office of Personnel Management (OPM) has or will pay on the CFPB's behalf.

E. Use of estimates

The Bureau has made certain estimates and assumptions relating to the reporting of assets, liabilities, revenues, expenses, and the disclosure of contingent liabilities to prepare these financial statements. The estimates are based on current conditions that may change in the future. Actual results could differ from these estimates. Some of the significant transactions subject to estimates include costs regarding benefit plans for the CFPB employees that are administered by OPM, OCC and the Federal Reserve System, costs regarding payments to victims from the Civil Penalty Fund, and cost allocations among the programs on the Statement of Net Cost.

F. Funds from dedicated collections

FASAB's Statement of Federal Financial Accounting Standards (SFFAS) No. 27 "Identifying and Reporting Earmarked Funds" established certain disclosure requirements for funds defined as "earmarked." In June 2012, FASAB issued SFFAS No. 43, *Funds from Dedicated Collections: Amending Statement of Federal Financial Accounting Standards 27, Identifying and Reporting Earmarked Funds* (SFFAS 43). SFFAS 43 amendments include changing the term "earmarked funds" to "funds from dedicated collections." SFFAS 27, as amended by SFFAS 43, contains three requirements for funds to be considered funds from dedicated collection: (1) A statute committing the federal government to use specifically identified revenues and/or other financing sources that are originally provided to the federal government by a non-federal source only for designated activities, benefits or purposes; (2) Explicit authority for the fund to retain revenues and/or other financing sources not used in the current period for future use to finance the designated activities, benefits, or purposes; and (3) A requirement to account for and report on the receipt, use and retention of the revenues and/or other financing sources that distinguishes the fund from the federal government's general revenues.

Based on the standard's criteria, CFPB has determined that the Bureau Fund is a fund from dedicated collections due to its meeting the three required criteria – source of funds are from a non-federal source, explicit authority to retain funds for future use, and a requirement to account for and report on the funds receipt, use and retention separate from the federal government's general revenues. Further, the CFPB has determined based on the criteria of SFFAS Nos. 27 & 43 that the Civil Penalty Fund is also a fund from dedicated collections and has established a separate special fund to account for its activity. These funds, which also qualify as special funds, are discussed further in Note 1.H. below. SFFAS 43 is effective for fiscal year 2013 reporting beginning on October 1, 2012. Accordingly, the CFPB's comparative statements for fiscal years 2013 and 2012 are displayed consistent with the reporting requirements of SFFAS Nos. 27 & 43. See additional disclosure in Note 18 "Funds from Dedicated Collections."

G. Entity and non-entity assets

Entity assets are assets that the CFPB may use in its operations. This includes amounts where the CFPB management has the authority to decide how funds will be used. Non-Entity Assets are those assets that an agency holds on behalf of another Federal agency or on behalf of a third party and are not available for the agency's use. The CFPB's non-entity assets include cash from disgorgement payments made by defendants and collections from Freedom of Information Act fees as recorded in the Statement of Custodial Activity.

H. Fund balance with Treasury

The U.S. Treasury holds funds in the Treasury General Account for CFPB which are available to pay agency liabilities and to finance authorized purchase obligations. Treasury processes cash receipts, such as fees collected from the ILSA program, and makes `disbursements on CFPB's behalf. As discussed in Note 1.D. above, CFPB also maintains an account with the FRBNY known as the Bureau Fund. During the year, increases to the Bureau Fund are generally comprised of fund transfers from the Board of Governors and investment interest. These funds are available for transfer to CFPB's Fund Balance with Treasury. Also, as discussed above in Note 1.D., CFPB maintains an additional account at the FRBNY for the Civil Penalty Fund. These funds are also available for transfer to CFPB's Fund Balance with Treasury under a separate fund symbol from the Bureau Fund. CFPB's Fund Balance with Treasury for the activity described above is maintained in special funds. A special fund is established where the law requires collections to be used for a specific purpose, and the law neither authorizes the fund to conduct a cycle of business-type operations (making it a revolving fund) nor designates it as a trust fund.

CFPB also receives custodial revenues and fiduciary activity that are maintained in the Miscellaneous Receipts Fund of the U.S. Treasury, and a deposit fund respectively. The Miscellaneous Receipts fund holds non-entity receipts from custodial collections that the CFPB cannot deposit into funds under its control. This fund includes disgorgement deposits and any other miscellaneous funds collected (i.e., FOIA fees) that will be sent to the U.S. Treasury General Fund upon collection. Enforcement activity can result in CFPB receiving redress funds that are maintained in a deposit fund. Redress funds are held in a fiduciary capacity until CFPB can make payment directly to the harmed individuals or entities.

I. Investments

CFPB has the authority to invest the funds in the Bureau Fund account that are not required to meet the current needs of the Bureau. CFPB invests solely in U.S. Treasury securities purchased at a discount on the open market, which are normally held to maturity and carried at cost. CFPB selects investments with maturities suitable to its needs, currently three-month Treasury bills. Investments are adjusted for discounts. In accordance with GAAP, CFPB records the value of its investments in U.S. Treasury securities at cost and amortizes the discount on a straight-line basis over the term of the respective issues. Results under the straight line method approximate results under the interest method. Interest is credited to the Bureau Fund.

J. Accounts receivable

Accounts receivable consists of amounts owed to CFPB by the public. An allowance for uncollectible accounts receivable from the public is established when either (1) management determines that collection is unlikely to occur after a review of outstanding accounts and the failure of all collection efforts, or (2) an account for which no allowance has been established is submitted to Treasury for collection, which generally takes place when it becomes 180 days delinquent.

