

CFO update for the third quarter of fiscal year 2015

APRIL 1 – JUNE 30, 2015

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Bureau Fund

In the third quarter of fiscal year 2015 that ended on June 30, 2015, the Consumer Financial Protection Bureau (CFPB) had spent approximately \$432 million (including commitments and obligations)¹ to carry out the authorities of the Bureau under federal consumer financial laws. Approximately \$204 million was spent on employee compensation and benefits for the 1,478 CFPB employees employed by the end of the quarter.

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

- \$7.2 million for maintaining ongoing operations of CFPB's consumer contact center and case management database.
- \$5.3 million for enterprise-wide IT infrastructure, software design and development, and programming support.
- \$4.6 million for exercising a one-year option period on an occupancy agreement with the Federal Housing Finance Agency.
- \$2.7 million for bureau wide program management support services.
- \$1.2 million on an interagency agreement with the General Service Administration's Federal Citizen Information Center for the storing and shipping of CFPB's financial educational materials to consumers.
- \$1.1 million for IT systems hardware and peripherals related to electronic litigation systems and support.
- \$1.1 million with the Federal Housing and Finance Administration for the continued development and maintenance of the National Mortgage Database and the administration of related surveys.

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

Table 1: Fiscal Year 2015 spending by expense category through Q3:

Expense Category	Fiscal Year 2015
Personnel Compensation	141,782,000
Benefit Compensation	62,127,000
Travel	13,644,000
Transportation of Things	61,000
Rents, Communications, Utilities & Misc.	16,226,000
Printing and Reproduction	2,515,000
Other Contractual Services	158,659,000
Supplies & Materials	5,648,000
Equipment	28,714,000
Land and Structures	2,534,000
Interest and Dividends	0
Total (as of 6/30/15)	\$431,910,000

Table 2: Fiscal Year 2015 spending by division/program area through Q3:

Division/Program Area	Fiscal Year 2015
Office of the Director	6,153,000
Operations	86,841,000
Consumer Education & Engagement	23,146,000
Research, Markets & Regulations	26,562,000
Supervision, Enforcement, Fair Lending	108,962,000
Legal Division	9,778,000
External Affairs	5,165,000
Other Programs ²	2,104,000
Centralized Services ³	163,199,000
Total (as of 6/30/15)	\$431,910,000

FY 2015 Funds Transfers Received from the Federal Reserve

The CFPB is funded principally by transfers from the Federal Reserve System, up to the limits set forth in the Dodd-Frank Act. Funding from the Federal Reserve System for fiscal year 2015 is capped at \$618.7 million. As of June 30 2015, the CFPB received the following transfers for FY 2015. The amounts and dates of the transfers are shown below:

\$210.2M	October 15, 2014
\$91.6M	January 16, 2015
\$98.8M	April 13, 2015

Civil Penalty Fund

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

Civil Penalty Funds Collected in FY 2015:

In the third quarter (Q3), as of June 30, 2015, \$36 million was received from 13 defendants. Civil penalties collected in FY 2015 to date total \$83.7 million.

Table: FY 2015 Q1-Q3 Civil Penalty Fund Deposits

Defendant Name	Civil Penalty Collected	Collection Date
U.S. Bank	\$5,000,000	October 3, 2014
Lighthouse Title	\$200,000	October 3, 2014
Flagstar Bank, F.S.B.	\$10,000,000	October 9, 2014
M&T Bank	\$200,000	October 17, 2014
DriveTime	\$8,000,000	November 25, 2014
Premier Consulting Group, LLC et al. ⁴	\$69,075	December 12, 2014 March 5, 2015 June 3, 2015
Freedom Stores, Inc.	\$100,000	January 16, 2015
College Education Services	\$25,000	January 30, 2015
American Preferred Lending, Inc. ⁵	\$85,000	February 20, 2015 March 23, 2015 April 21, 2015
J.P. Morgan Chase (Genuine Title Matter)	\$500,000	February 18, 2015
Wells Fargo (Genuine Title Matter)	\$21,000,000	February 13, 2015
Todd & Elaine Cohen (Genuine Title)	\$30,000	February 20, 2015
Continental Finance Company, LLC	\$250,000	February 11, 2015
NewDay Financial, LLC	\$2,000,000	February 19, 2015
Flagship Financial Group, LLC	\$225,000	March 2, 2015
National Corrective Group, Inc.	\$50,000	April 7, 2015
RMK Financial	\$250,000	April 20, 2015
Southwest Tax Loans, Inc.	\$438,000	April 30, 2015
Green Tree Servicing, LLC	\$15,000,000	April 30, 2015
Regions Bank	\$7,500,000	April 30, 2015

