

# **CFO update for the first quarter of fiscal year 2016**

OCTOBER 1 – DECEMBER 31, 2015

Issued: February 16, 2016

## **Bureau Fund**

As of December 31, 2015, the end of the first quarter of FY 2016, the CFPB had incurred approximately \$206 million in FY 2016 obligations<sup>1</sup> to carry out the authorities of the Bureau under Federal financial consumer law. Approximately \$69 million was spent on employee compensation and benefits for the 1,544 CFPB employees who were on-board by the end of the first quarter.

In addition to payroll expenses, the largest obligations made through the end of the first quarter were related to contractual services. Some of the Bureau's significant obligations that occurred through the first quarter of FY 2016 included:

- \$16.4 million for maintaining ongoing operations of CFPB's consumer contact center and case management system;
- \$11.0 million to the Department of Treasury for various shared systems and administrative support services, such as: human resource systems support, core financial accounting, procurement, transaction processing and reporting, travel and payroll, and information technology;
- \$8.8 million for enterprise-wide cloud hosting infrastructure, system administration support and associated services;
- \$5.7 million for development of next generation consumer response system to support the future state scalable model for complaint processing, documentation and investigation;
- \$4.7 million for IT portfolio and project management support services;
- \$3.4 million for IT service desk and customer support services;
- \$3.3 million for retail services remuneration related to the renovation of CFPB's Washington, DC headquarters office building;
- \$3.1 million for ongoing development of supervisory compliance tools to automate data analysis by helping examiners to analyze specific loan files in the field;
- \$3.1 million for a services contract to collect anonymous data from credit card issuers. This data, which excludes any direct identifiers in order to maintain the anonymity and protect the privacy of consumers, is used to monitor conditions in consumer credit markets, to study credit card industry dynamics, to evaluate

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<sup>1</sup> 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.

compliance with consumer laws, and to analyze other issues in support of the Bureau's supervision, research, and monitoring missions;

- \$3.0 million for wide area network services;
- \$2.8 million for ongoing enterprise development of the customer relationship management system;
- \$2.4 million for security services at CFPB's temporary headquarters office space;
- \$2.0 million for cyber-security program management support services;
- \$1.9 million for e-discovery systems and support services;
- \$1.6 million for facility operation and maintenance costs for CFPB's temporary headquarters office space;
- \$1.3 million for enterprise IT hardware and software licenses;
- \$1.2 million to the Office of Personnel Management for background investigative support services; and
- \$1.2 million for enterprise-wide IT software design and development support services.

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

**Table 1: Fiscal Year 2016 spending by expense category through Q1:**

<b>Expense Category</b>	<b>Fiscal Year 2016</b>
Personnel Compensation	57,226,000
Benefit Compensation	11,400,000
Travel	4,715,000
Transportation of Things	12,000
Rents, Communications, Utilities & Misc.	4,359,000
Printing and Reproduction	969,000
Other Contractual Services	118,886,000
Supplies & Materials	1,570,000
Equipment	7,320,000
Land and Structures	-
Interest and Dividends	-
<b>Total (as of December 31, 2015)</b>	<b>\$206,457,000</b>

**Table 2: Fiscal Year 2016 spending by division/program area through Q1:**

<b>Division/Program Area</b>	<b>Fiscal Year 2016</b>
Office of the Director	1,959,000
Operations	53,409,000
Consumer Education & Engagement	22,404,000
Research, Markets & Regulations	11,516,000
Supervision, Enforcement, Fair Lending	39,274,000
Legal Division	4,587,000
External Affairs	2,333,000
Other Programs <sup>2</sup>	639,000
Centralized Services <sup>3</sup>	70,336,000
<b>Total (as of December 31, 2015)</b>	<b>\$206,457,000</b>

<sup>2</sup> Other Programs includes the costs of the Office of Ombudsman, Administrative Law Judges, and other CFPB programs.

<sup>3</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 2016 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 2016 is capped at \$631.7 million. As of December 31, 2015, the CFPB had received the following transfers for FY 2016. The amounts and dates of the transfers are shown below.

<b>\$214.8M</b>	<b>October 14, 2015</b>
<b>\$214.8M</b>	<b>Total</b>

## 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 Penalties Collected in FY 2016

In the first quarter of FY 2016, the CFPB collected civil penalties from 11 defendants totaling \$33.1 million.

