

NOVEMBER 15, 2019

# Financial report of the Bureau of Consumer Financial Protection

Fiscal year 2019





# Message from Kathleen L. Kraninger

## Director

I am pleased to present the Bureau of Consumer Financial Protection's (Bureau's) Financial Report for Fiscal Year 2019.

I am honored to bring more than 20 years of public service to the Bureau, including my experience in budget formulation and execution.

As required by the Dodd-Frank Act, the Bureau prepared comparative financial statements for fiscal years 2019 and 2018. The Government Accountability Office (GAO) rendered an unmodified audit opinion on our financial statements. GAO noted no material weaknesses and cited no instances of reportable noncompliance with laws and regulations.

I want to acknowledge the hard work and dedication of all Bureau employees over the past year to achieve the overall outcomes reflected in this report. The collective efforts of all Bureau employees help achieve our goals to serve the public, protect consumers, support responsible businesses, and help safeguard the American economy.

Sincerely,



Kathleen L. Kraninger



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# 1. Management's discussion and analysis

## 1.1 Overview of the Bureau of Consumer Financial Protection

The Bureau of Consumer Financial Protection (Bureau) 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 Bureau 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 Bureau to exercise its authorities to ensure that, with respect to consumer financial products and services<sup>1</sup>:

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 Outdated, unnecessary, or unduly burdensome regulations are regularly identified and addressed in order to reduce unwarranted regulatory burdens;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.

The Bureau is headed by a sole Director, appointed by the President, by and with the advice and consent of the Senate, to a five-year term. Kathy Kraninger was nominated by President Trump and confirmed by the Senate on December 6, 2018.

<sup>1</sup> As set forth in the Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111 (2010), Section 1021(b).

Funding required to support the Bureau's operations is obtained primarily through transfers from the combined earnings of the Federal Reserve System. Annual transfers to the Bureau may not exceed an amount equal to 12 percent of the Federal Reserve System's total 2009 operating expenses, adjusted annually based on the percentage increase in the employment cost index by the Federal Government for total compensation for state and local government workers as specified in the Dodd-Frank Act. The transfer cap for fiscal year 2019 is \$679 million.

## Organizational structure

To accomplish its mission, the Bureau 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. Additionally, they hear directly from consumers about challenges they face in the marketplace through their complaints, questions, and feedback.
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:** builds and sustains the Bureau's operational infrastructure to support the entire organization.

In addition to the six primary divisions/offices described above, the Office of the Director also includes offices focused on innovation, strategy, and equal opportunity and fairness. Fiscal year 2019 saw some organizational changes where the Office of Fair Lending was reorganized under the Director's Office and the Office of Innovation was created to promote innovation, competition and consumer access within financial services.

The Bureau workforce is spread across the country with its headquarters in Washington, D.C. The headquarters is in two locations within Washington, D.C., utilizing space pursuant to

interagency agreements with the Office of the Comptroller of the Currency and the General Services Administration (GSA). The Bureau expects to consolidate all DC-based staff into one building in early 2020. In addition to its locations within Washington D.C., the Bureau also utilizes space pursuant to occupancy agreements with GSA for the regional offices in New York, Chicago, San Francisco, and Atlanta.

Additional information on the organizational structure and responsibilities of the Bureau is available on the Bureau's website at <http://www.consumerfinance.gov/> along with an organization chart at <https://www.consumerfinance.gov/about-us/the-bureau/bureau-structure/>

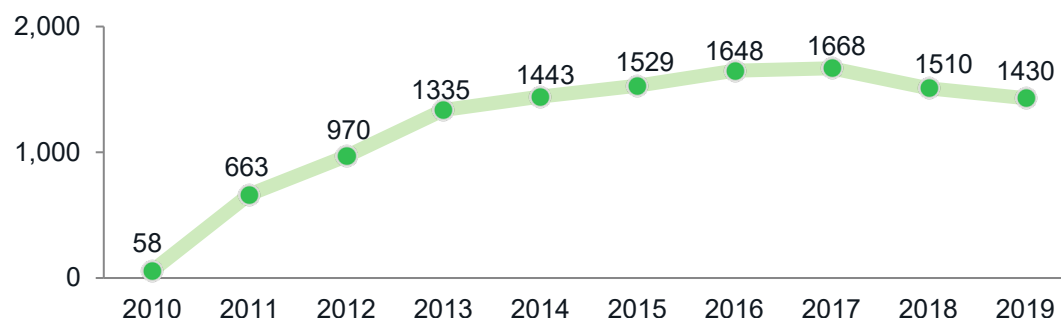
The Bureau established four advisory committees to provide consultation and advice to the Director and senior leadership on a range of issues within the Bureau's authority: the Consumer Advisory Board; the Community Bank Advisory Council; the Credit Union Advisory Council; and the Academic Research Council.

## Bureau Positions and Funding Levels

Since its inception, through 2017 the Bureau experienced continuous growth in the number of employees and the Bureau's funding levels. Acting Director Mulvaney instituted a hiring freeze in November 2017 and sought to align funding transfer requests with budget execution needs during his tenure in 2018 and 2019. At Director Kraninger's direction the Bureau undertook a comprehensive planning initiative in 2019 to determine the staffing levels needed to support and execute the Bureau's priorities in fiscal year 2020. Director Kraninger approved a new Bureau-wide staffing plan on August 12, 2019, ending the hiring freeze and introducing a disciplined, mission-driven approach to identifying and hiring the staff the Bureau needs to accomplish its goals.

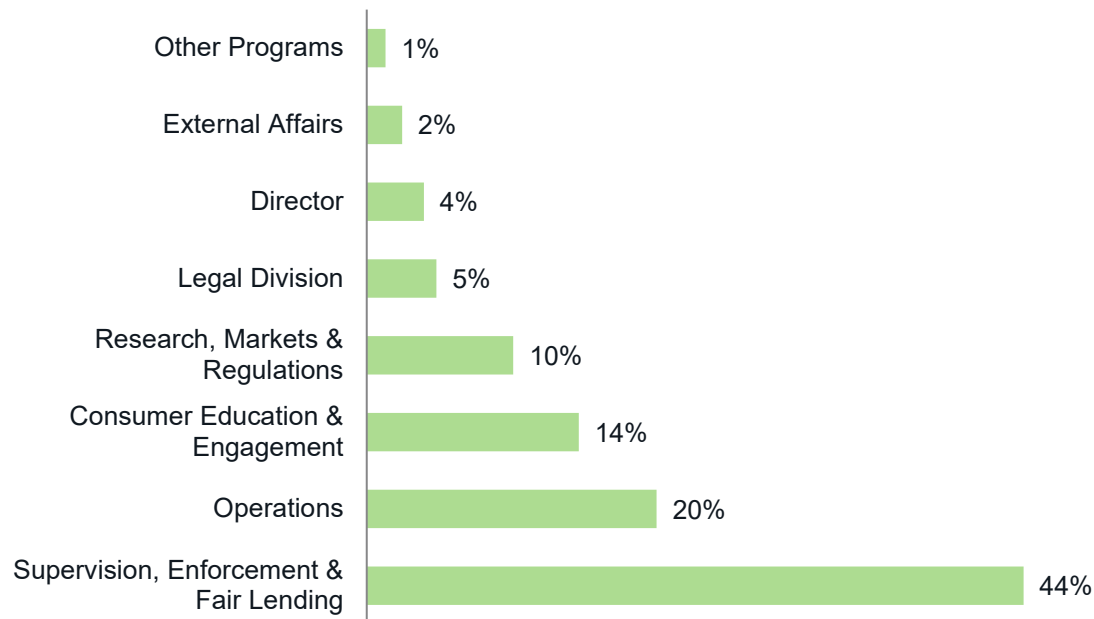
The charts below provide a historical depiction of the number of employees and funding levels.

**FIGURE 1:** BUREAU EMPLOYEES BY FISCAL YEAR (AS OF SEPTEMBER 30, 2019)



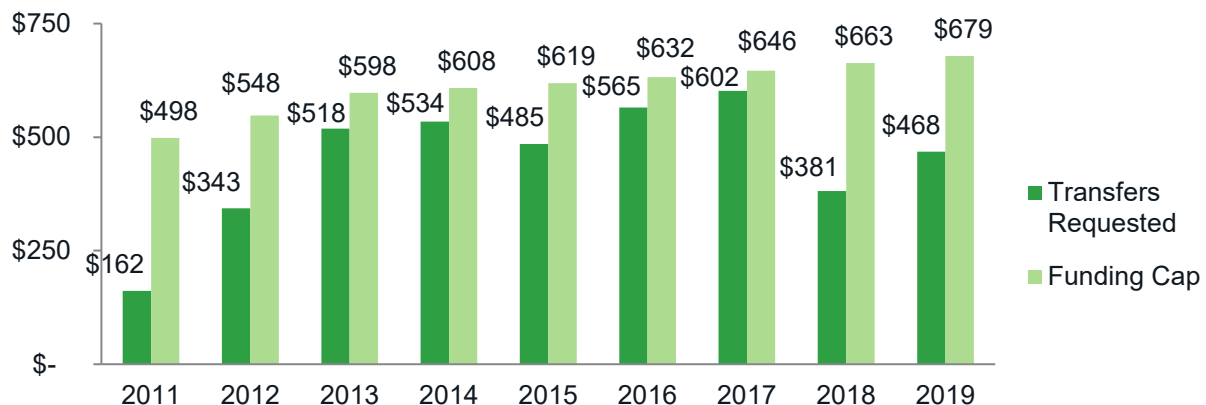


**FIGURE 2: OFFICE PERCENTAGE OF TOTAL POSITIONS (AS OF SEPTEMBER 30, 2019)**



All percentages provided above are rounded and may not total to 100 % due to the rounding.

**Fiscal year transfers requested compared to the funding cap (\$ in millions)**



Note for fiscal year 2018, in lieu of a second quarter transfer request from the Federal Reserve, former Acting Director Mulvaney chose to use \$145 million of the Bureau's unobligated balance of available funds. Additional information on how the Bureau is funded can be found in Section 1.6 Financial Analysis.

# Bureau Mission and Vision

## Mission

To regulate the offering and provision of consumer financial products or services under the Federal consumer financial laws and to educate and empower consumers to make better informed financial decisions.<sup>2</sup>

## Vision

Free, innovative, competitive, and transparent consumer finance market where the rights of all parties are protected by the rule of law and where consumers are free to choose the products and services that best fit their individual needs.