K. Property, Equipment, and Software, Net

Property, Equipment, and Software is recorded at historical cost. It consists of tangible assets and software. Under CFPB's property management policy, equipment acquisitions of $50,000 or more are capitalized and depreciated using the straight-line method (using a half year convention for the year assets are placed into service) over the estimated useful life of the asset. Similarly, internal use software, software purchased or developed to facilitate the operation of an entity's programs, is capitalized for software of $750,000 or more and depreciated using the straight-line method (using a half year convention) over the estimated useful life of the asset. Additionally, for bulk purchases of similar items, which individually do not meet the capitalization threshold, the acquisition is capitalized and depreciated if the depreciated basis of the bulk purchase is $250,000 or more. Applicable standard governmental guidelines regulate the disposal and convertibility of agency property and equipment.

The useful life classifications for capitalized assets are as follows:

PP&E Category	Useful Lives (years)
Laptop/Desktop Computers	3
Internal Use Software	5
Mainframe Computer System	7
Servers	7
Telecommunications Equipment	7
Furniture	8
Other Equipment	10

A leasehold (capital) improvement's useful life is equal to the remaining occupancy agreement term or the estimated useful life of the improvement, whichever is shorter. CFPB has no real property holdings or stewardship or heritage assets. Other property items, normal repairs, and maintenance are charged to expense as incurred.

L. Advances and Prepaid Charges

Advances and prepayments may occur as a result of reimbursable agreements, subscriptions, payments to contractors and employees, and payments to entities administering benefit programs for CFPB employees. Payments made in advance of the receipt of goods and services are recorded as advances or prepaid charges at the time of prepayment and recognized as expenses when the related goods and services are received.

M. Liabilities

Liabilities represent the amount of monies likely to be paid by CFPB as a result of transactions or events that have already occurred. Liabilities may be intragovernmental (claims against the CFPB by other Federal agencies) or with the public (claims against CFPB by an entity or person that is not a Federal agency). However, no liability can be paid if there is no funding. Liabilities for which funds are not available, therefore, are classified as not covered by budgetary resources. There is no certainty that the funding will be received. Additionally, the Government, acting in its sovereign capacity, can abrogate liabilities. Liabilities not covered by budgetary resources on the Balance Sheet are equivalent to amounts reported as components not requiring or generating resources on the Reconciliation of Net Cost to Budget.

The CFPB has determined that for the funds collected and deposited into the Civil Penalty Fund (CPF) , victims do not have ownership rights to those funds that the Federal government must uphold. Accordingly, until CFPB decides to allocate CPF monies to classes of victims, no liabilities exist. The estimated amount of the liabilities of the Civil Penalty Fund will be recorded based on the results of the defined allocation process. The measurement of the liability will be based on the amount allocated by the Fund Administrator via the Civil Penalty Fund allocation process. The amount allocated by the Fund Administrator may differ from the amount of uncompensated harm initially estimated based on the court order, settlement agreement, or documentation provided by the Office of Enforcement. The allocated amount may differ based on additional research and documentation obtained after the initial estimate was calculated.

N. Annual, Sick, and Other Leave

Annual leave, compensatory time, and credit hours earned by the Bureau's employees, but not yet used, are reported as accrued liabilities. The accrued balance is adjusted annually to current pay rates. The accrued leave, for which funding is not available, is recorded as an unfunded liability. Sick and other leave are expensed as taken.

O. Employee Benefits

CFPB employees can elect to enroll in various benefit programs – medical, vision, dental, long-term disability, life insurance, etc.

BENEFITS FOR EMPLOYEES TRANSFERRED PURSUANT TO THE DODD-FRANK ACT

The Dodd-Frank Act provided employees transferred from other agencies (Board of Governors, Federal Reserve Banks, OCC, OTS, FDIC, NCUA, and HUD) with the ability to continue participation in the transferring agency or bank's non-Title 5 benefit programs for one year from the CFPB transfer date of July 21, 2011. The transferring agencies continued to administer the non-Title 5 benefit programs for those transferred employees continuing participation in the transferring agencies' plans for the one-year period. Upon conclusion of the one-year period, the employees had the opportunity to enroll in Title 5 benefit programs and/or in non-Title 5 benefit programs sponsored by CFPB. Title 5 of the U.S. Code outlines benefit programs for the majority of the Federal workforce, which are typically administered by OPM. For those employees participating in the transferring agencies' programs, CFPB reimbursed the transferring agencies for the employer's contribution to the programs. CFPB also has reimbursed the transferring agencies for administrative costs pursuant to memoranda of understanding with the transferring agencies. These costs are reflected as expenses in CFPB's financial statements.

BENEFITS FOR EMPLOYEES NOT TRANSFERRED PURSUANT TO THE DODD-FRANK ACT

Employees not transferred to the Bureau pursuant to the Dodd-Frank Act may enroll in some benefit programs administered by OPM and also have the option to enroll in non-Title 5 benefit programs sponsored by CFPB in addition to, or in lieu of, OPM programs. For those employees participating in OPM's benefit programs, CFPB records the employer's contribution to those programs. For those employees participating in CFPB's non-Title 5 benefit programs, CFPB directly contracts with vendors to provide those services. The Bureau recognizes the employer's contributions for these benefits as the benefits are earned. All of these costs are reflected as expenses in CFPB's financial statements.

P. Pension costs and other retirement benefits

CFPB employees are enrolled in several retirement and pension programs and post-employment benefits in accordance with the Dodd-Frank Act.

EMPLOYEES TRANSFERRED FROM THE FEDERAL RESERVE, OCC, OTS, FDIC, AND HUD

The Dodd-Frank Act allowed employees transferred from OCC, OTS, FDIC, and HUD to continue participating in the pension or retirement plans in which they were enrolled at their transferring agency or to affirmatively elect, between January 21, 2012 and January 20, 2013, to join the Federal Reserve System Retirement Plan and the Federal Reserve System Thrift Plan. Many transferee employees from these agencies are in the traditional Title 5 retirement plans (Federal Employees Retirement System (FERS), Civil Service Retirement System (CSRS), or CSRS Offset); however, a few transferees from OTS are in a non-Title 5 plan (i.e., Pentegra Defined Benefit Plan). Transferees from the Federal Reserve were allowed to remain in the Federal Reserve System retirement program or to affirmatively elect into the appropriate Title 5 retirement plan during that same timeframe. For those employees who elected to enroll in an alternative retirement plan, the enrollment became effective in January 2013.