Hoffman Law Group, et al. ⁶	\$2	May 12, 2015 May 18, 2015
Pay Pal, Inc. and Bill me Later, Inc.	\$10,000,000	May 29, 2015
Guarantee Mortgage Corporation	\$228,000	June 10, 2015
R P M Mortgage, Inc. et al ⁷	\$2,000,000	June 15, 2015
Union Workers Credit Services	\$70,000	June 23, 2015
Syndicated Office Systems, LLC	\$500,000	June 23, 2015
Total	\$83,720,077	

Civil Penalty Funds Allocated in FY 2015:

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

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

During Period 4, final orders in Bureau enforcement actions imposed civil penalties in 13 cases. For three cases with final orders from Period 4, the civil penalties were received after 9/30/14 and were not included as available funds for allocation in Period 4. Under the Civil Penalty Fund rule, the victims of the violations for which the civil penalties were imposed in these cases are eligible to receive payment from the Civil Penalty Fund to compensate their uncompensated harm. ⁸

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

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

Period 4 Allocation Summary:

Victim Compensation: \$112,776,305

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

Consumer Education and Financial Literacy Programs: \$0

Total Allocation: \$112,776,305

There was no remaining unallocated Civil Penalty Fund balance available for future allocation. Civil penalties collected on or after September 30, 2014 were deposited in the Fund. The amount in the Fund as of March 31, 2015 was available for allocation following the conclusion of Period 5 in accordance with 12 C.F.R. §1075.105(c).

Period 5: October 1, 2015- March 31, 2015

On May 29, 2015, the Bureau made its fifth allocation from the Civil Penalty Fund. As of March 31, 2015, the Civil Penalty Fund contained an unallocated balance of \$47,646,050. For administrative purposes, the Fund administrator set aside \$500,000, reducing the funds available for allocation for the current allocation period (Period 5) to \$47,146,050. That amount is available for allocation pursuant to 12 C.F.R. § 1075.105(c).

During Period 5, final orders in Bureau enforcement actions imposed civil penalties in 14 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.⁸

Of those 14 cases, eleven cases have classes of eligible victims with no uncompensated harm that is compensable from the Civil Penalty Fund, and three cases have classes of eligible victims with uncompensated harm that is compensable from the Civil Penalty Fund.

The three Period 5 cases with compensable uncompensated harm, College Education Services, Union Workers Credit Services, and National Corrective Group, received an allocation from the Civil Penalty Fund. The Bureau allocated \$3.46 million to the College Education Services victim class, \$18.91 million to the Union Workers Credit

Services victim class, and \$23.26 million to the National Corrective Group victim class. In accordance with the Civil Penalty Fund Rule, sufficient funds were allocated to each of these classes to compensate fully the uncompensated harm of all victims in those classes to whom it is practicable to make payments.

The total allocation to classes of victims from Period 5 cases was \$45.63 million, which left \$1,515,903 available for allocation to prior-period cases. The total eligible uncompensated harm for the Period 4 allocation exceeded available funds, resulting in allocations to classes in two cases, Culver Capital and Global Client Solutions, of less than 100% of their victims' uncompensated harm. In Period 5, the Bureau allocated \$421 K to Culver Capital, which was sufficient funds to fully compensate the uncompensated harm of the Culver Capital victim class. As of the time of this allocation, there was insufficient information to determine whether additional funds should be allocated to the victims in the second case, Global Client Solutions. No funds were allocated for Consumer Education and Financial Literacy purposes.

Period 5 Allocation Summary:

Victim Compensation: \$46,051,628

- *College Education Services*
 - *Victim Class Allocation: \$3,459,336*
- *United Workers Credit Services*
 - *Victim Class Allocation: \$18,908,744*
- *National Corrective Group*
 - *Victim Class Allocation: \$23,262,067*
- *Culver Capital, LLC*
 - *Victim Class Allocation: \$421,481*

Consumer Education & Financial Literacy Programs: \$0

Total Allocation: \$46,051,628

The remaining unallocated Civil Penalty Fund balance will be available for future allocations. The amount in the Fund as of September 30, 2015 will be available for allocation following the conclusion of Period 6 in accordance with 12 C.F.R. §1075.105(c).