## How we will do our work

The Bureau will achieve its mission and vision through:

- Seeking the counsel of others and making decisions after carefully considering the evidence.
- Equally protecting the legal rights of all.
- Confidently doing what is right.
- Acting with humility and moderation.

## 1.2 The Bureau performance and results

This section provides a summary of the Bureau's key performance outcomes as well as selected accomplishments that it has achieved this past fiscal year.

The Bureau developed and issued a revised strategic plan consistent with the Government Performance and Results Act of 1993, as amended (GPRA) and the GPRA Modernization Act of 2010. (see [https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/cfpb\\_strategic-plan\\_fy2018-fy2022.pdf](https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/cfpb_strategic-plan_fy2018-fy2022.pdf)). The Bureau published its fiscal years 2018 to 2022 strategic plan in February 2018, which identified three strategic goals and 8 associated performance objectives.

The revised Strategic Plan presents an opportunity to explain to the public how the Bureau intends to fulfill its statutory duties consistent with the strategic vision of its new leadership. The Strategic Plan's mission statement is drawn directly from Sections 1011 and 1013 of the

<sup>2</sup> As set forth in the Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203 (2010), Section 1011(a) and 1013(d).

Dodd-Frank Act: “to regulate the offering and provisions of consumer financial products or services under the Federal consumer financial laws” and “to educate and empower consumers to make better informed financial decisions.” The Bureau has similarly drawn the strategic plan’s first two strategic goals and its five strategic objectives from Section 1021 of the Dodd-Frank Act.

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 calendar year 2020 on the Bureau’s website at <https://www.consumerfinance.gov/about-us/budget-strategy/budget-and-performance>, which will include the results of all performance objectives, along with an analysis of the Bureau’s efforts to achieve its performance goals. Results reported below for the selected measures contained in this report show that the Bureau has met or exceeded 5 of the 6 measures (83 percent).

## **Goal 1: Ensure that all consumers have access to markets for consumer financial products and services.**

**Performance goal 1.1.1: Help people build the knowledge and skills to make money decisions through direct financial education from the Bureau and through community channels providing other services.**

The Bureau works to provide consumers with the knowledge, tools, and capabilities they need in order to make better informed financial decisions to serve their life goals. To that end, the Bureau offers directly to consumers a variety of information, tools, and programs about major financial choices and other money decisions. For fiscal year 2019, offerings including “Start Small, Save Up,” “Ask,” “Owning a Home,” “Planning for Retirement,” “Paying for College,” and “Money as You Grow,” are provided on web pages focused on specific money topics, and through print materials and other frequently requested materials.

The Bureau also works to make it easier for people to access financial education in their local communities and to foster a lasting local financial education infrastructure. An important way we do this is by integrating financial education into trusted and established community channels, such as libraries, workplaces, social service organizations, military services, and government agencies. Major community channel initiatives in fiscal year 2019 include: the Your Money, Your Goals Program; the educational program for military recruits, ROTC and new active duty servicemembers; classroom activities for high school and middle school teachers for building youth financial capability; the Libraries Community Education Program; the Youth Employment Success Program; organizations serving seniors; analysis of Suspicious Activity Reports (SARs) to find ways to address elder financial exploitation; and the Tax-Time Savings Program. The education offered through multiple channels covers topics that are reflected in

frequent topics consumers seek on our web site as well as prevention topics like money management and savings.

## Performance measures

**TABLE 1:** SAVINGS RATE AT TAX COHORT SITES IS AT LEAST DOUBLE THE RATE OF ALL VOLUNTEER INCOME TAX ASSISTANCE (VITA) SITES NATIONALLY

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
<b>Target</b>						NA	3%	3%
<b>Actual</b>						3%	4.5%	NA

## Progress update and future action

The Bureau continued to provide people with educational information and tools, via online, in print and through community channels. Its consumer financial education programs are designed to empower people to make better informed financial decisions to serve their own life goals. The financial education topics address major areas of consumer interest such as: debt collection, credit and credit reporting, home ownership and mortgages, and student loan repayment. Other topics help people prepare in their financial lives to engage in financial preparedness and prevention, including: general money management, savings, building children's financial capability, and a secure retirement.

Building on existing savings initiatives such as the Tax-Time Savings Program, the Bureau launched the *Start Small, Save Up Initiative* with the purpose to increase people's financial well-being by increasing people's opportunities to save and empower them to realize their personal savings goals, starting with a focus on emergency savings. The planned campaign tools include education, partnerships, research, and policy approaches. In fiscal year 2020, the initiative will continue to enhance the evidence base of the *Start Small, Save Up* campaign by executing a plan to collect, analyze, and report on data that will provide insight into current innovations in the savings space, with the goal of identifying promising strategies to encourage saving.

### **Performance goal 1.3.1:** Issue rules, where appropriate, implementing Federal consumer financial laws through a timely and inclusive process.

The Bureau has prioritized establishing consumer protection regulations where appropriate, including those implementing statutory requirements, in a timely and inclusive manner. Timeliness is important because it increases certainty about the rules of the road, which allows

market participants to plan for a longer term. For this reason, the Bureau believes that completion of its own regulatory proposals within nine months of the close of the final public comment period is a good measure of whether it is meeting this goal.

The Regulatory Flexibility Act, as amended by the Small Business Regulatory Enforcement Fairness Act (SBREFA) and the Dodd-Frank Act, requires the Bureau to convene a Small Business Review Panel before proposing a rule that will have a significant economic effect on a substantial number of small entities. Other public outreach efforts, such as meetings with consumers and industry stakeholders in the development of a proposal, inform and otherwise assist the Bureau in crafting more effective rules.

## Performance measures

**TABLE 2:** PERCENTAGE OF PROPOSED RULEMAKINGS FINALIZED OR OTHERWISE RESOLVED WITHIN NINE MONTHS OF THE DUE DATE FOR RECEIPT OF FINAL PUBLIC COMMENTS.

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
<b>Target</b>	75%	75%	75%	75%	75%	75%	75%	75%
<b>Actual</b>	78%	100%	86%	100%	88%	60%	100%	NA

## Progress update and future action

In FY 2019 the Bureau issued two final rules that were informed by public comment:

- In June 2019, the Bureau issued a final rule to delay the August 19, 2019 compliance date for the mandatory underwriting provisions of the regulation promulgated by the Bureau in November 2017 governing Payday, Vehicle Title, and Certain High-Cost Installment Loans (the Rule). Compliance with these provisions of the Rule was delayed by 15 months, to November 19, 2020. The Bureau also made certain corrections to address several clerical and non-substantive errors it has identified in other aspects of the Rule. The notice of proposed rulemaking and request for comments was published on February 14, 2018 and the comment period closed on March 18, 2019. The rule was finalized within 9 months of the due date for receipt of final comments. The Bureau received 161 comments – approximately 150 comment letters from individuals, consumer advocacy groups, a group of State attorneys general, depository and non-depository lenders, tribal governments, national and regional trade associations, service providers, the Small Business Administration's Office of Advocacy, legislative and executive branch State government

officials, and others. Commenters writing in support of the proposed delay included lenders, trade associations, tribal governments, the SBA OA, individual commenters, and others. Some of these commenters also expressed their support for rescission of the Mandatory Underwriting Provisions as proposed in the Reconsideration NPRM. Commenters writing in opposition to the proposed delay included a number of consumer advocacy groups, a group of State attorneys general, legislative and executive branch State government officials, individual commenters, and others.

- In July 2019, the Board of Governors of the Federal Reserve System (Board) and the Bureau (collectively, Agencies) amended Regulation CC, which implements the Expedited Funds Availability Act (EFA Act), to implement a statutory requirement in the EFA Act to adjust the dollar amounts under the EFA Act for inflation. The Agencies also amended Regulation CC to incorporate the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA) amendments to the EFA Act, which include extending coverage to American Samoa, the Commonwealth of the Northern Mariana Islands, and Guam, and to make certain other technical amendments. The notice of proposed rulemaking and request for comments was published on December 10, 2018 and the comment period closed on February 8, 2019. The rule was finalized within nine months of the due date for receipt of final comments. The Agencies received 32 responses to their proposal from a variety of commenters, including depository institutions, service providers, trade associations, clearinghouses, consumer organizations, and private individuals. Nine commenters explicitly expressed general support for the proposal, two additional trade association commenters specifically supported the proposal's calculation methodology and timeframes, and twelve commenters specifically supported the proposed one-year effective date. As discussed in more detail below, three institutions opposed basic tenets of the statutory requirements based on concerns about loss to institutions due to customer fraud: the first disagreed altogether with need to make inflationary adjustments for purposes of funds availability; the second disagreed with adjusting the statutory dollar amounts every five years; and the third opposed basing the hold amount on the CPI, stating that individual check amounts are not reflective of inflation. Some commenters addressed other specific aspects of the proposal.

The Bureau also issued a number of rules that were interim, procedural, or corrective and did not require notice and comment. Most of these rules consequently became effective immediately upon publication in the Federal Register or within 30 days of publication in the Federal Register and were not subject to this performance measure.

**Goal 2:** Implement and enforce the law consistently to ensure that markets for consumer financial products and services are fair, transparent, and competitive.

**Performance goal 2.2.6:** Cooperate and share information with federal and state partners as part of Supervision efforts to protect consumers and deter wrongdoers.

This goal ensures that the Bureau works well with its partners at the local, state, and federal level to share information while still complying with the Bureau’s regulations, policies on information sharing, and other legal restrictions, across jurisdictions and to make the best use of limited resources.

### Performance measure

**TABLE 3:** PERCENTAGE OF EXAM REPORTS SHARED WITH OTHER REGULATORS, AS APPROPRIATE (NEW MEASURE)

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
<b>Target</b>						90%	90%	90%
<b>Actual</b>						100%	100%	NA

### Progress update and future action

Under the Dodd-Frank Act, the Bureau is required to coordinate its supervisory work with various other regulators at both the State and the Federal level, to the extent possible. The Bureau makes it a priority to share information about its supervisory activity and coordinate its work with other regulators, when possible. The above metrics will continue to ensure that this remains a focus for the Bureau going forward. In fiscal year 2019, the Bureau shared 100% of exam reports with other regulators, consistent with the Memorandum of Understanding on Supervisory Coordination.

**Performance goal 2.2.7:** Where the Bureau determines enforcement action is warranted, file or settle action within two years of opening its investigation.