CFPB does not report on its financial statements information pertaining to the retirement plans covering its employees. Reporting amounts such as plan assets, accumulated plan benefits, and related unfunded liabilities, if any, is the responsibility of the Federal Reserve System, OCC, or OPM as the administrator of their respective plans. In all cases, CFPB pays any employer contributions required by the plans. Refer to the chart below for information on which agency administers each of the retirement plans for CFPB employees.

OCC, OTS, and FDIC also offered other agency-only savings plans to employees. Any transferees who participated in such plans are allowed to continue their participation as long as they remain enrolled in their current retirement plans. In such cases, CFPB pays any employer contributions. Employees who elect to enroll in the Federal Reserve System retirement plan will not be allowed to continue their participation in either the Title 5 Thrift Savings Plan or the OCC, OTS, and FDIC agency savings plans.

CFPB has also reimbursed the transferring agencies for administrative costs pursuant to memoranda of understanding with the transferring agencies. These costs are reflected as expenses in CFPB's financial statements.

ALL OTHER EMPLOYEES OF CFPB

Employees hired with prior Title 5 Federal Retirement System coverage who are not transferees under the Dodd Frank Act may remain enrolled in the appropriate retirement programs administered by OPM – CSRS, CSRS Offset, or FERS. These employees alternatively have the option to enroll in the Federal Reserve System retirement plans. CFPB began providing these new employees the opportunity to enroll in the Federal Reserve retirement system plans beginning in November 2011. For those employees electing to enroll in the Federal Reserve System's retirement plans, the enrollment becomes effective at the beginning of the pay period following receipt of their written election decision. New employees with no previous coverage under a Title 5 retirement plan are automatically enrolled in the Federal Reserve System's retirement plans. CFPB pays the employer's contribution into those plans.

TABLE 20: PENSION/RETIREMENT PLANS FOR CFPB EMPLOYEES

Name	Administering Agency
Federal Reserve System Retirement Plan (FRSRP)	Federal Reserve System
Federal Reserve System Thrift Plan	Federal Reserve System
Pension Enhancement Plan for Officers of the Board of Governors of the Federal Reserve System	Federal Reserve System
Retirement Plan for Employees of the Federal Reserve System Benefits Equalization Plan[1]	Federal Reserve System
Retirement Plan for Employees of the Federal Reserve System Benefits Equalization Plan for Section 415 Excess Benefits	Federal Reserve System
Thrift Plan for Employees of the Federal Reserve System Benefits Equalization Plan[1]	Federal Reserve System
Civil Service Retirement System (CSRS)	OPM
CSRS Offset	OPM
Federal Employees Retirement System (FERS)	OPM
Thrift Savings Plan	Federal Retirement Thrift Investment Board
FDIC Savings Plan	FDIC

OCC 401(k)	OCC
OTS 401(k)	OCC
OTS Deferred Compensation Plan	OCC
Pentegra Defined Benefit Plan (OTS)	OCC (administration is through Pentegra)

[1] This retirement program does not have any CFPB participants for fiscal years 2012 or 2013.

The Bureau does not have a separate pension or retirement plan distinct from the plans described above. CFPB expenses its contributions to the retirement plans of covered employees as the expenses are incurred. CFPB reported imputed costs (not paid by CFPB) with respect to retirement plans (OPM-administered), health benefits and life insurance (for employees retiring under Title 5 retirement plans; OPM-administered) pursuant to guidance received from OPM. These costs are paid by OPM. Disclosure is intended to provide information regarding the full cost of CFPB's program in conformity with GAAP. CFPB, however, records expenses for the post-retirement health benefits (i.e., health benefits also OPM-administered) for those employees retiring under the Federal Reserve System retirement plans. These costs are not imputed costs with OPM. The associated liabilities for these post-retirement health benefits are incorporated as part of the line item on the Balance Sheet for Benefits Payable.

The Bureau recognizes the employer's contributions for the retirement plans administered by the Federal Reserve. The Bureau is responsible for transferring to the Federal Reserve both the employer's contributions and the employee's contributions that the Bureau has collected from employees. Under section 1013(a)(3)(C) of the Dodd-Frank Act, CFPB is required to pay an employer contribution to the FRSRP in an amount established by the employer contribution under the Federal Employees Retirement System – currently 11.9 percent of salary. For fiscal years 2013 and 2012 those amounts were $13.1 and $6.5 million, respectively.

Consistent with the disclosures in the financial statements of the Board of Governors of the Federal Reserve System, the FRSRP provides retirement benefits to employees of the Board, the Reserve Banks and certain employees of the CFPB. The FRBNY, on behalf of the Federal Reserve System, recognizes the net assets and costs associated with the System Plan in its financial statements. Consistent with provisions of a single-employer plan, costs associated with the System Plan are aggregated by the FRBNY on behalf of the Federal Reserve Systems and were not redistributed to individual entities (e.g., CFPB). Accordingly, the CFPB cannot report the full cost of the plan benefits applicable to CFPB employees. Please see the Federal Reserve Banks Combined Financial Statements for the net assets and costs associated with the System Plan (www.federalreserve.gov/publications/annual-report/files/2012-annual-report.pdf).

Q. Commitments and Contingencies

A commitment is a preliminary action that reserves available funds until an obligation is made which will result in a legal liability of the U.S. government. Examples of a commitment include purchase requisitions or unsigned contracts.