#### Fy 2016 Civil Penalty Fund Collections:

<b>Defendant name</b>	<b>Civil Penalty Collected</b>	<b>Collection date</b>
Fifth Third Bank	\$500,000	October 6, 2015
Westlake Services, LLC, and Wilshire Consumer Credit, LLC	\$4,250,000	October 7, 2015
Morgan Drexen, Inc., and Walter Ledda <sup>4</sup>	\$1	October 23, 2015
Security National Automotive Acceptance Company, LLC	\$1,000,000	November 2, 2015
Affinion Group Holdings, Inc.	\$1,900,000	November 13, 2015
Hudson City Savings Bank, F.S.B.	\$5,500,000	November 13, 2015
All Financial Services, LLC <sup>5</sup>	\$13,000	November 24, 2015 December 10, 2015
General Information Services, Inc., and e-Backgroundchecks.com, Inc.	\$2,500,000	November 25, 2015

<sup>4</sup> The \$1 civil penalty was collected pursuant to a final order with respect to Walter Ledda, one of two defendants in this case. The case against Morgan Drexen, Inc., the corporate defendant, remains open.

<sup>5</sup> The final order required All Financial Services, LLC, to pay a total of \$13,000 in civil penalties in two installments of \$6,500 each.

Clarity Services, Inc., and Timothy Ranney	\$8,000,000	December 24, 2015
EZCORP, Inc.	\$3,000,000	December 24, 2015
Interstate Auto Group, Inc., aka "CarHop," and Universal Acceptance Corporation	\$6,465,000	December 30, 2015
<b>Total</b>	<b>\$33,128,001</b>	

### Civil Penalty Fund Allocations in FY 2016

Period 6: April 1, 2015 – September 30, 2015

On November 27, 2015, the Bureau made its sixth allocation from the Civil Penalty Fund. As of September 30, 2015, the Civil Penalty Fund contained an unallocated balance of \$136.6 million. The Fund Administrator set aside \$1 million for administrative expenses, leaving \$135.6 million available for allocation pursuant to 12 C.F.R. § 1075.105(c).

During Period 6, final orders in Bureau enforcement actions imposed civil penalties in 22 cases. For two cases with final orders from Period 6, the civil penalties were received after September 30, 2015, and were not included as funds available for allocation in Period 6. Under the Civil Penalty Fund rule, the victims of the violations for which the civil penalties were imposed in these 22 cases were eligible to receive payment from the Civil Penalty Fund to compensate their uncompensated harm.

Of those 22 cases, 20 cases had classes of eligible victims with no uncompensated harm that is compensable from the Civil Penalty Fund, and two cases had classes of eligible victims with uncompensated harm that is compensable from the Civil Penalty Fund.

The two cases with compensable uncompensated harm, Hoffman Law Group and Student Financial Aid Services, received an allocation from the Civil Penalty Fund. The Bureau allocated \$11.1 million to the Hoffman victim class and \$9.3 million to the Student Financial Aid Services class, enough to compensate fully those victim classes' uncompensated harm.

The total allocation to classes of victims from Period 6 cases was \$20.4 million, leaving \$115.2 million available for allocation to prior-period cases. Global Client Solutions, a Period 4 case, received an allocation of \$108 million in Period 4. As of the time of this allocation, there was insufficient information to determine whether additional funds should be allocated to the victims in the Global Client Solutions case.

In accordance with section 1075.106(d) of the Civil Penalty Fund rule, \$101.8 million remained available for allocation for Consumer Education and Financial Literacy

purposes. During Period 6, \$15.4 million was allocated for Consumer Education and Financial Literacy purposes.

**Period 6 Allocation Summary:**

<b>Type</b>	<b>Allocation</b>
Victim Compensation	\$20,374,842.02
<ul style="list-style-type: none"> <li>The Hoffman Law Group, P.A. f/k/a The Residential Litigation Group, P.A.</li> </ul>	
Victim Class Allocation: \$11,074,842.02	
<ul style="list-style-type: none"> <li>Student Financial Aid Services, Inc.</li> </ul>	
Victim Class Allocation: \$9,300,000.00	
Consumer Education and Financial Literacy Programs:	\$15,432,809.02
<b>Total Allocation</b>	<b>\$35,807,651.02</b>

The remaining unallocated Civil Penalty Fund balance will be available for future allocations. The amount in the Fund as of March 31, 2016 will be available for allocation following the conclusion of Period 7 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 2016:**

In the first quarter of FY 2016, the Bureau collected \$500,000 in Bureau-Administered Redress funds from Walter Ledda, one of the defendants in the Morgan Drexen matter. These funds will be distributed in accordance with the terms of the final order.

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