Filing enforcement actions in a timely manner is an important measure of the Bureau’s effectiveness. The Bureau seeks to balance the need to effectively pursue complicated and time-consuming cases while minimizing any unnecessary delay between conduct and resolution.

Timely pursuit of resolutions increases deterrence and provides consumers with greater protections of law.

## Performance measures

**TABLE 4:** AVERAGE DURATION, IN MONTHS, TO FILE OR SETTLE INVESTIGATIONS (NEW MEASURE)

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
<b>Target</b>					NA	24	24	24
<b>Actual</b>					23	26	32	NA

## Progress update and future action

After the Bureau determines that enforcement action is warranted, Bureau staff review each matter at regular intervals to ensure that it is progressing in a timely manner. The Bureau's experience so far and the experience of other similar enforcement agencies informed the selection of the target. The Bureau will, however, continue to monitor this target to assess whether it is an appropriate way to measure the Bureau's performance going forward.

**Goal 3:** Foster operational excellence through efficient and effective processes, governance, and security of resources and information.

**Performance goal 3.1.1:** Improve comprehensive cybersecurity protection of Bureau information and resources.

Information security continues to be a key risk in the federal government due to the advanced persistent threat to information technology (IT) infrastructures. As such, the Bureau must consistently seek to ensure its cybersecurity program evolves accordingly.



## Performance measures

**TABLE 5:** MITIGATE CRITICAL AND HIGH PLAN OF ACTION & MILESTONES (POA&M) FROM 2018 THIRD-PARTY CYBER ASSESSMENT (% MITIGATED) (NEW MEASURE)

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY2020
<b>Target</b>						50%	80%	100%
<b>Actual</b>						100%	100%	NA

### Progress update and future action

The Bureau has taken several steps to enhance its cybersecurity program including implementing an information security continuous monitoring program consistent with federal requirements. In fiscal year 2018, the Bureau completed a Risk and Vulnerability Assessment (RVA) in which a third party attempted to hack into Bureau IT systems to proactively identify security vulnerabilities and initiate any required mitigating actions. The RVA concluded with no “Critical” findings and the three technical recommendations from the assessment have all been remediated. In fiscal year 2019, the Bureau upgraded its cybersecurity protection by enhancing an asset management solution to populate detailed system inventories to inform the cybersecurity risk management process and correlate asset data with cybersecurity audit log analysis capabilities. Since we have hit our target goal of 100% completion, we will retire this metric in fiscal year 2020.

### **Performance goal 3.2.1: Maintain high-performing, diverse employees with the right skills and abilities.**

The Bureau assesses progress and performance on this goal by measuring management training outcomes, and employee perceptions of the technical competence of the workforce and diversity and inclusion. Strategies to improve in these areas target organizational effectiveness, talent development and diversity and inclusion initiatives.

One of the measures that the Bureau uses to assess progress on this goal is the extent to which managers are able to apply the skills they have learned from management training to their day-to-day management responsibilities. The Bureau has developed a metric that combines feedback from several training assessment surveys. This metric provides the Bureau with information that is used to evaluate and improve management training opportunities. This metric, along with 19 other data sources, is used to determine the effectiveness of current management training, assess the resources needed to promote and facilitate training, and identify the type of management training needed in the future.

## Performance measures

**TABLE 6:** MANAGEMENT TRAINING SURVEY RATING ON APPLYING LEARNED SKILLS TO JOB RESPONSIBILITIES (AGGREGATE OF THREE QUESTIONS ON 7 POINT SCALE) (NEW MEASURE)

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY2020
<b>Target</b>						5.75	5.75	5.75
<b>Actual</b>						6.41	6.5	NA

## Progress update and future action

In fiscal year 2019, the Bureau offered several leadership and management development courses that contributed to this metric, including:

- Supervisor Development Seminars (2 deliveries) that covers workplace topics required for all senior leaders and managers by the Office of Personnel Management
- Leadership Excellence Seminars that covers best management practices to help senior leaders and managers engage and motivate individuals and teams (3 total deliveries of 5 topical seminars)
- Leadership resiliency training for senior leaders and managers (10 deliveries)
- Level specific courses for Managers of Managers on “Leading from the Middle” (2 deliveries)
- Level specific course for Executives on “Executive Perspective and Presence” (1 delivery)
- Level specific course for supervisors on “Responding to New or Modified Work Requirements” (2 deliveries)

Moving forward, the Bureau will continue to deliver management training solutions to meet Federal mandates and Bureau requirements. The Bureau will continue to offer proven and successful training programs that leverage leading management practices while building new programs to meet the evolving needs of the Bureau’s leaders and managers.

## 1.3 Civil Penalty Fund annual report

Section 1055(a) of the Dodd-Frank Act authorizes the Bureau to obtain any appropriate legal or equitable relief for violations of Federal consumer financial laws. That relief may include civil penalties. Section 1017(d) of the Dodd-Frank Act further establishes 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 Civil Penalty Fund. Included in this Annual Report is a summary of the Civil Penalty Fund activity since inception through September 30, 2019, a description of Civil Penalty Fund collections in fiscal year 2019, a description of Civil Penalty Fund allocations in fiscal year 2019 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:  
<https://www.consumerfinance.gov/about-us/payments-harmed-consumers/>

As of September 30, 2019, the Civil Penalty Fund had \$542.9 million in funds available for future allocation to harmed consumers and/or financial education. Table 7 below summarizes significant activity of the fund from inception through September 30, 2019:

**TABLE 7: CIVIL PENALTY FUND SIGNIFICANT ACTIVITY**

Activity	Amount	Amount
Cash Collections:		
FY 2012-2017	\$566,769,642	
FY 2018	522,761,388	
FY 2019	<u>131,171,664</u>	
Total Cash Collections		\$1,220,702,694

Activity	Amount	Amount
Amounts Unallocated and Returned to the Fund: <sup>3</sup>		
FY 2017	\$4,132,145	
FY 2018	27,141,876	
FY 2019	<u>7,818,864</u>	
Total Returned		\$39,092,885
Less Allocations:		
Victim Compensation		
FY 2013-2017	(\$482,232,170)	
FY 2018	(69,582,179)	
FY 2019	<u>(119,852,385)</u>	
Subtotal: Allocations to Victim Compensation		(\$671,666,734)
Consumer Education and Financial Literacy Programs		
FY 2013-2016	(\$28,812,809)	
Subtotal: Allocations to Consumer Education and Financial Literacy Programs		(\$28,812,809)
Total Allocations		(\$700,479,543)
Less Administrative Set-aside:		
FY 2013-2018		(\$5,573,322)
FY 2018		0
FY 2019		(500,000)
Total Unallocated Balance		\$553,242,714 <sup>4</sup>

<sup>3</sup> This amount includes funds that were unallocated and returned to the Fund following the completion of distributions to victims (see the Civil Penalty Fund Distributions section for more information).

<sup>4</sup> This total includes \$10,283,886 that was collected pursuant to an order that is pending appeal and is thus not yet a “final order” as defined in 12 C.F.R. § 1075.101. Those funds are therefore not available for allocation.

## Civil Penalty Fund collections

**TABLE 8:** FISCAL YEAR 2019 COLLECTIONS

Defendant name	Civil Penalty Imposed	Civil Penalty Collected	Collection date
National Credit Adjusters, LLC and Bradley Hochstein – Defendant Hochstein	\$3,000,000	\$200,000 <sup>5</sup>	October 9, 2018 January 8, 2019
National Credit Adjusters, LLC and Bradley Hochstein – Defendant National Credit Adjusters, LLC	3,000,000	50,000 <sup>6</sup>	October 12, 2018 November 9, 2018
Bluestem Brands, Inc., et al.	200,000	200,000	October 12, 2018
Cash Express, LLC	200,000	200,000	October 29, 2018
Santander Consumer USA Inc.	2,500,000	2,500,000	November 30, 2018
Richard F. Moseley, Sr., et al. – Defendants Moseley, Sr., Moseley, Jr., and Corporate Defendants	1	1	December 17, 2018

<sup>5</sup> The consent order suspended full payment of the Civil Monetary Penalty (CMP) imposed against the defendant upon satisfaction of certain requirements, including that the defendant must pay \$300,000 toward the CMP in installments of \$100,000 within 10 days of the order's effective date and two subsequent payments of \$100,000 every 90 days thereafter for 180 days.

<sup>6</sup> The consent order suspended full payment of the CMP imposed against both defendants upon satisfaction of certain requirements, including that the defendant must pay \$500,000 toward the CMP in one installment of \$400,000 within 10 days of the order's effective date and four subsequent payments of \$25,000 every 30 days thereafter for 120 days.

Defendant name	Civil Penalty Imposed	Civil Penalty Collected	Collection date
Hoffman Law Group f/k/a Residential Litigation	10,000,000	55,157 <sup>7</sup>	December 31, 2018
USAA Federal Savings Bank	3,500,000	3,500,000	January 8, 2019
Village Capital & Investment LLC	260,000	260,000	January 22, 2019 February 20, 2019
Enova International, Inc.	3,200,000	3,200,000	January 31, 2019
Mark Corbett	1	1	February 5, 2019
Cash Tyme	100,000	100,000	February 13, 2019 April 19, 2019
Sterling Jewelers Inc.	10,000,000	10,000,000	February 14, 2019
Howard Law, et al	40,000,000 <sup>8</sup>	1	April 8, 2019
Conduent Education Services, LLC	3,900,000	3,900,000	May 10, 2019
D and D Marketing, Inc. d/b/a T3Leads, et al	2	2	May 15, 2019
Servis One, Inc., d/b/a BSI Financial Services	200,000	200,000	June 4, 2019
Freedom Mortgage Corporation	1,750,000	1,750,000	June 12, 2019

<sup>7</sup> Pursuant to the Default Judgment and Order in May of 2015, the Court ordered the defendants to pay a CMP of \$10.0 million to the Bureau. This CMP was never paid, and the defendants were liquidated by the Receiver. On December 6, 2018, a check was sent to the Bureau by the Receiver, in the amount of \$55,156.97, representing a CMP payment on behalf of the defendants.

<sup>8</sup> The Consent Judgment suspended the full amount of the judgment and the civil money penalty upon Defendants' payment of \$50,000 toward the judgment for redress and \$1 toward the civil money penalty.