Liabilities are deemed contingent when the existence or amount of the liability cannot be determined with certainty pending the outcome of future events. Contingencies are recognized on the balance sheet and statement of net cost when the liability is probable and can be reasonably estimated. Contingencies are disclosed in the notes to the financial statements when there is a reasonable possibility of a loss from the outcome of future events or when there is a probable loss that cannot be reasonably estimated. See Note 9 for additional information.

R. Fiduciary activities

The Dodd-Frank Act, section 1055 authorizes the 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. Fiduciary assets are not assets of the CFPB and are not recognized on the balance sheet. See Note 18, Fiduciary Activities.

S. Custodial activities

Under section 1055 of the Dodd-Frank Act, the CFPB may obtain disgorgement for violations of Federal consumer law. Disgorgement paid by the defendant is treated by CFPB as a custodial activity. CFPB will report those disgorged deposits and any other miscellaneous funds collected (i.e., FOIA fees) on the Statement of Custodial Activity.

Note 2: Fund balance with Treasury

Fund Balance with Treasury account balances as of September 30, 2013 and September 30, 2012 were as follows:

	2013	2012
Fund Balances:		
Special Fund	$ 26,764,046	$ 21,623,999
General Fund	-	-
Total	$ 26,764,046	$ 21,623,999
Status of Fund Balance with Treasury:		
Unobligated Balance		
Available	$ 169,931,592	$ 131,568,070
Obligated Balance Not Yet Disbursed	282,450,772	109,033,128
Investments at Cost	(343,773,005)	(186,664,915)
Cash Held Outside of Treasury (See Note 4)	(81,845,313)	(32,312,284)
Total	$ 26,764,046	$ 21,623,999

Unobligated Balance Available represents the amount of budget authority that can be used to enter into new obligations. This amount, or a portion thereof, may be administratively dedicated for specific purposes that have not yet been obligated. The Obligated Balance Not Yet Disbursed represents amounts designated for payment of goods and services ordered but not received or goods and services received but for which payment has not yet been made.

Note 3. Investments

As discussed further in Note 4, at the direction of the CFPB, the FRBNY invests the portion of the Bureau Fund that is not required to meet the current needs of the Bureau. When directed by CFPB, the FRBNY will utilize the funds available to purchase investments on the open market. At this time, CFPB only invests in three month U.S. Treasury bills. The market value is determined by the secondary U.S. Treasury market and represents the value an individual investor is willing to pay for these securities, as of September 30, 2013 and September 30, 2012.

Investments as of September 30, 2013 consist of the following:

	Cost	Amortization Method	Amortized Discount	Interest Receivable	Investments Net	Market Value Disclosure
Intragovernmental Securities:						
Marketable	343,773,005	Straight-Line	24,081	-	343,797,086	343,797,757
Total	$ 343,773,005		$ 24,081	$ -	$ 343,797,086	$ 343,797,757

Investments as of September 30, 2012 consist of the following:

	Cost	Amortization Method	Amortized Discount	Interest Receivable	Investments Net	Market Value Disclosure
Intragovernmental Securities:						
Marketable	186,664,915	Straight-Line	30,765	-	186,695,680	186,694,746
Total	$ 186,664,915		$ 30,765	$ -	$ 186,695,680	$ 186,694,746

Note 4. Cash and other monetary assets

CFPB has both cash and investments held outside of Treasury. When transfers are made from the Board of Governors to CFPB, the funds are deposited into an account held within the FRBNY referred to as the Bureau Fund. The account has a required minimum balance of $250,000 and any funds in excess of this minimum are invested in Treasury securities in increments of $100,000 by the FRBNY utilizing an automatic investment process based on direction from CFPB. CFPB requests cash disbursement from the Bureau Fund to the CFPB's Fund Balance with Treasury based on projections of future cash outlays.

Funds obtained by, transferred to, or credited to the Bureau Fund are immediately available to CFPB and under the control of the Director, and shall remain available until expended, to pay for the expenses of the Bureau in carrying out its duties and responsibilities. Any civil penalty obtained from any person in any judicial or administrative action under Federal consumer financial laws is deposited into the Civil Penalty Fund. Amounts in the Civil Penalty Fund are immediately available to CFPB and under the control of the Director, and shall remain available until expended, for payments to victims of activities for which civil penalties have been imposed. To the extent that such victims cannot be located or such payments are otherwise not practicable, the Bureau may use funds in the Civil Penalty Fund for the purpose of consumer education and financial literacy programs.

In enforcement actions and proceedings under Federal consumer financial laws, a court or the CFPB may order any appropriate legal or equitable relief for a violation of Federal consumer financial law. Relief provided may include certain types of monetary relief, including refunds, restitution, disgorgement, and civil penalties. The CFPB deposits civil penalties it obtains in these judicial and administrative actions into the Civil Penalty Fund. The CFPB makes biannual allocations from the Civil Penalty Fund. As of September 30, 2013, the cash balance in the Civil Penalty Fund was $81,520,001. Of this amount, the CFPB had allocated $10,488,815 in compensable harm to victims, $13,380,000 for consumer education and financial literacy programs, and $1, 573,332 in administrative costs. On November 29, 2013, the CFPB completed its second allocation from the Civil Penalty Fund in which the CFPB allocated $2,557,231 in compensable harm to victims. Following the second allocation, the CFPB has allocated a total of $13,046,046 for victim compensation which is reported as a liability and displayed as "Civil Penalty Fund Allocation" on the balance sheet as of September 30, 2013. The cash balance in the Civil Penalty Fund available for future allocation, for amounts collected prior to September 30, 2013, is $53,520,633.