Bureau-Administered Redress

Dodd-Frank Act section 1055 authorizes a court in a judicial action, or the CFPB in an administrative proceeding, to grant any appropriate legal or equitable relief for a violation of Federal consumer financial law. Such relief may include redress for

victims of the violations, including refunds, restitution, and damages. Relief that is intended to compensate victims is treated as fiduciary funds and deposited into the “Legal or Equitable Relief Fund” established at the Department of the Treasury.

Bureau Administered Redress Collected in FY 2015:

In the first quarter of FY 2015, the Bureau collected \$30 million in Bureau-Administered Redress funds. A collection of \$27.5 million was received from Flagstar Bank, \$730,000 was received from Franklin Loan Corporation and \$2.01 million was received from Global Client Solutions.⁹ In the second quarter of FY 2015, the Bureau collected \$687,033 in Bureau-Administered Redress funds. A collection of \$386,280 was received from Freedom Stores, Inc. and \$300,753 was received from J.P. Morgan Chase (Genuine Title Matter). In the third quarter of FY 2015, the Bureau collected \$54.54 million in Bureau-Administered Redress funds. A collection of \$254,267 was received from Southwest Tax Loans, \$3.065 million was received from Fort Knox National Co. and Military Assistance, \$48 million was received from Green Tree Servicing, \$655,737 was received from Hoffman Law Group, \$562,500 was received from five defendants as part of the Genuine Title Matter¹⁰, and \$2 million was received from RPM Mortgage¹¹. In all cases, funds will be distributed in accordance with the terms of their respective final orders.

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

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- ¹ *Definitions. For the purpose of this update, this amount includes both obligations and commitments. An obligation is a transaction or agreement that creates a legal liability and obligates the government to pay for goods and services ordered or received. A commitment is a reservation of funds in anticipation of a future obligation.*
 - ² *Other Programs comprises the costs of the Office of Ombudsman, Administrative Law Judges, and other CFPB programs.*
 - ³ *Centralized services include the cost of certain administrative and operational services provided centrally to other Divisions (e.g., building space, utilities, and IT- related equipment and services) in support of all strategic goals.*
 - ⁴ *Premier Consulting Group, LLC agreed to pay civil penalty of \$69,075 in 3 installments of \$23,025. Two installments totaling \$46,050 have been received through March 31, 2015. The Bureau anticipates collecting the remaining \$23,025 in accordance with the schedule in the order.*
 - ⁵ *American Preferred Lending, Inc. is to pay \$85,000 in CMPs in 3 installments. Two installments totaling \$70,000 have been received through March 31, 2015. The Bureau anticipates collecting the remaining \$15,000 in accordance with the schedule in the order.*

- ⁶ *The civil penalty for Hoffman Law Group, et al was deposited into the Civil Penalty Fund by two defendants (Willcox and Harper) in separate payments of \$1 each. A third payment of \$1 by defendant Marc Hoffman was not received and recorded as an account receivable.*
- ⁷ *The civil penalty for RPM Mortgage, et al was deposited into the Civil Penalty Fund by RPM Mortgage and by defendant E Hirt in separate payments of \$1,000,000 each.*
- ⁸ *Victims' compensable harm is determined by looking to the terms of the relevant court or administrative order. If the amount of a victim's compensable harm cannot be determined based on the terms of the relevant order, the victim's compensable harm generally will be his or her out-of-pocket losses that resulted from the violation. To determine the amount of a victim's uncompensated harm, the Bureau will take the victim's total compensable harm, and subtract out any compensation that the victim has received—or is reasonably expected to receive—for that harm.*
- ⁹ *Global Client Solutions agreed to transfer \$6.01 million in Bureau-administered redress funds to the Bureau in 2 installments. The first installment of \$4.0 million was transferred to the Bureau in FY14 and \$2.01 million to the Bureau in FY15.*
- ¹⁰ *During the third quarter, in the Genuine Title matter, five defendants, A. Mandelberg/R&R Marketing Group LLC, J. Zukerberg, B. Glickstein, W. Peterson/BTS Management and Consulting, and A. Pobleths/MARC, LLC, transferred \$30,000, \$30,000, \$400,000, \$65,000, and \$37,500 to the Bureau in respectively.*
- ¹¹ *RPM Mortgage agreed to transfer \$18 million in Bureau-administered redress funds to the Bureau. \$ 2 million was received and an account receivable was recorded for the remainder balance of \$16 million.*