Defendant name	Civil Penalty Imposed	Civil Penalty Collected	Collection date
Freedom Debt Relief, LLC	5,000,000	4,506,500 <sup>9</sup>	July 17, 2019
Equifax	100,000,000	100,000,000	August 22, 2019
Asset Recovery Associates, Inc. (ARA)	200,000	50,000 <sup>10</sup>	August 27, 2019
Maxitransfers	500,000	500,000	September 3, 2019
S Payment & Processing Solutions, LLC	1	1	September 27, 2019
Sumant Khan	1	1	September 27, 2019
Total	\$187,510,006	\$131,171,664	

In fiscal year 2019, the Bureau collected civil penalties from 24 defendants totaling \$131.2 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 of violations for which civil penalties have been imposed under the Federal consumer financial laws and, to the extent that such victims cannot be located or such payments are otherwise not practicable, to consumer education and financial literacy programs. The Fund Administrator makes these allocations according to a schedule published in accordance with the rule. 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.

<sup>9</sup> In accordance with the Consent Order, \$493,500 of the \$5,000,000 penalty was remitted by the defendant to the FDIC.

<sup>10</sup> The defendant is expected to transfer the remaining \$150,000 in Q1 FY20.

## Allocations in fiscal year 2019

### Period 12: April 1, 2018- September 30, 2018

On November 29, 2018, the Bureau made its twelfth allocation from the Civil Penalty Fund. As of September 30, 2018, the Civil Penalty Fund contained an unallocated balance of \$524.3 million. This amount was available for allocation pursuant to 12 C.F.R. § 1075.105(c).

**TABLE 9:** PERIOD 12: CASES IN WHICH A CIVIL PENALTY WAS IMPOSED

Defendant name <sup>11</sup>	Date of Final Order
Wells Fargo Bank, NA	April 20, 2018
Security Group, Inc.	June 12, 2018
National Credit Adjusters- Bradley Hochstein	June 12, 2018
National Credit Adjusters	July 13, 2018
Triton	July 17, 2018
TCF National Bank	July 20, 2018
Federal Debt Assistance Association	July 22, 2018
Hydra- Randazzo	July 23, 2018
Richard F. Moseley, Sr., et al. – Defendants Moseley, Sr., Moseley, Jr., and Corporate Defendants	August 10, 2018

A civil penalty was imposed in seven cases with final orders from Period 12. Of those seven cases, three cases had classes of eligible victims with uncompensated harm that is compensable from the Civil Penalty Fund.

Of the Period 12 cases with compensable uncompensated harm, three cases, Federal Debt Assistance Association, LLC, *et al.*, Triton Management Group, Inc., and Richard F. Moseley, Sr., *et al.* (“Hydra Group”), received an allocation from the Civil Penalty Fund.

<sup>11</sup> For Civil Penalty Fund allocation purposes, National Credit Adjusters – Bradley Hochstein and National Credit Adjusters are treated as one case. Similarly, Hydra-Randazzo and Richard F. Mosely Sr., et al are treated as one case.



In the Federal Debt Assistance Association (FDAA) case, the class of eligible victims—consumers who paid any money to FDAA to enroll or participate in FDAA’s debt-management program including debt-relief and credit-repair services from on or about January 14, 2016 through May 22, 2018—had \$4,972,389.31 in uncompensated harm. In the Triton Management Group, Inc case, the class of eligible victims—all Mississippi consumers who, from January 1, 2013 through May 15, 2015, received an auto title pledge from Triton that contained a 10-month payment schedule with a finance charge disclosure reflecting only a 30-day single-payment transaction or a similarly inaccurate finance charge, and who paid more than the finance charge disclosed for the 30-day single-payment transaction—had \$1,022,298 in uncompensated harm. In the Hydra Group case, the class of eligible victims was (1) consumers who were subject to the Hydra Group’s misrepresentations that the consumer had authorized the loan and was obligated to pay and consumers who were illegally debited without consent between July 21, 2011 and August 10, 2018 and (2) consumers who received deceptive loan documents that misrepresented the loan obligation as requiring repayment of only principal loan amount and one finance charge from January 1, 2008 until August 10, 2018. Eligible victim classes in the Hydra group had \$69,623,528 in uncompensated harm.<sup>12</sup>

During Period 12, \$0 were allocated for Consumer Education and Financial Literacy purposes.

#### **Period 12 Allocation Summary:**

- Victim Compensation: \$75,618,215
  - Federal Debt Assistance Association, LLC *et al*
    - Victim Class Allocation: \$4,972,389
  - Triton Management Group, Inc
    - Victim Class Allocation: \$1,022,298
  - Richard F. Moseley, Sr, et al, (“Hydra Group”)
    - Victim Class Allocation: \$69,623,528

Consumer Education and Financial Literacy Programs: \$0

**Total Allocation: \$75,618,215**

<sup>12</sup> As of September 30, 2018, the Hydra Group victim classes had uncompensated harm totaling \$55 million. However, \$14 million in frozen assets were subsequently determined uncollectable, thus increasing the victims’ uncompensated harm. In accordance with section 1075.106(d)(1) of the rule, the Acting Fund Administrator exercised her discretion to depart from the allocation procedures described in § 1075.106 and allocated \$69,623,528 to the Hydra Group victim classes to fully compensate their uncompensated harm as of November 29, 2018.

### Period 13: October 1, 2018 – March 31, 2019

On May 29, 2019 the Bureau made its thirteenth allocation from the Civil Penalty Fund. As of March 31, 2019, the Civil Penalty Fund contained an unallocated balance of \$468,417,629.<sup>13</sup> As part of the allocation process, \$500,000 was set-aside for administrative expenses, reducing the funds available for allocation for Period 13 to \$468,417,629.

**TABLE 10:** PERIOD 13: CASES IN WHICH A CIVIL PENALTY WAS IMPOSED

Defendant name	Date of Final Order <sup>14</sup>
Bluestern Brands, Inc. et al.	October 4, 2018
Cash Express	October 24, 2018
Santander Consumer USA Inc.	November 20, 2018
Village Capital & Investment, LLC	December 4, 2018
USAA Federal Saving Bank	January 3, 2019
Enova International, Inc.	January 25, 2019
Sterling Jewelers, Inc.	February 7, 2019
Mark Corbett	January 23, 2019
Cash Tyme	February 5, 2019
Howard Law	March 27, 2019

Civil penalties were imposed under ten final orders from Period 13. Of those ten cases, two cases, Mark Corbett and Howard Law, had classes of eligible victims with uncompensated harm that is compensable from the Civil Penalty Fund. Both cases received an allocation from the Civil Penalty Fund.

<sup>13</sup> The amount available for allocation does not include \$10,283,886 that was collected in Period 11 pursuant to an order that is pending appeal and is thus not yet a “final order” as defined in 12 C.F.R. § 1075.101. Those funds are therefore not available for allocation under 12 C.F.R. § 1075.105(c).

<sup>14</sup> The Civil Penalty Fund rule defines the term “final order” as 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.

The Mark Corbett case received an allocation of \$9,027,895. In that case, the class of eligible victims are certain veterans of the United States Armed Forces who have Department of Veterans Affairs disability pensions or pensions administered by the Defense Finance and Accounting Service and who entered into contracts related to those pensions that were brokered by the defendant between January 1, 2011 and January 21, 2019. The Howard Law case received an allocation of \$35,206,275. In that case, the class of eligible victims are consumers who, (a) on or after January 30, 2014, paid fees to Defendants, either directly or through Defendants' Network Attorneys, prior to Defendants' renegotiating, settling, reducing, or otherwise altering the terms of at least one debt of the consumer, or who (b) on or after January 30, 2014, enrolled in a debt relief service in response to Defendants' deceptive advertisements.

During Period 13, \$0 were allocated for Consumer Education and Financial Literacy purposes.

**Period 13 Allocation Summary:**

Victim Compensation: \$44,234,170

- Mark Corbett
  - Victim Class Allocation: \$9,027,895
- Howard Law
  - Victim Class Allocation: \$35,206,275

Consumer Education and Financial Literacy Programs: \$0

**Total Allocation: \$44,234,170**

## Fiscal year 2019 cases eligible for allocation in fiscal year 2020

On or before November 29, 2019, the Bureau will make its fourteenth allocation from the Civil Penalty Fund. Civil penalties were imposed under ten final orders from Period 14. As of September 30, 2019, the Civil Penalty Fund had an unallocated balance of \$553.2 million. Of this amount, \$542.9 million is available for allocation pursuant to 12 C.F.R. § 1075.105(c).

## Civil Penalty Fund distributions

In fiscal year 2019, a Civil Penalty Fund distribution began for one case.

**TABLE 11:** CIVIL PENALTY FUND DISTRIBUTIONS INITIATED IN FISCAL YEAR 2019

Defendant	Period	Amount Allocated	Amount Distributed	Number of Checks Mailed	Year & Quarter of Initial Distribution
Triton	12	\$1,022,298	\$1,022,298	873	FY19 Q4
<b>Totals</b>		<b>\$1,022,298</b>	<b>\$1,022,298</b>	<b>873</b>	

The table above identifies cases for which distributions of Civil Penalty Fund monies to harmed consumers began in fiscal year 2019. It reflects the period in which an allocation was made to victims in the case, the total amount allocated, the total dollar amount that has been mailed to harmed consumers, the number of consumers to whom initial checks were mailed, and when distributions began.

Distributions are expected to begin in fiscal year 2020 for the Commercial Credit Consultants, *et al.*, Prime Marketing Holdings, LLC, Siringoringo, *et al.*, Federal Debt Assistance Association Howard Law, Hydra and Mark Corbett cases.

**TABLE 12:** CIVIL PENALTY FUND DISTRIBUTIONS CONCLUDED IN FISCAL YEAR 2019

Defendant	Amount Allocated	Amount Distributed	Number of Checks Mailed	Percent of Distributed Funds Cashed	Year & Quarter of Distribution Conclusion
Student Loan Processing	\$7,923,548	\$7,923,524	4,800	96%	FY19 Q1
Student Aid Institute	3,508,900	3,508,900	3,269	85%	FY19 Q2
Global Client Solutions	116,184,068	115,894,180	64,214	92%	FY19 Q4
<b>Totals</b>	<b>\$127,616,516</b>	<b>\$127,326,604</b>	<b>72,283</b>		

The table above reflects the cases where a distribution concluded in fiscal year 2019. For each case, it displays the amount allocated from the Civil Penalty Fund, the total dollar amount that was mailed to harmed consumers, the number of consumers to whom checks were mailed, the percent of the distributed funds that were claimed, and when the distribution concluded.