Funds obtained by or transferred to the Bureau Fund shall not be construed to be Government funds or appropriated monies. Funds in the Bureau Fund and the Civil Penalty Fund are not subject to apportionment for purposes of chapter 15 Title 31, United States Code, or under any other authority. Account balances as of September 30, 2013 and September 30, 2012:

	2013	2012
Cash		
Cash Held in the Bureau Fund at the Federal Reserve	325,312	312,284
Cash Held in the Civil Penalty Fund at the Federal Reserve	81,520,001	32,000,000
Total Cash and Other Monetary Assets	$ 81,845,313	$ 32,312,284

Note 5: Property, equipment and software, net

Schedule of Property, Equipment, and Software as of September 30, 2013 consist of the following:

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Furniture & Equipment	8,320,022	2,485,208	5,834,814
Internal Use Software	12,576,978	1,834,265	10,742,713
Leashold (Capital) Improvement-in-Development	6,075,513	N/A	6,075,513
Software-in-Development	5,031,437	N/A	5,031,437
Total	$ 32,003,950	$ 4,319,473	$ 27,684,477

Schedule of Property, Equipment, and Software as of September 30, 2012 consist of the following:

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Furniture & Equipment	3,496,961	1,235,797	2,261,164
Internal Use Software	4,171,747	612,949	3,558,798
Total	$ 7,668,708	$ 1,848,746	$ 5,819,962

Note 6: Advances & prepayments

Advances and Prepayment balances as of September 30, 2013 and September 30, 2012 were as follows:

	2013	2012
Intragovernmental		
Advances and Prepayments	$ 4,993,642	$ 4,463,881
Total Intragovernmental Other Assets	$ 4,993,642	$ 4,463,881
With the Public		
Advances and Prepayments	$ 749,699	$ 14,666,795
Total Public Other Assets	$ 749,699	$ 14,666,795

The prepayment as of September 30, 2012, primarily represents a one-time payment by CFPB of $14.4 million to the Federal Reserve System for the Federal Reserve System retirement plans to cover the time in service for employees that transferred to CFPB under Section 1064 of the Dodd-Frank Act. Pursuant to Section 1064 of the Dodd-Frank Act, employees transferred to CFPB may enroll in the Federal Reserve System Retirement Plan and Federal Reserve System Thrift Plan. If the transferred employee chooses to enroll in these plans, CFPB has to transfer to the Federal Reserve System Retirement Plan an amount determined by the Board of Governors in consultation with CFPB to reimburse the Federal Reserve System Retirement Plan for the costs of providing the transferred employees' benefits under this plan. The $14.4 million payment was based on a projection of CFPB employees likely to enroll in the Federal Reserve System Retirement Plan. The amount was calculated using actuarial assumptions. This prepayment was liquidated during fiscal year 2013 when the employees transferred to the CFPB elected into their respective retirement plans in accordance with the Act. A memorandum of understanding between the Board of Governors and the Bureau established that the Board of Governors would provide the Bureau a final cost estimate for this payment by September 30, 2014.

The intragovernmental advance balances of nearly $5.0 million and $4.5 million for FY 2013 and FY 2012 respectively, represent funds advanced to the Department of the Treasury for services provided by the working capital fund and funds advanced to FHFA for the development & maintenance of a joint National Mortgage Database. Other prepayments include subscriptions and other miscellaneous items.

Note 7: Other liabilities

Other liabilities as of September 30, 2013 and September 30, 2012 consist of the following:

	2013	2012
Intragovernmental Liabilities		
FECA Liability	$ 46,110	$ 420
Payroll Taxes Payable	215,510	391,406
Custodial Liability	9,191	2,553
Total Intragovernmental Liabilities	$ 270,811	$ 394,379
With the Public		
Employee Withholdings	$ 864	$ 13,882
Total Public Liabilities	$ 864	$ 13,882

All other liabilities are considered current liabilities.

Note 8: Liabilities not covered by budgetary resources

Liabilities not covered by budgetary resources as of September 30, 2013 and September 30, 2012 consist of the following:

	2013	2012
Intragovernmental		
FECA	$ 46,110	$ 420
Benefits Payable	6,097,058	2,076,669
With the Public		
Unfunded Leave	11,939,809	7,767,225
Total Liabilities Not Covered by Budgetary Resources	18,082,977	9,844,314
Total Liabilities Covered by Budgetary Resources	60,496,884	27,255,994
Total Liabilities	$ 78,579,861	$ 37,100,308

As described in Note 1.O., other liabilities include costs for post-retirement benefits for CFPB employees retiring under the Federal Reserve retirement plans.

Note 9: Commitments and contingencies

As described in Note 6, CFPB is responsible for reimbursing the Federal Reserve Retirement Plan for certain costs related to employees, transferred to CFPB under Section 1064 of the Dodd Frank Act, that enroll in the Plan. As described in Note 5, the CFPB as of September 30, 2012 had a $14.4 million advance with the Federal Reserve System to cover the time in service for employees that transferred to the CFPB. After liquidating that advance during fiscal year 2013, CFPB anticipates that it may have a contingency liability of an unknown amount to cover the time in service for the transferees that elected into the Federal Reserve Retirement Plan due to the differences between the actual transferees and the estimates used for the original estimate calculated in FY 2011. As of September 30, 2013, the $14.4 million was still the best estimate available. A memorandum of understanding between the Board of Governors and the Bureau established that the Board of Governors would provide the Bureau a final cost estimate for this payment by September 30, 2014.

The Civil Penalty Fund Administrator made the second allocation from the Civil Penalty Fund on November 29, 2013. At that time, the Fund Administrator determined that there were four cases with classes of victims who are eligible for payment from the Civil Penalty Fund but whose uncompensated harm cannot be estimated at this time. The CFPB deems future outflow of resources to these classes of victims as probable, but not estimable. Therefore, no amounts were accrued in the financial statements for those cases.

Note 10: Intragovernmental costs

During fiscal year 2013, the CFPB prepared and issued a strategic plan that contains four strategic goals and associated performance metrics. The strategic plan was designed to meet the objectives of the Government Performance and Results Act and help CFPB measure its performance in fulfilling its responsibilities under the Dodd-Frank Act.

