

# **CFO update for the fourth quarter of fiscal year 2015**

**JULY 1 – SEPTEMBER 30, 2015**

**Issued: November 19, 2015**

## **Bureau Fund**

During the fiscal year that ended on September 30, 2015, the Consumer Financial Protection Bureau (CFPB) incurred approximately \$524 million in obligations<sup>1</sup> to carry out the authorities of the Bureau under federal consumer financial laws. Of that amount, approximately \$266 million was incurred on employee compensation and benefits for the 1,529 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 fourth quarter to both non-governmental vendors and governmental agencies included:

- \$14.7 million to the Board of Governors of the Federal Reserve System for services provided by the Inspector General of the Board of Governors of the Federal Reserve System and the Consumer Financial Protection Bureau;
- \$6.5 million for consumer services awareness and outreach initiatives;
- \$4.7 million for maintaining ongoing operations of CFPB's consumer contact center and case management;
- \$2.4 million for supervisory compliance tools that will automate data analysis by providing functionality for examiners to analyze specific loan files in the field. The tools streamline the on-site portion of exams, thereby making more efficient use of supervision resources;
- \$1.6 million for cyber-security program management support services;
- \$1.3 million for enterprise-wide cloud hosting infrastructure and system administration support and services;
- \$1.1 million for development of customer relationship management system;
- \$1.0 million for expert witnesses in support of enforcement cases.

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<sup>1</sup> Additional information is available in the Financial Report of the CFPB for fiscal year 2015.

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

**Table 1: Fiscal Year 2015 spending by expense category through Q4:**

<b>Expense Category</b>	<b>Fiscal Year 2015</b>
Personnel Compensation	192,274,000
Benefit Compensation	73,654,000
Travel	17,809,000
Transportation of Things	115,000
Rents, Communications, Utilities & Misc.	16,875,000
Printing and Reproduction	2,478,000
Other Contractual Services	191,740,000
Supplies & Materials	5,513,000
Equipment	21,415,000
Land and Structures	2,534,000
Interest and Dividends	0
<b>Total (as of 9/30/15)</b>	<b>\$524,407,000</b>

**Table 2: Fiscal Year 2015 spending by division/program area through Q4:**

<b>Division/Program Area</b>	<b>Fiscal Year 2015</b>
Office of the Director <sup>2</sup>	7,965,000
Operations	108,201,000
Consumer Education & Engagement	26,327,000
Research, Markets & Regulations	34,380,000
Supervision, Enforcement, Fair Lending	140,792,000
Legal Division	13,396,000
External Affairs	6,979,000
Other Programs <sup>3</sup>	2,781,000
Centralized Services <sup>4</sup>	183,586,000
<b>Total (as of 9/30/15)</b>	<b>\$524,407,000</b>

<sup>2</sup> Includes the Office of Minority and Women Inclusion (OMWI) and Office of Civil Rights (formerly Equal Employment Opportunity Office) which were moved from the Chief Operating Officer to the Office of Director in 2014 and 2015, respectively.

<sup>3</sup> Other Programs includes the costs of the Office of Ombudsman, Administrative Law Judges, and other CFPB programs.

<sup>4</sup> 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.

## **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 September 30 2015, the CFPB had 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
\$84.5M	July 21, 2015
<b>\$485.1M</b>	<b>Total</b>

## **Civil Penalty Fund**

Pursuant to the Dodd-Frank Act, the CFPB is also authorized to collect and retain for specified purposes civil penalties collected from any person in any judicial or administrative action under federal consumer financial laws.<sup>5</sup> The CFPB generally 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 under certain circumstances. The CFPB maintains a separate account for these funds at the Federal Reserve Bank of New York.

### **Civil penalty funds collected in 2015**

In the first quarter of FY 2015, the CFPB collected civil penalties from six defendants totaling \$23.4 million. In the second quarter, \$24.2 million was received from 10 defendants. In the third quarter (Q3), \$36 million was received from 13 defendants. In the fourth quarter (Q4), \$99.0 million was received from 12 defendants. Civil penalties collected in FY 2015 to date<sup>6</sup> total \$183.1 million.

#### **FY 2015 CIVIL PENALTY FUND COLLECTIONS**

<b>Defendant name</b>	<b>CMP collected</b>	<b>Collection date</b>
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.	\$ 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

<sup>5</sup> See Dodd-Frank, Pub. L. No. 111-203, Sec. 1017(d).

<sup>6</sup> As of September 30, 2015.