## 1.4 Bureau-administered redress

Dodd-Frank Act Section 1055 authorizes a court in a judicial action, or the Bureau 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. The Bureau refers to these collections as Bureau-Administered Redress.

**TABLE 13:** COLLECTIONS IN FISCAL YEAR 2019

Defendant	Amount Collected	Date of Collection
Howard Law, et al	\$50,000	April 2, 2019 April 19, 2019
D and D Marketing, Inc. d/b/a T3Leads, et al.	1,000,000	April 24, 2019
UniRush LLC and MasterCard International Incorporated	1,544,825	May 9, 2019
Orion Processing, LLC, et al	308,553	June 10, 2019
Freedom Debt Relief, LLC	20,000,000	August 6, 2019
Sumant Khan	70,377	September 6, 2019 September 23, 2019 September 27, 2019
Northern Resolution Group, LLC. et al	5,000	September 27, 2019
<b>Total</b>	<b>\$22,978,755</b>	

In fiscal year 2019, the Bureau collected approximately \$23.0 million in Bureau-Administered Redress funds from seven defendants. Funds are distributed in accordance with the terms of the final order for the case.

### Bureau-administered redress distributions

In fiscal year 2019, there were no new initial distributions of Bureau Administered redress cases. Four Bureau-Administered Redress distributions concluded in fiscal year 2019. In these cases, unclaimed funds were treated in accordance with the terms of the final order for each case.

**TABLE 14:** BUREAU-ADMINISTERED REDRESS DISBURSEMENTS CONCLUDED IN FISCAL YEAR 2019

Defendant	Year & Quarter of Distribution Conclusion	Amount Distributed <sup>15</sup>	Number of Checks Mailed	Percentage of Funds Cashed
Genuine Title	FY19 Q1	\$388,894	1,374	79%
RPM Mortgage	FY19 Q1	17,371,726	23,324	97%
Corinthian College	FY19 Q4	211,598	9,640	72%
Global Client Solutions	FY19 Q4	5,503,624	30,648	91%
<b>Totals</b>		<b>\$23,475,842</b>	<b>64,986</b>	

The table above reflects the cases where a distribution concluded in fiscal year 2019. For each case, it displays when the distribution concluded, the total dollar amount that was mailed to harmed consumers, the number of consumers to whom checks were mailed, and the percent of the distributed funds that were claimed.

<sup>15</sup> Correction to a prior year distribution amount. In the fiscal year 2018 AFR, the amount distributed in Bureau-Administered Redress in the Gordon, *et al* matter was listed as \$34,619. That amount was overstated by \$6,051. The total Bureau-Administered Redress distributed in the Gordon, *et al* matter is \$28,569. The distribution in the Gordon, *et al* matter concluded in fiscal year 2018.

## 1.5 Management assurances and audit results

### Statement of Management Assurance

Fiscal Year 2019, November 8, 2019

The management of the Bureau of Consumer Financial Protection (the Bureau) 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 Bureau 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 Bureau 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, 2019.

Section 1017(a)(4)(D) of the Dodd-Frank Act requires the Bureau to provide a management assertion as to the effectiveness of the Bureau's internal control over financial reporting. The Bureau 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 Bureau can provide reasonable assurance that its internal control over financial reporting as of September 30, 2019 was operating effectively and no material weaknesses were found in the design or operation of the internal control over financial reporting.

Section 1017(a)(4)(C) of the Dodd-Frank Act requires the Bureau to maintain financial management systems that comply substantially with Federal financial management systems requirements and applicable Federal accounting standards. The Bureau utilizes financial management systems that substantially comply with the requirements for Federal financial management systems and applicable Federal accounting standards.



Director  
Bureau of Consumer Financial Protection



# Federal Managers' Financial Integrity Act

The Bureau of Consumer Financial Protection 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, the Bureau recognizes the importance of Federal laws associated with implementing effective risk management, including the Federal Managers' Financial Integrity Act. This includes ensuring that Bureau operations and programs are effective and efficient and that internal controls are sufficient to minimize exposure to waste and mismanagement.

In fiscal year 2019, the Bureau performed an evaluation of its risks and systems of internal controls. Based on the results of those evaluations, the Bureau is able to provide a reasonable statement of assurance that the 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, 2019. While there were no material weaknesses identified, the Bureau identified one (1) significant deficiency that is listed below. The Bureau is committed to continuously enhancing and improving its systems of internal control and realizing more effective and efficient ways to accomplish its mission; as well as taking appropriate steps to implement timely corrective actions.

## **Information Technology Controls** *(Significant Deficiency)*

1. In fiscal year 2016, while there were no material weaknesses identified, the Bureau identified a significant deficiency in the operational effectiveness of certain information technology controls. In fiscal years 2019 and 2018, the Bureau implemented corrective actions to mitigate the risks of this deficiency. The corrective actions implemented did not fully mitigate the risks and therefore this significant deficiency is still identified in fiscal year 2019. During fiscal year 2020, the Bureau will continue to implement and improve processes to enhance internal control and improve its operational effectiveness.

## Federal financial management systems requirements

Section 1017(a)(4)(C) of the Dodd-Frank Act requires the Bureau to implement and maintain financial management systems that substantially comply with Federal financial management systems requirements and applicable Federal accounting standards. The Bureau performs or is subject to a number of other assessments in order to further support compliance with the requirement set forth within the Dodd Frank Act requiring the Bureau to implement and maintain financial management systems that comply substantially with the federal financial management systems requirements and applicable accounting standards. Assessments include but are not limited to:

- Internal Control over Financial Reporting (ICOFR)
- Federal Information Security Management Act (FISMA)
- Improper Payments
- Federal Manager's Financial Integrity Act Reporting of 1982 (FMFIA)

Based on the results of these assessments, the Bureau provided reasonable assurance that as of September 30, 2019, the Bureau financial management systems substantially comply with the requirements for Federal financial management systems and applicable Federal accounting standards.

Additionally, as discussed in the section on Financial Management System Strategy below, the Bureau has entered into an agreement with the Bureau of the Fiscal Service, Administrative Resource Center (BFS/ARC) for the cross-servicing of the Bureau's core financial management system needs. As such, BFS/ARC has provided assurances to the Bureau 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 System and Organization Controls (SOC) 1 Report in accordance with Statements on Standards for Attestation Engagements No. 18, AT-C Section 320, *Report on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting*. The independent auditors opined in the SOC 1 report that BFS/ARC's controls were suitably designed and operating effectively to provide reasonable assurance that control objectives would be achieved if customer agencies

applied the complementary customer agency controls. The Bureau determined that the scope of the SOC 1 report was sufficient to support its assessment of internal control over financial reporting.

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

## Financial statement audit and audit of internal control over financial reporting

Sections 1017(a)(4)(B) and (D) of the Dodd-Frank Act require the Bureau 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 Bureau prepared comparative financial statements for fiscal years 2019 and 2018.

GAO issued an unmodified audit opinion on the Bureau's fiscal years 2019 and 2018 financial statements. GAO opined that Bureau maintained, in all material respects, effective internal control over financial reporting as of September 30, 2019. Also, 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 2019 that would be reported under U.S. generally accepted government auditing standards.

## Financial management systems strategy

The Bureau recognized during its initial years of operation that it needed to leverage from other federal agencies existing financial management resources, systems and information technology platforms. The Bureau continues to maintain an agreement with the BFS/ARC 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/ARC provides services that include transactional processing, financial reporting, human resource services, procurement services, and travel services. The Bureau's goal is to continue providing an effective strategy that supports our financial management systems.

The Bureau recognizes the importance of financial management systems and oversight as a part of the capital planning and investment control process. Accordingly, the Bureau relies on its Investment Review Board (IRB) as the executive advisory body responsible for ensuring that all business and technology investments are aligned to the Bureau's mission, vision, strategic goals

and initiatives, and utilize program management best practices to achieve the maximum return on investments. The IRB is chaired by the Chief Financial Officer (CFO). Investments over \$0.5 million 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 \$0.5 million 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 Bureau 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 Bureau 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 Bureau's Bureau Fund is not subject to the Act, it was determined that the Bureau's Civil Penalty Fund is subject to the Act. The Office of the Chief Financial Officer conducted a review and risk assessment of the Civil Penalty Fund for fiscal year 2018 and determined that the program is low risk and not susceptible to significant improper payments. The Office of Management and Budget's (OMB) guidance only requires an agency to conduct a program risk assessment once every three years if a prior risk assessment determined the program to be low risk. Additionally, the Office of the Chief Financial Officer determined that the Civil Penalty Fund did not meet the reporting threshold for fiscal years 2019 and 2018.

## Fraud reduction report

The Fraud Reduction and Data Analytics Act of 2015 (the Act) requires the Office of Management and Budget (OMB) to establish guidelines for federal agencies to establish financial and administrative controls to identify and assess fraud risks and design and implement control activities in order to prevent, detect, and respond to fraud, including improper payments. These guidelines are intended to incorporate the leading practices

identified in the report published by the Government Accountability Office on July 28, 2015, entitled "Framework for Managing Fraud Risks in Federal Programs."

In fiscal year 2017, the Bureau's Legal Department reviewed the requirements of the Act and determined that while the Bureau is not obligated to comply with OMB-issued circulars, memoranda, or other guidance, it would be prudent to voluntarily comply with the OMB guidance under the Act.

During fiscal year 2019, the Bureau continued to raise awareness of fraud risks and fraud risk management requirements under the Act. As part of the Bureau's fiscal year 2018 internal control assessment, the Bureau evaluated the maturity of its fraud risk management activities and to what extent fraud controls have been implemented into the Bureau's overall internal control framework. To perform the evaluation, the Bureau conducted a survey centered on the Act's requirements to include five areas related to fraud risk management: (1) Fraud Risk Governance, (2) Fraud Risk Management, (3) Fraud Control Activities, (4) Fraud Investigation and Corrective Action, and (5) Fraud Monitoring Activities to determine enhancements to the Bureau's fraud risk management activities. The results of the survey highlighted areas of focus for the Bureau as it continues its efforts to develop a framework of anti-fraud practices.