The newly adopted CFPB strategic goals result in the preparation of a Statement of Net Cost with four responsibility segments to report fiscal years 2013 and 2012 activity. The change from three responsibility segments to four has no impact to the overall total net cost of operations; consequently, fiscal year 2012 was reclassified into the four new responsibility segments. It is the same total net cost of operations allocated by direct and indirect costs to the four responsibility segments based on the strategic goals instead of the three responsibility segments based on the CFPB's organizational structure.

The corresponding note disclosure is also displayed in the respective format consistent with the Statement of Net Cost for fiscal years 2013 and 2012.

Intragovernmental costs represent goods and services provided between two reporting entities within the Federal government, and are in contrast to those with non-federal entities (the public).

Such costs for fiscal years 2013 and 2012 are summarized as follows:

(In Dollars)	2013	2012
Prevent Financial Harm to Consumers While Promoting Good Practices That Benefit Them		
Intragovernmental Costs	$ 35,736,563	$ 32,423,121
Public Costs	130,384,278	80,191,478
Total Program Costs	166,120,841	112,614,599
Net Prevent Financial Harm to Consumers While Promoting Good Practices That Benefit Them Cost	166,120,841	112,614,599
Empower Consumers to Live Better Financial Lives		
Intragovernmental Costs	15,256,926	11,050,039
Public Costs	55,664,649	27,329,847
Total Program Costs	70,921,575	38,379,886
Net Empower Consumers to Live Better Financial Lives Cost	70,921,575	38,379,886
Inform The Public, Policy Makers, and the CFPB's own Policy-Making with Data-Driven Analysis of Consumer Finance Markets and Consumer Behavior		
Intragovernmental Costs	9,281,517	6,784,300
Public Costs	33,863,466	16,779,477
Total Program Costs	43,144,983	23,563,777
Net Inform The Public, Policy Makers, and the CFPB's own Policy-Making with Data-Driven Analysis of Consumer Finance Markets and Consumer Behavior Cost	43,144,983	23,563,777
Advance the CFPB's Performance by Maximizing Resource Productivity & Enhancing Impact		
Intragovernmental Costs	23,908,320	20,625,959
Public Costs	87,229,123	51,013,783
Total Program Costs	111,137,443	71,639,742
Net Advance the CFPB's Performance by Maximizing Resource Productivity & Enhancing Impact Cost	111,137,443	71,639,742
Total Intragovernmental Costs	84,183,326	70,883,419
Total Public Costs	307,141,516	175,314,585
Total Program Costs	391,324,842	246,198,004
Total Program Net Cost	$ 391,324,842	$ 246,198,004

Note 11: Apportionment categories of obligations incurred

All obligations incurred are characterized as Category C, Exempt from apportionment (i.e., not apportioned), on the Statement of Budgetary Resources. Obligations incurred and reported in the Statement of Budgetary Resources in fiscal years 2013 and 2012 consisted of the following:

	2013	2012
Direct Obligations, Category C	$ 538,759,116	299,759,726
Total Obligations Incurred	$ 538,759,116	$ 299,759,726

Note 12: Undelivered orders at the end of the period

Statement of Federal Financial Accounting Standards No. 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, states that the amount of budgetary resources obligated for undelivered orders at the end of the period should be disclosed. CFPB's Undelivered Orders represent obligated amounts designated for future payment of goods and services ordered but not received.

Orders as of September 30, 2013 and September 30, 2012 were as follows:

	2013	2012
Undelivered Orders at the End of the Period	$ 235,009,127	$ 81,779,687
Total Undelivered Orders at the End of the Period	$ 235,009,127	$ 81,779,687

Note 13: Reconciliation of net cost to budget

CFPB has reconciled its budgetary obligations and non-budgetary resources available to its net cost of operations for the periods ended September 30, 2013 and September 30, 2012.

CONSUMER FINANCIAL PROTECTION BUREAU
RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET
For the Fiscal Years Ended September 30, 2013 and 2012
(In Dollars)

(In Dollars)	2013	2012
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	$ 538,759,116	$ 299,759,726
Less: Spending Authority From Offsetting Collections and Recoveries	(8,834,619)	(8,103,573)
Net Obligations	529,924,497	291,656,153
Other Resources		
Transfers in/out Without Reimbursement	-	433,146
Imputed Financing From Costs Absorbed By Others	1,848,849	2,262,241
Net Other Resources Used to Finance Activities	1,848,849	2,695,387
Total Resources Used to Finance Activities	531,773,346	294,351,540
Resources Used to Finance Items Not Part of the Net Cost of Operations:		
Change In Budgetary Resources Obligated For Goods, Services and Benefits Ordered But Not Yet Provided	(139,842,104)	(49,953,789)
Resources That Finance the Acquisition of Assets	(24,335,242)	(5,085,710)
Total Resources Used to Finance Items Not Part of Net Cost of Operations	(164,177,346)	(55,039,499)
Total Resources Used to Finance the Net Cost of Operations	367,596,000	239,312,041
Components of the Net Cost of Operations That Will Not Require or Generate Resources in the Current Period:		
Components Requiring or Generating Resources in Future Periods		
Increase In Annual Leave Liability	4,172,585	3,784,940
Civil Penalty Fund Allocation	13,046,046	-
Increase In Post Retirement Health Benefits	4,020,389	2,076,669
Other	45,690	420
Total Components of Net Cost of Operations That Will Require or Generate Resources In Future Periods	21,284,710	5,862,029
Components Not Requiring or Generating Resources		
Depreciation and Amortization	2,470,726	1,035,964
Other	(26,594)	(12,030)
Total Components of Net Cost of Operations That Will Not Require or Generate Resources	2,444,132	1,023,934
Total Components of Net Cost of Operations That Will Not Require or Generate Resources In The Current Period	23,728,842	6,885,963
Net Cost of Operations	$ 391,324,842	$ 246,198,004

Note 14: President's Budget

Statement of Federal Financial Accounting Standards No. 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, requires explanations of material differences between amounts reported in the Statement of Budgetary Resources and the actual balances published in the Budget of the United States Government (President's Budget). However, the President's Budget that will include fiscal year 2013 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2014 and can be found at the OMB Web site: *http://www.whitehouse.gov/omb/*. The 2014 Budget of the United States Government, with the "Actual" column completed for 2012, has been reconciled to the 2012 Statement of Budgetary Resources and there were no material differences.