Continental Finance Company, LLC	\$ 250,000	February 11, 2015
Wells Fargo (Genuine Title Matter)	\$21,000,000	February 13, 2015
J.P. Morgan Chase (Genuine Title Matter)	\$ 500,000	February 18, 2015
NewDay Financial, LLC	\$ 2,000,000	February 19, 2015
American Preferred Lending, Inc.	\$ 85,000	February 20, 2015 March 20, 2015 April 21, 2015
Todd & Elaine Cohen (Genuine Title Matter)	\$ 30,000	February 20, 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. <sup>7</sup>	\$ 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 <sup>8</sup>	\$ 2,000,000	June 15, 2015
Union Workers Credit Services	\$ 70,000	June 26, 2015
Syndicated Office Systems, LLC	\$ 500,000	June 23, 2015
Intersections, Inc.	\$ 1,200,000	July 13, 2015 July 24, 2015

<sup>7</sup> 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 or recorded as an account receivable.

<sup>8</sup> 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.

		August 27, 2015
Chase Bank, USA N.A.	\$ 30,000,000	July 15, 2015
Citibank	\$ 35,000,000	July 24, 2015
Discover	\$ 2,500,000	July 27, 2015
Loancare, LLC	\$ 100,000	July 29, 2015
Paymap Inc.	\$ 5,000,000	August 4, 2015
Residential Credit Solutions	\$ 100,000	August 7, 2015
RBS Citizens Financial Group, Inc.	\$ 7,500,000	August 14, 2015
Encore Capital, Midland Funding LLC, Midland Credit Management and Asset Acceptance Capital Corp.	\$ 10,000,000	September 16, 2015
Portfolio Recovery Associates	\$ 8,000,000	September 17, 2015
Student Financial Aid Services, Inc. (SFAS)	\$ 1	September 18, 2015
<b>Total</b>	<b>\$ 183,120,079</b>	

## **Civil penalty funds allocated in FY 2015**

### ***Period 4: April 1, 2014 to 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 September 30, 2014 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 13 cases are eligible to receive payment from the Civil Penalty Fund to compensate their uncompensated harm.<sup>9</sup>

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 were reviewed, in addition to the Period 4 cases. In these five prior-period cases, the Fund Administrator has determined that the classes of victims in these cases do not have uncompensated harm that is compensable from the Civil Penalty Fund.

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

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

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<sup>9</sup> Pursuant to 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 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 that may be compensated from the Civil Penalty Fund, 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 CFR 1075.104.

**PERIOD 4 ALLOCATION SUMMARY**

<b>Type</b>	<b>Allocation</b>
Victim Compensation	\$112,776,305
Culver Capital, LLC	
Victim Class 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
<b>Total Allocation</b>	<b>\$112,776,305</b>

***Period 5: October 1, 2015 to 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 Period 5 to \$47,146,050. That amount was 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.

Of those 14 cases, 11 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. 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 \$421K to Culver Capital, which were sufficient funds to fully compensate the remaining 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.

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).

**PERIOD 5 ALLOCATION SUMMARY**

<b>Type</b>	<b>Allocation</b>
<b>Victim Compensation</b>	<b>\$46,051,628</b>
<b>College Education Services</b>	
Victim Class Allocation: \$3,459,336	
<b>United Workers Credit Services</b>	
Victim Class Allocation: \$18,908,744	
<b>National Corrective Group</b>	
Victim Class Allocation: \$23,262,067	
<b>Culver Capital, LLC</b>	
Victim Class Allocation: \$421,481	
<b>Consumer Education and Financial Literacy Programs:</b>	<b>\$0</b>
<b>Total Allocation</b>	<b>\$46,051,628</b>

## **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.

In FY 2015, the Bureau collected \$86.8 million in Bureau Administered Redress funds. 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.<sup>10</sup> 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. 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 Matter,<sup>11</sup> and \$2 million was received from RPM Mortgage.<sup>12</sup> In the fourth quarter of FY 2015, the Bureau collected \$1.5 million, which was received from Residential Credit Solutions. In all cases, funds will be distributed in accordance with the terms of their respective final orders.

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<sup>10</sup> Global Client Solutions agreed to transfer \$6.01 million in Bureau-administered redress funds to the Bureau in two installments. The first installment of \$4.0 million was transferred to the Bureau in FY14, and the second installment of \$2.01 million was transferred to the Bureau in FY15.

<sup>11</sup> 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. Pobletts/MARC, LLC, transferred \$30,000, \$30,000, \$400,000, \$65,000, and \$37,500 to the Bureau in respectively.

<sup>12</sup> RPM Mortgage, et al deposited \$18 million in redress funds in two installments, one received in Q2 FY15 and the other in Q4 FY15.