## Limitations of the financial statements

The principal financial statements contained in this report have been prepared to present the financial position and results of operations of the Bureau pursuant to the requirements of the Dodd-Frank Act Section 1017(a)(4)(B). While the statements have been prepared from the books and records of the Bureau of Consumer Financial Protection, in accordance with generally accepted accounting principles for the Federal Government, and follow the general presentation guidance provided by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared using the same books and records. The financial and performance data in this report are reliable and complete. The statements should be read with the understanding that they are for a component of the U.S. Government, a sovereign entity.

## 1.6 Financial analysis

### Analysis of FY 2019 Financial Condition and Results

The data provided in Table 15 below report on significant financial changes between fiscal years 2019 and 2018.

**TABLE 15:** SUMMARY OF FINANCIAL INFORMATION

(In Dollars)	Percentage Change	FY 2019	FY 2018
Total Assets	11%	\$1,242,558,625	\$1,118,653,723
Total Liabilities	37%	\$308,592,897	\$225,733,679
Total Net Position	5%	\$933,965,728	\$892,920,044
Total Net Cost of Operations	19%	\$621,002,557	\$523,035,432
Total Budgetary Resources	0%	\$1,349,468,530	\$1,355,721,692
Total New Obligations and Upward Adjustments	-23%	\$511,669,057	\$661,383,970
Total Outlays	-29%	\$470,962,890	\$660,947,171

**Total Assets** are \$1,242.6 million as of September 30, 2019, an increase of \$124.0 million (or 11 percent) over fiscal year 2018. The main factors contributing to the net increase was a \$100.0 million increase in the Civil Penalty Fund Cash due to the Equifax case.

**Total Liabilities** are \$308.6 million as of September 30, 2019, an increase of \$82.9 million (or 37 percent) over fiscal year 2018. The Bureau's liabilities generally represent the resources due to others such as benefits owed to employees and payments owed to vendors and Federal agencies for goods and services provided. Liabilities also include victim compensation amounts allocated from the Civil Penalty Fund (net of distributions to date). The increase in total liabilities is primarily associated with the net increase of \$117.0 million in the Civil Penalty Fund liability as a result of anticipated future payments to harmed consumers.

**Total Net Position** at the end of fiscal year 2019 increased by \$41.0 million (an increase of 5 percent) from fiscal year 2018. Factors for the increase are primarily due to a relatively large increase in the beginning balance of Cumulative Results of Operations of \$387.8 million, an

increase in transfers from the Board of Governors of the Federal Reserve of \$86.9 million, a significant decrease of \$390.4 million in Civil Penalty Fund collections, an increase in financing sources from an adjustment to Benefits Payable of \$43.4 million, and a reduction of \$98.0 million due to an increase in Net Cost of Operations.

**Total Net Cost of Operations** increased from \$523.0 million in fiscal year 2018 to \$621.0 million in fiscal year 2019 (an increase of \$98.0 million or 19 percent). The net increase is primarily due to the increase in the dollar amount of civil penalty fund allocations made in fiscal year 2019 as compared to the dollar amount of civil penalty fund allocations made in fiscal year 2018 to various classes of harmed consumers in the Civil Penalty Fund.

**Total New Obligations and Upward Adjustments** decreased from \$661.4 million in fiscal year 2018 to \$511.7 million in fiscal year 2019 (a decrease of \$149.7 million or -23 percent). The \$511.7 million of obligations and upward adjustments in fiscal year 2019 can be broken out by the two primary funds of the Bureau – the Bureau Fund had \$510.2 million of new obligations and upward adjustments and the Civil Penalty Fund had \$1.5 million of new obligations and upward adjustments. Further, the total new obligations and upward adjustments amount of \$511.7 million, includes \$10.9 million in upward adjustments to prior year obligations, and \$500.8 million associated with the new obligations in fiscal year 2019.

## How the Bureau is funded and other sources of revenue and collections

### Bureau fund

Under the Dodd-Frank Act, the Bureau 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 Bureau 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 Bureau fund transfers are capped as follows:

- In fiscal year 2011, up to 10 percent of these Federal Reserve System expenses (or approximately \$498.0 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 Bureau 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 Bureau are invested in Treasury securities on the open market. Earnings from the investments are also deposited into this fund. During fiscal year 2019 four transfers totaling \$468.2 million were received from the Board of Governors. The amount transferred from the Board of Governors to the Bureau was \$210.7 million less than the funding cap of \$678.9 million for fiscal year 2019.

The Dodd-Frank Act explicitly provides that Bureau funds obtained by or transferred to the Bureau 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 Bureau collected civil penalties from judicial or administrative actions in the amount of \$131.2 million for fiscal year 2019 and \$522.8 million for fiscal year 2018.

## Other collections

During fiscal year 2019, the Bureau collected \$115,300 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 Bureau 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 Bureau and are not recognized on the balance sheet. During fiscal year 2019, the Bureau collected approximately \$23.0 million in redress to be administered by the Bureau. Further information is contained in our financial statements at Note 20 entitled, “Fiduciary Activities.”



Further, section 1055 of the Act provides that the Bureau may obtain the remedy of disgorgement for a violation of Federal consumer law. Disgorgement paid by the defendant is treated by the Bureau as custodial revenue and maintained in the Miscellaneous Receipts Fund of the U.S. Treasury. The Bureau reported fiscal year 2019 disgorged deposits of approximately \$2.7 million and any other miscellaneous funds collected or receivable on the Statement of Custodial Activity – a statement that displays all custodial revenue for fiscal years 2019 and 2018.

**TABLE 16:** OVERALL SUMMARY OF BUREAU RECEIPTS BY TYPE AND FISCAL YEAR

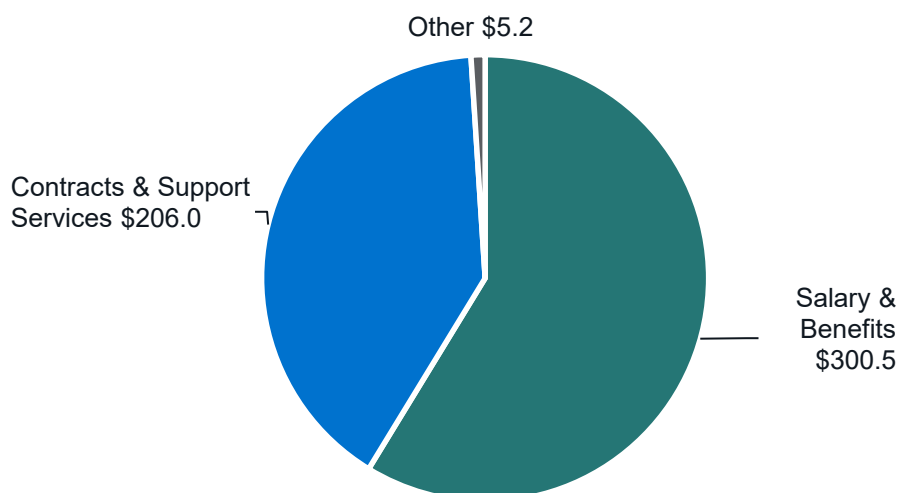
<b>Fiscal Year</b>	<b>Transfers requested</b>	<b>Civil Penalty Fund receipts</b>	<b>Fiduciary receipts</b>	<b>Custodial receipts</b>
2019	\$468,200,000	\$131,171,664	\$22,977,824	\$2,659,808
2018	\$381,300,000	\$522,761,388	\$500,000	\$3,000,688

## What the Bureau has funded

The Bureau’s fiscal year 2019 obligations related to resources essential to operations and activities such as personnel, information technology, mission-specific and human capital support, and other general support service activities. The Bureau incurred \$511.7 million in obligations – \$300.5 million in Salary & Benefits, \$206.0 million in Contracts & Support Services<sup>16</sup>, and \$5.2 million in All Other.

<sup>16</sup> Includes \$45.3 million of interagency agreements (IAA) the Bureau entered into with other Federal agencies and other Federal payments made to Federal Agencies. IAA’s are not reported in USASpending.gov

**FIGURE 3: FISCAL YEAR 2019 NEW OBLIGATIONS AND UPWARD ADJUSTMENTS (\$ IN MILLIONS)**



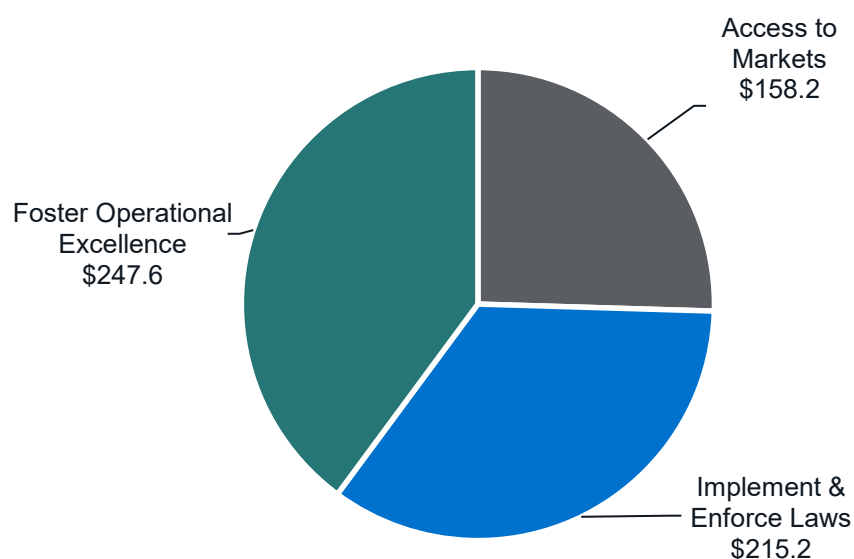
Examples of some of the larger obligations incurred for the Bureau's fiscal year 2019 activities included in the \$206.0 million for contracts and support services include:

- \$12.4 million to the Board of Governors of the Federal Reserve System for services provided by the Office of the Inspector General of the Board of Governors of the Federal Reserve System and the Bureau of Consumer Financial Protection.
- \$11.0 million for the Bureau's standard enterprise application platform, the IT Service Desk, and other business-process automation efforts.
- \$8.7 million to continue to fulfill the Dodd-Frank requirement to facilitate the centralized collection, monitoring and response to consumer complaints, as well as maintain a toll-free consumer hotline.
- \$4.2 million for expert witnesses to support enforcement matters, investigations, or litigations, which are mission critical functions of the Bureau.