	Budgetary Resources	Obligations Incurred	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	$ 431,327,796	$ 299,759,726	$ -	$ 234,206,069
Rounding	672,204	240,274	-	(206,069)
Budget of U.S. Government	432,000,000	300,000,000	-	234,000,000
Total Unreconciled Difference	$ -	$ -	$ -	$ -

Note 15: Rental payments for space

For all Interagency Agreements the CFPB enters into with another Federal Agency, the CFPB records the rental payments based on the stated monthly amount due in the occupancy agreement.

DESCRIPTION OF AGREEMENT

Interagency agreement with the Department of the Treasury's Office of the Comptroller of the Currency (OCC) for space to accommodate the CFPB staff assigned to its headquarters in Washington, DC. The occupancy agreement with OCC covers use of the premises for a period of 20 years expiring on February 16, 2032 with two optional five (5) year renewal periods expiring February 16, 2037 and 2042 respectively. The annual rent shall escalate two percent each year.

Future Payments Due:

Fiscal Year	Buildings
2014	$ 11,585,882
2015	11,820,408
2016	12,059,625
2017	12,303,626
2018	12,552,507
2019 through February 17, 2032	194,542,221
Total Future Payments	$254,864,269

DESCRIPTION OF AGREEMENT

Interagency agreement with the Federal Housing Finance Agency (FHFA) for supplies, services and the use of space at 1625 I Street, N.W., Washington D.C. The interagency agreement is for 3 years and 3 months expiring on June 30, 2015. The annual rent shall escalate four percent each year.

Future Payments Due:

Fiscal Year	Buildings
2014	$ 2,992,131
2015	2,318,608
Total Future Payments	$ 5,310,739

DESCRIPTION OF AGREEMENT

Occupancy Agreement (OA) between the CFPB and the General Services Administration for supplies, services and the use of space at 301 Howard Street, San Francisco, California. The OA is for a period of 54 months expiring December 16, 2017. The rent is to be adjusted annually for operating cost and real estate taxes.

Future Payments Due:

Fiscal Year	Buildings
2014	$ 899,762
2015	934,515
2016	1,003,488
2017	1,026,498
2018	257,577
Total Future Payments	$ 4,121,840

DESCRIPTION OF AGREEMENT

Occupancy Agreement (OA) between the CFPB and the General Services Administration for supplies, services and the use of space at 140 East 45th Street, New York, NY. The OA is for a period of 120 months expiring September 28, 2023. The rent is to be adjusted annually for operating cost and real estate taxes.

Future Payments Due:

Fiscal Year	Buildings
2014	1,111,426
2015	1,120,401
2016	1,129,645
2017	1,139,166
2018	1,148,974
After 5 Years through 2023	6,412,417
Total Future Payments	$ 12,062,029

Note 16: Funds from dedicated collections

Provided below is summary consolidated component entity information for CFPB's two primary funds from dedicated collections -- the Bureau Fund and the Civil Penalty Fund. Custodial collections (disgorgement paid and FOIA fees collected) reside in non-budgetary FBWT accounts and are excluded from this presentation.

	Bureau Fund	Civil Penalty Fund	FY 2013
A. Fund Balances & Status of Funds:			
Fund Balances:			
Special Fund	$ 26,764,046	$ -	$ 26,764,046
Total	$ 26,764,046	$ -	$ 26,764,046
Status of Fund Balance with Treasury:			
Unobligated Balance			
Available	$ 88,437,750	$ 81,493,842	$ 169,931,592
Obligated Balance Not Yet Disbursed	282,424,613	26,159	282,450,772
Investments at Cost	(343,773,005)	-	(343,773,005)
Cash Held Outside of Treasury	(325,312)	(81,520,001)	(81,845,313)
Total	$ 26,764,046	$ -	$ 26,764,046
B. Summary Assets, Liabilities, and Net Position:			
Assets:			
Total Intragovernmental	$ 375,554,774	$ -	$ 375,554,774
Cash and Other Monetary Assets	325,312	81,520,001	81,845,313
Other	28,489,059	-	28,489,059
Total Summary Assets	$ 404,369,145	$ 81,520,001	$ 485,889,146
Liabilities and Net Position:			
Total Liabilities	$ 65,533,815	$ 13,046,046	$ 78,579,861
Cumulative Results of Operations	338,835,330	68,473,955	407,309,285
Total Liabilities & Net Position	$ 404,369,145	$ 81,520,001	$ 485,889,146
C. Summary Statement of Net Cost:			
Total Gross Program Costs	$ 378,278,796	$ 13,046,046	$ 391,324,842
Net Cost of Operations	$ 378,278,796	$ 13,046,046	$ 391,324,842
D. Summary Statement of Changes in Net Position:			
Net Position Beginning of Period	$ 196,503,943	$ 32,000,000	$ 228,503,943
Total Financing Sources	520,610,183	49,520,001	570,130,184
Net Cost of Operations	(378,278,796)	(13,046,046)	(391,324,842)
Change in Net Position	142,331,387	36,473,955	178,805,342
Net Position End of Period	$ 338,835,330	$ 68,473,955	$ 407,309,285

