

UNITED STATES OF AMERICA
Before the
CONSUMER FINANCIAL PROTECTION BUREAU

ADMINISTRATIVE PROCEEDING
File No. 2015-CFPB-0029

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)	
In the Matter of:)	
)	
)	DECLARATION OF
)	ROBERT J. HUGHES
)	
INTEGRITY ADVANCE, LLC and)	
JAMES R. CARNES,)	
)	
)	
Respondents.)	
)	
)	
)	

DECLARATION OF ROBERT J. HUGHES

District of Columbia:

I, Robert J. Hughes, hereby declare and state as follows:

1. I am employed by the Consumer Financial Protection Bureau (“CFPB”) as a Data Scientist in the CFPB Office of Technology and Innovation in Washington, DC. The following reflects an analysis that I performed based on a dataset provided by Integrity Advance.
2. As part of my job, I perform numeric analysis for Enforcement investigations at CFPB. I have been assigned to work on the Bureau’s administrative proceeding against Integrity Advance, LLC and James R. Carnes.

Defined Terms

3. A *first-time loan* is the first loan taken out by an individual who took out either one loan or multiple loans.
4. A *one-time loan* is a loan taken out by an individual who took out no other loans.
5. “Total of Payments” is the sum of the loan principal plus one finance fee.

Overpayments Excluding Only Rebates

6. Using the same datasets (EC-EX-095; EC-EX-101), methodology and approach that I employed when doing the analysis for my May 10, 2016 declaration (EC-EX-072), and for EC-EX-097 and EC-EX-102, I recalculated amounts paid by consumers by excluding all amounts for rebates (as payment mode field “T”) that might have been provided by Integrity Advance to consumers.
7. Respondents’ dataset demonstrates that 207,426 loans paid more than the amount that the company would have disclosed as the “Total of Payments” in the TILA box in its loan agreements.
 - a. Respondents’ dataset demonstrates that there were 55,661 such loans originated on or after July 21, 2011.
8. Respondents’ dataset demonstrates that the consumers who took out the 207,426 loans in which the consumers paid more than the amount that the company would have disclosed as the “Total of Payments” in the TILA box in its loan agreements, paid \$132,580,041.06 over the “Total of Payments” amounts.
 - a. Respondents’ dataset demonstrates that for the 55,661 loans originated on or after July 21, 2011, consumers paid \$38,453,341.62 over the “Total of Payments” amount.

9. Respondents' dataset demonstrates that, on or after July 21, 2011, Respondents used 602 remotely created checks to debit consumer accounts after those consumers had paid their "Total of Payments" amounts and had revoked or otherwise blocked ACH debits from their accounts.
 - a. Respondents' dataset demonstrates that the 602 remotely created checks totaled \$115,024.50.
10. Respondents' dataset demonstrates that 115,564 *first-time loans* paid more than the amount that the company would have disclosed as the "Total of Payments" in the TILA box in its loan agreements.
 - a. Respondents' dataset demonstrates that there were 20,190 such loans originated on or after July 21, 2011.
11. Respondents' dataset demonstrates that the *first-time loan* consumers who took out the 115,564 loans in which the consumers paid more than the amount that the company would have disclosed as the "Total of Payments" in the TILA box in its loan agreements, paid \$69,232,170.39 over the "Total of Payments" amounts.
 - a. Respondents' dataset demonstrates that for the 20,190 loans originated on or after July 21, 2011, consumers paid \$12,141,593.76 over the "Total of Payments" amounts.
12. Respondents' dataset demonstrates that 68,264 *one-time loans* paid more than the amount that the company would have disclosed as the "Total of Payments" in the TILA box in its loan agreements.
 - a. Respondents' dataset demonstrates that there were 14,567 such loans originated on or after July 21, 2011.

13. Respondents' dataset demonstrates that the 68,264 *one-time* loans in which the consumers paid more than the amount that the company would have disclosed as the "Total of Payments" in the TILA box in its loan agreements, paid \$39,734,832.39 over the "Total of Payments" amounts.

- a. Respondents' dataset demonstrates that for the 14,567 loans originated on or after July 21, 2011, consumers paid \$8,934,859.59 over the "Total of Payments" amounts.

Explanation of Analysis Excluding Rebates Only

14. When calculating amounts paid by each customer, I have included only records that:

- a. had a Payment Mode field of ACH, Cash, or Check;
- b. were designated as NSF Payment, Charge Off Payment, or Standard Payment type;
- c. were marked as Cleared; and
- d. were not void.