## Net costs of the Bureau's operations

The Statement of Net Cost presents the Bureau net cost for its three strategic goals: (1) Ensure that all consumers have access to markets for consumer financial products and services; (2) Implement and enforce the law consistently to ensure that markets for consumer financial products and services are fair, transparent, and competitive; and, (3) Foster operational excellence through efficient and effective processes, governance, and security of resources and information. Net program costs for fiscal year 2019 total \$621.0 million and are displayed in the chart below.

**FIGURE 4:** FISCAL YEAR 2019 NET PROGRAM COSTS (\$ IN MILLIONS)



## 1.7 Possible future risks and uncertainties

### 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 risk factors 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 Bureau in protecting financial consumers and addressing a continually changing financial environment.

## 2. Financial statements and note disclosures

# Message from Elizabeth Reilly

## Chief Financial Officer of the Bureau

I am pleased to join Director Kraninger in presenting the Bureau's Financial Report for fiscal year 2019. The Financial Report is the Bureau's principal statement of accountability to the American people, the United States Congress, and the President of the United States. Our commitment to transparency and accountability is evident in the Bureau earning its ninth consecutive unmodified audit opinion on our comparative financial statements for fiscal years 2019 and 2018.



### **Financial Results for 2019**

The Bureau continues to be a responsible steward of agency funds and remains dedicated to sound financial management practices. In 2019, the Bureau Fund obligations totaled approximately \$510.0 million, which represents a decrease of \$43.0 million (-8 percent) from 2018. Outlays totaled approximately \$480.0 million. The Bureau's full-time equivalent staffing decreased in 2019 for the second year in a row from 1,510 to 1,430, a 5 percent reduction due to a hiring freeze implemented by Former Acting Director Mulvaney on November 28, 2017. Director Kraninger ended the hiring freeze on August 13, 2019 by approving a bureau-wide staffing plan. The unobligated balance held in the Bureau Fund was \$68.0 million as of September 30, 2019. During 2019, the Bureau requested a total of \$468.0 million from the Board of Governors to fund Bureau operations. The unobligated balance held in the Consumer Financial Civil Penalty Fund was \$770.0 million as of September 30, 2019. This amount primarily represents the funding available for harmed consumers who are eligible for full or partial relief from illegal actions taken by financial institutions.

The Bureau continues to make progress in providing compensation to consumers who have been harmed by violations of federal consumer financial protection law. During fiscal year 2019, our enforcement actions resulted or will result in financial institutions, businesses, and individuals providing more than \$700.0 million in monetary relief to consumers. We collected over \$131.0 million in civil penalties from financial institutions, businesses, and individuals for various violations of consumer financial protection laws ordered in fiscal year 2019. Additionally, the Bureau collected approximately \$2.7 million in disgorgement paid to the U.S. Department of the Treasury.

Provided herein are the Bureau's financial statements as an integral part of the fiscal year 2019 Financial Report. Our statements provide the combined financial activity of the Bureau Fund and the Civil Penalty Fund for reporting purposes. For fiscal year 2019, the Government Accountability Office rendered an unmodified audit opinion on the Bureau's financial statements and noted no material weaknesses, no significant Deficiencies, and no instances of reportable non-compliance with laws and regulations.

Sincerely,

A handwritten signature in black ink, appearing to read "Elizabeth Reilly". The signature is fluid and cursive, with the first name "Elizabeth" and last name "Reilly" clearly distinguishable.

Elizabeth Reilly

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



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 2019 and 2018 financial statements of the Bureau of Consumer Financial Protection (Bureau) we found

- the Bureau's financial statements as of and for the fiscal years ended September 30, 2019, and 2018, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- the Bureau maintained, in all material respects, effective internal control over financial reporting as of September 30, 2019; and
- no reportable noncompliance for fiscal year 2019 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)<sup>1</sup> and other information included with the financial statements;<sup>2</sup> (2) our report on compliance with laws, regulations, contracts, and grant agreements; and (3) agency comments.

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

In accordance with title X of the Dodd-Frank Wall Street Reform and Consumer Protection Act<sup>3</sup> and the Full-Year Continuing Appropriations Act, 2011,<sup>4</sup> we have audited the Bureau's financial statements. The Bureau's financial statements comprise the balance sheets as of September 30, 2019, and 2018; the related statements of net cost, 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 the Bureau's internal control over financial reporting as of September 30, 2019, 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 Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Enterprise Risk Management and 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.

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<sup>1</sup>The RSI consists of Management's Discussion and Analysis, which is included with the financial statements.

<sup>2</sup>Other information consists of information included with the financial statements, other than the RSI and the auditor's report.

<sup>3</sup>Pub. L. No. 111-203, title X, § 1017(a)(5), 124 Stat. 1376, 1976-77 (2010), *classified at* 12 U.S.C. § 5497(a)(5).

<sup>4</sup>Pub. L. No. 112-10, div. B, title V, § 1573(a), 125 Stat 38, 138 (2011), *classified at* 12 U.S.C. § 5496a.



## Management's Responsibility

Bureau 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) its assessment about the effectiveness of internal control over financial reporting as of September 30, 2019, included in the accompanying Management's Report on Internal Control over Financial Reporting in appendix A.

## Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements and an opinion on the Bureau'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 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 involves performing procedures to obtain evidence about whether a material weakness exists.<sup>5</sup> The procedures selected depend on the auditor's judgment, including the assessment of the risk that a material weakness exists. An audit of internal control over financial reporting also includes obtaining an understanding of internal control over financial reporting, and evaluating and testing the design and operating effectiveness of internal control over financial reporting based on the assessed risk. Our audit of internal control also considered the Bureau's process for evaluating and reporting on internal

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<sup>5</sup>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.

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.

#### Definition 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 provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a 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, the Bureau's financial statements present fairly, in all material respects, the Bureau's financial position as of September 30, 2019, and 2018, 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

In our opinion, the Bureau maintained, in all material respects, effective internal control over financial reporting as of September 30, 2019, based on criteria established under FMFIA and applicable sections of OMB Circular A-123.

During our fiscal year 2019 audit, we identified deficiencies in the Bureau's internal control over financial reporting that we do not consider to be material weaknesses or significant deficiencies.<sup>6</sup> Nonetheless, these deficiencies warrant Bureau management's attention. We

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<sup>6</sup>A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

have communicated these matters to Bureau management and, where appropriate, will report on them separately.

#### Other Matters

##### **Required Supplementary Information**

U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) require that the RSI be presented to supplement the financial statements. Although the RSI is 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.

##### **Other Information**

The Bureau's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the 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 the Bureau'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 the Bureau's financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our 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

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

#### Auditor's Responsibility

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

## 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 2019 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 the Bureau. 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 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 Bureau stated that it was pleased to receive an unmodified audit opinion on its fiscal years 2019 and 2018 financial statements and on its internal control over financial reporting. In addition, the Bureau stated that it will continue to work to enhance its system of internal control and ensure the reliability of the Bureau's financial reporting.

The complete text of the Bureau's response is reprinted in appendix B.



Cheryl E. Clark  
Director  
Financial Management and Assurance

November 8, 2019

## APPENDIX A

# Management's report on internal control over financial reporting

Bureau of Consumer Financial Protection  
1700 G Street NW  
Washington, D.C. 20552



November 8, 2019

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 Bureau of Consumer Financial Protection (Bureau) provides this management assertion regarding the effectiveness of internal control that apply to financial reporting by the Bureau 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 Bureau's internal control over financial reporting is a process affected 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 provisions of applicable laws, including those governing the use of budget authority; regulations; contracts; and grant agreements, noncompliance with which could have a material effect on the financial statements.

The Bureau 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. The Bureau management evaluated the effectiveness of the Bureau's internal control over financial reporting as of September 30, 2019,

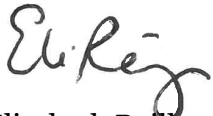
[consumerfinance.gov](http://consumerfinance.gov)

based on the criteria established under 31 U.S.C. 3512(c) (commonly known as the Federal Managers' Financial Integrity Act) and applicable sections of OMB Circular A-123.

Based on that evaluation, we conclude that, as of September 30, 2019 the Bureau's internal control over financial reporting was effective.



Kathleen L. Kraninger  
Director  
Bureau of Consumer Financial Protection



Elizabeth Reilly  
Chief Financial Officer  
Bureau of Consumer Financial Protection

## APPENDIX B

# Management's response to the auditor's report



Bureau of Consumer Financial Protection  
1700 G Street NW  
Washington, D.C. 20552



November 8, 2019

Cheryl Clark  
U.S. Government Accountability Office  
441 G Street, N.W., Room 5T45  
Washington, DC 20548

Dear Ms. Clark:

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 Year 2019 and Fiscal Year 2018 Financial Statements and want to thank you and your staff for your dedicated efforts and collaboration to meet the audit requirements.

We are pleased that GAO's auditors rendered an unmodified or "clean" audit opinion, meaning GAO found that the Bureau of Consumer Financial Protection's (Bureau) financial statements are presented fairly, in all material respects, and in conformity with U.S. generally accepted accounting principles, the Bureau 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. Maintaining an unmodified or "clean" audit opinion on the Bureau's comparative financial statements for fiscal years 2019 and 2018 is a significant accomplishment.

The Bureau will continue to work to enhance our system of internal control and ensure the reliability of the Bureau's financial reporting. The Bureau 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 Elizabeth Reilly, Chief Financial Officer.