	Bureau Fund	Civil Penalty Fund	FY 2012
A. Fund Balances & Status of Funds:			
Fund Balances:			
Special Fund	$ 21,623,999	$ -	$ 21,623,999
Total	$ 21,623,999	$ -	$ 21,623,999
Status of Fund Balance with Treasury:			
Unobligated Balance			
Available	$ 99,568,070	$ 32,000,000	$ 131,568,070
Obligated Balance Not Yet Disbursed	109,033,128	-	109,033,128
Investments at Cost	(186,664,915)	-	(186,664,915)
Cash Held Outside of Treasury	(312,284)	(32,000,000)	(32,312,284)
Total	$ 21,623,999	$ -	$ 21,623,999
B. Summary Assets, Liabilities, and Net Position:			
Assets:			
Total Intragovernmental	$ 212,783,560	$ -	$ 212,783,560
Cash and Other Monetary Assets	312,284	32,000,000	32,312,284
Other	20,508,407	-	20,508,407
Total Summary Assets	$ 233,604,251	$ 32,000,000	$ 265,604,251
Liabilities and Net Position:			
Total Liabilities	$ 37,100,308	$ -	$ 37,100,308
Cumulative Results of Operations	196,503,943	32,000,000	228,503,943
Total Liabilities & Net Position	$ 233,604,251	$ 32,000,000	$ 265,604,251
C. Summary Statement of Net Cost:			
Total Gross Program Costs	$ 246,198,004	$ -	$ 246,198,004
Net Cost of Operations	$ 246,198,004	$ -	$ 246,198,004
D. Summary Statement of Changes in Net Position:			
Net Position Beginning of Period	$ 96,472,664	$ -	$ 96,472,664
Total Financing Sources	346,229,283	32,000,000	378,229,283
Net Cost of Operations	(246,198,004)	-	(246,198,004)
Change in Net Position	100,031,279	32,000,000	132,031,279
Net Position End of Period	$ 196,503,943	$ 32,000,000	$ 228,503,943

Note 17: Subsequent events

Since October 2013, the CFPB has entered into five Consent Orders with five entities for violations of Federal consumer financial law. The Orders required the entities collectively to pay in total $9.2 million of CFPB administrated redress to the Legal or Equitable Relief Fund and $10.8 million in civil monetary penalties to the CFPB's Civil Penalty Fund. The Orders were agreed to, and the amounts ordered were either paid or recorded as an accounts receivable, in fiscal year 2014.

Note 18: Fiduciary activities

Section 1055 of the Dodd-Frank Act authorizes the 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. Funds paid as relief that is intended to compensate victims of violations are treated as fiduciary funds and deposited into the "Legal or Equitable Relief Fund" established at the Department of the Treasury. Fiduciary assets are not assets of the CFPB. The victims have an ownership interest in the cash or other assets held by the CFPB under provision of law, regulation, or other fiduciary arrangement

During fiscal years 2013 and 2012, the CFPB had the following fiduciary activity:

CONSUMER FINANCIAL PROTECTION BUREAU
SCHEDULE OF FIDUCIARY ACTIVITY
For the Year Ended September 30, 2013 and 2012
(In Dollars)

	2013 Consumer Financial Legal or Equitable Relief Fund	2012
Fiduciary Net Assets, Beginning of Year		
Fiduciary Revenues	$ 122,804	$ -
Administrative Expenses	-	
Disbursements to and on behalf of beneficiaries		
Increase/(Decrease) in Fiduciary Net Assets	122,804	-
Fiduciary Net Assets, End of Year	$ 122,804	$ -

CONSUMER FINANCIAL PROTECTION BUREAU
SCHEDULE OF FIDUCIARY ACTIVITY
As of September 30, 2013 and 2012
(In Dollars)

	2013 Consumer Financial Legal or Equitable Relief Fund	2012
Fiduciary Assets:		
Cash and Cash Equivalents	$ 122,804	$ -
Fiduciary Liabilities:		
Less: Liabilities	-	-
Total Fiduciary Net Assets	$ 122,804	$ -

2.3 Other information

The following Schedule of Spending presents an overview of the funds available for the CFPB to spend and how the CFPB spent these funds as of and for the fiscal year ended September 30, 2013. The financial data used to populate this schedule is the same underlying data used to populate the CFPB's Statement of Budgetary Resources.

CONSUMER FINANCIAL PROTECTION BUREAU
OTHER INFORMATION
SCHEDULE OF SPENDING
For the Years Ended September 30, 2013 and 2012
(In Dollars)

	2013	2012
What Money is Available to Spend?		
Resources -- Bureau Fund	$ 627,170,707	$ 399,327,796
Resources -- Civil Penalty Fund	81,520,001	32,000,000
Total Resources	708,690,708	431,327,796
Less Amount Available but Not Agreed to be Spent	(169,931,592)	(131,568,070)
Total Amounts Agreed to be Spent	$ 538,759,116	$ 299,759,726
How was the Money Spent?		
Personnel Compensation	$ 146,088,987	$ 97,150,587
Personnel Benefits	44,086,226	28,953,458
Benefits for Former Personnel	72,652	(430)
Travel and transportation of persons	12,979,842	9,553,830
Transportion of things	92,546	174,406
Rent, Communications, and utilities	3,122,222	178,809
Printing and reproduction	1,336,520	831,381
Other contractual services	116,628,726	87,614,529
Supplies and materials	3,671,031	2,215,477
Equipment	22,993,517	7,533,758
Land and structures	5,516,676	-
Interest and dividends	2,522	264
Total Spending	356,591,467	234,206,069
Unpaid obligations, end of year (gross)	282,450,772	109,033,128
Unpaid obligations, brought forward, October 1 (gross)	(109,033,128)	(51,583,044)
Recoveries of prior year unpaid obligations	8,750,005	8,103,573
Total Amounts Agreed to be Spent	$ 538,759,116	$ 299,759,726
Who did the Money go to?		
Federal	$ 237,421,195	$ 80,296,293
Non-Federal	301,337,921	219,463,433
Total Amounts Agreed to be Spent	$ 538,759,116	$ 299,759,726