15. I then subtracted from the amounts paid by each customer all records that:

- a. had a Payment Mode field of Rebate ("T");
- b. were designated as NSF Payment, Charge Off Payment, or Standard Payment type;
- c. were marked as Cleared; and
- d. were not void.

Overpayments Excluding Fees and Rebates

16. Using the same datasets (EC-EX-095; EC-EX-101), methodology and approach that I employed when doing the analysis for my May 10, 2016 declaration (EC-EX-072), and for

EC-EX-097 and EC-EX-102, I recalculated amounts paid by consumers by excluding all amounts that consumers paid for fees assessed by Integrity Advance as well as all rebates (as payment mode field “T”) that might have been provided by Integrity Advance to consumers.

17. Respondents’ dataset demonstrates that 206,821 loans paid more than the amount that the company would have disclosed as the “Total of Payments” in the TILA box in its loan agreements.

a. Respondents’ dataset demonstrates that there were 55,488 such loans originated on or after July 21, 2011.

18. Respondents’ dataset demonstrates that the consumers who took out the 206,821 loans in which the consumers paid more than the amount that the company would have disclosed as the “Total of Payments” in the TILA box in its loan agreements, paid \$131,433,343.47 over the “Total of Payments” amounts.

a. Respondents’ dataset demonstrates that for the 55,488 loans originated on or after July 21, 2011, consumers paid \$38,164,153.31 over the “Total of Payments” amounts.

19. Respondents’ dataset demonstrates that, on or after July 21, 2011, Respondents used 584 remotely created checks to debit consumer accounts after those consumers had paid their “Total of Payments” amounts and had revoked or otherwise blocked ACH debits from their accounts.

a. Respondents’ dataset demonstrates that the 584 remotely created checks totaled \$103,623.00.

20. Respondents' dataset demonstrates that 115,194 *first-time loans* paid more than the amount that the company would have disclosed as the "Total of Payments" in the TILA box in its loan agreements.

- a. Respondents' dataset demonstrates that there were 20,104 such loans originated on or after July 21, 2011.

21. Respondents' dataset demonstrates that the *first-time loan* consumers who took out the 115,194 loans in which the consumers paid more than the amount that the company would have disclosed as the "Total of Payments" in the TILA box in its loan agreements, paid \$68,477,934.28 over the "Total of Payments" amounts.

- a. Respondents' dataset demonstrates that for the 20,104 loans originated on or after July 21, 2011, consumers paid \$11,999,322.85 over the "Total of Payments" amounts.

22. Respondents' dataset demonstrates that 67,902 *one-time loans* paid more than the amount that the company would have disclosed as the "Total of Payments" in the TILA box in its loan agreements.

- a. Respondents' dataset demonstrates that there were 14,483 such loans originated on or after July 21, 2011.

23. Respondents' dataset demonstrates that the 67,902 *one-time* loans in which the consumers paid more than the amount that the company would have disclosed as the "Total of Payments" in the TILA box in its loan agreements, paid \$39,105,182.12 over the "Total of Payments" amounts.

- a. Respondents' dataset demonstrates that for the 14,483 loans originated on or after July 21, 2011, consumers paid \$8,807,265.56 over the "Total of Payments" amounts.

Explanation of Analysis Excluding Fees and Rebates

24. When calculating amounts paid by each customer, I have included only records that:

- e. had a Payment Mode field of ACH, Cash, or Check;
- f. were designated as NSF Payment, Charge Off Payment, or Standard Payment type;
- g. were marked as Cleared; and
- h. were not void.

25. I then subtracted from the amounts paid by each customer all records that:

- a. had a Payment Mode field of Rebate ("T");
- b. were designated as NSF Payment, Charge Off Payment, or Standard Payment type;
- c. were marked as Cleared; and
- d. were not void.

26. When calculating the amounts paid by consumers, I did not include the following fields:

feecharge_paid, latecharge_paid, and othcharge_paid.

I declare under penalty of perjury pursuant to 28 U.S.C. § 1746 that the foregoing is true and correct.

Executed on August 29, 2016.

Robert J Hughes Digitally signed by Robert J
Hughes
Date: 2016.08.29 16:41:07 -04'00'

Robert J. Hughes