Kathleen L. Kraninger  
Director  
Bureau of Consumer Financial Protection

[consumerfinance.gov](http://consumerfinance.gov)

## 2.2 Financial statements and notes

**BUREAU OF CONSUMER FINANCIAL PROTECTION**  
**BALANCE SHEET**  
**As of September 30, 2019 and 2018**  
**(In Dollars)**

	2019	2018
<b>Assets:</b>		
Intragovernmental		
Fund Balance with Treasury (Note 2)	\$ 20,344,912	\$ 28,389,999
Investments (Note 3)	237,091,482	232,697,027
Advances and Prepayments (Note 7)	2,512,125	2,853,042
<b>Total Intragovernmental</b>	<b>259,948,519</b>	<b>263,940,068</b>
Cash, and Other Monetary Assets		
Cash in the Bureau Fund (Note 4)	336,235	337,241
Cash in the Civil Penalty Fund (Note 4)	780,798,332	640,429,162
<b>Total Cash, and Other Monetary Assets</b>	<b>781,134,567</b>	<b>640,766,403</b>
Accounts Receivable (Note 5)	6,050,359	10,095,170
Property, Equipment, and Software, Net (Note 6)	189,682,423	198,062,801
Advances and Prepayments (Note 7)	5,742,757	5,789,281
<b>Total Assets</b>	<b>\$ 1,242,558,625</b>	<b>\$ 1,118,653,723</b>
<b>Liabilities:</b>		
Intragovernmental		
Accounts Payable	\$ 7,295,647	\$ 14,193,280
Benefits Payable (Note 11)	2,819,119	46,494,187
Liability for Advances (Note 8)	10,085,924	9,050,218
Custodial Liability	5,295,244	296,166
Other (Note 9)	531,268	455,604
<b>Total Intragovernmental</b>	<b>26,027,202</b>	<b>70,489,455</b>
Accounts Payable	22,571,254	18,421,131
Employer Benefits Contributions	24,279,572	18,510,700
Accrued Funded Payroll	8,718,982	8,177,787
Civil Penalty Fund Liability (Note 10)	202,764,313	85,727,771
Unfunded Leave	24,188,350	24,367,268
Other (Note 9)	43,224	39,567
<b>Total Liabilities (Note 11)</b>	<b>\$ 308,592,897</b>	<b>\$ 225,733,679</b>
<b>Commitments and Contingencies (Note 12)</b>	<b>-</b>	<b>-</b>
<b>Net Position:</b>		
Cumulative Results of Operations - Funds from Dedicated Collections (consolidated totals) (Note 14)	\$ 933,965,728	\$ 892,920,044
<b>Total Liabilities and Net Position</b>	<b>\$ 1,242,558,625</b>	<b>\$ 1,118,653,723</b>

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

**BUREAU OF CONSUMER FINANCIAL PROTECTION**  
**STATEMENT OF NET COST**  
**For the Fiscal Years Ended September 30, 2019 and 2018**  
**(In Dollars)**

	2019	2018
<b>Gross Program Costs:</b>		
Ensure that all consumers have access to markets for consumer financial products and services		
Gross Costs	\$ 161,640,516	\$ 170,355,670
Less: Earned Revenue	(2,510,883)	(1,845,379)
Net Ensure that all consumers have access to markets for consumer financial products and services	\$ 159,129,633	\$ 168,510,291
Implement and enforce the law consistently to ensure that markets for consumer financial products and services are fair, transparent, and competitive		
Gross Costs	\$ 215,062,444	\$ 224,229,521
Less: Earned Revenue	(263,439)	(202,712)
Net Implement and enforce the law consistently to ensure that markets for consumer financial products and services are fair, transparent, and competitive	\$ 214,799,005	\$ 224,026,809
Foster operational excellence through efficient and effective processes, governance and security of resources and information:		
Gross Costs	\$ 247,454,301	\$ 130,810,172
Less: Earned Revenue	(380,382)	(311,840)
Net Foster operational excellence through efficient and effective processes, governance and security of resources and information	\$ 247,073,919	\$ 130,498,332
Total Gross Program Costs	\$ 624,157,261	\$ 525,395,363
Less: Total Earned Revenues	(3,154,704)	(2,359,931)
Net Cost of Operations (Note 15)	\$ 621,002,557	\$ 523,035,432

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

**BUREAU OF CONSUMER FINANCIAL PROTECTION**  
**STATEMENT OF CHANGES IN NET POSITION**  
**For the Fiscal Years Ended September 30, 2019 and 2018**  
**(In Dollars)**

	2019	2018
<b>Cumulative Results of Operations:</b>		
Beginning Balances	\$ 892,920,044	\$ 505,145,822
<b>Budgetary Financing Sources:</b>		
Nonexchange Revenue		
Transfers from the Board of Governors of the Federal Reserve System	468,200,000	381,300,000
Civil Penalties	131,563,908	522,011,389
Interstate Land Sales Fees	115,300	110,100
Interest from Investments	8,182,991	6,077,423
Total Nonexchange Revenue	608,062,199	909,498,912
Other	10,457	(9,968)
<b>Other Financing Sources:</b>		
Imputed Financing Sources	10,594,160	1,352,146
Non-Entity Collections Transferred to the General Fund	(6,509)	(31,436)
Adjustment due to Reduction of Benefits Payable	43,387,934	-
Total Financing Sources	662,048,241	910,809,654
Net Cost of Operations	(621,002,557)	(523,035,432)
Net Change	41,045,684	387,774,222
Cumulative Results of Operations - Funds from Dedicated Collections (consolidated totals) (Note 14)	\$ 933,965,728	\$ 892,920,044
Net Position	\$ 933,965,728	\$ 892,920,044

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

**BUREAU OF CONSUMER FINANCIAL PROTECTION**  
**STATEMENT OF BUDGETARY RESOURCES**  
For the Fiscal Years Ended September 30, 2019 and 2018  
(In Dollars)

	2019	2018
<b>Budgetary Resources:</b>		
Unobligated Balance from Prior Year Budget Authority, Net	\$ 747,301,287	\$ 438,875,688
Funds Available for Obligation	599,427,816	910,159,378
Spending Authority from Offsetting Collections	2,739,427	6,686,626
<b>Total Budgetary Resources</b>	<b>\$ 1,349,468,530</b>	<b>\$ 1,355,721,692</b>
<b>Status of Budgetary Resources:</b>		
New Obligations and Upward Adjustments (total) (Note 16)	\$ 511,669,057	\$ 661,383,970
Unobligated Balance, End of Year:		
Exempt from Apportionment , Unexpired Accounts	837,799,473	694,337,722
<b>Total Budgetary Resources</b>	<b>\$ 1,349,468,530</b>	<b>\$ 1,355,721,692</b>
<b>Outlays, net</b>		
Outlays, net (total)	470,962,890	660,947,171
<b>Agency Outlays, Net</b>	<b>\$ 470,962,890</b>	<b>\$ 660,947,171</b>

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

**BUREAU OF CONSUMER FINANCIAL PROTECTION**  
**STATEMENT OF CUSTODIAL ACTIVITY**  
For the Fiscal Years Ended September 30, 2019 and 2018  
(In Dollars)

	2019	2018
<b>Total Custodial Revenue:</b>		
Sources of Cash Collections:		
Disgorgement	\$ 2,658,907	\$ 2,998,750
Miscellaneous	901	1,938
<b>Total Cash Collections</b>	<u>2,659,808</u>	<u>3,000,688</u>
Accrual Adjustments	<u>(4,999,077)</u>	<u>(266,698)</u>
<b>Total Custodial Revenue</b>	<u>(2,339,269)</u>	<u>2,733,990</u>
<b>Disposition of Collections:</b>		
Amounts Transferred to the Department of the Treasury	2,659,808	3,000,688
Increase/(Decrease) in Amounts Yet to be Transferred	<u>(4,999,077)</u>	<u>(266,698)</u>
<b>Total Disposition of Collections</b>	<u>(2,339,269)</u>	<u>2,733,990</u>
<b>Net Custodial Activity</b>	<u>\$ -</u>	<u>\$ -</u>

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 (Bureau) 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 Bureau 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 Bureau financial statements are not to be consolidated with the financial statements of either the Board of Governors (BOG) of the Federal Reserve or the Federal Reserve System.

The Dodd-Frank Act authorizes the Bureau 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 Bureau in order to accomplish the above objectives. These authorities were transferred from the BOG, 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, the Dodd-Frank Act 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 Bureau with



certain other federal consumer financial regulatory authorities in addition to these transferred authorities.

To accomplish its mission, the Bureau 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. Additionally, they hear directly from consumers about challenges they face in the marketplace through their complaints, questions, and feedback.
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:** builds and sustains the Bureau's operational infrastructure to support the entire organization.

In addition to the six primary divisions/offices described above, the Office of the Director also includes offices that perform related activities; e.g., the Office of Fair Lending was reorganized under the Director's Office in FY2019 and helps to ensure fair, equitable, and nondiscriminatory access to credit and the Office of Innovation was created in FY2019 to promote innovation, competition and consumer access within financial services.

The Bureau workforce is spread across the country with its headquarters in Washington, D.C. The headquarters is in two locations within Washington, D.C., utilizing space pursuant to interagency agreements with the Office of the Comptroller of the Currency and the General Services Administration (GSA). In addition to its locations within Washington D.C., the Bureau also utilizes space pursuant to occupancy agreements with GSA for the regional offices in New York, Chicago, San Francisco, and Atlanta.

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

## B. Basis of presentation

The Bureau's principal statements were prepared from its official financial records and general ledger in conformity with U.S. generally accepted accounting principles (GAAP) and, while not required to comply with all OMB guidance such as OMB Circular A-136, the Bureau 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 Bureau, 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 Bureau. Financial statements are presented on a comparative basis. During fiscal year 2018, the Bureau prepared and issued a five-year strategic plan for fiscal years 2018 through 2022 that contains three strategic goals and associated performance metrics. The five-year strategic plan was designed to meet the objectives of the Government Performance and Results Act and help the Bureau measure its performance in fulfilling its responsibilities under the Dodd-Frank Act.

## 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 Bureau conforms to 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. Accounting transactions with the Federal Financial Institutions Examination Council (FFIEC) are classified as intragovernmental whereas accounting transactions with the Federal Reserve, which includes both the BOG and the Federal Banks, are classified as non-federal.

In fiscal year 2019, the Bureau received amended guidance from OPM on how to account for post-retirement health benefits for those employees retiring under the Federal Reserve System retirement plans. These health benefits are administered by OPM. Prior to fiscal year 2019, the Bureau reported a liability to OPM for the future costs of these benefits on the Balance Sheet as Benefits Payable as these costs would be paid by the Bureau at some point in the future. During fiscal year 2019, OPM revised its guidance to the Bureau such that OPM will pay for the post-retirement health benefits for all of the Bureau's employees, including those employees retiring under the Federal Reserve System retirement plans. This process is consistent with how OPM pays for health benefits for other Federal agencies. Based on the amended guidance from OPM, the Bureau liquidated its liability with OPM for the future costs of these benefits. The effect of the amended guidance from OPM is a net decrease in intragovernmental liabilities and is a net increase to Cumulative Results of Operations of \$43.4 million. See Notes 1.P. and 11 for more information.

The Bureau has rights and ownership of all assets, except for custodial or non-entity assets, reported in these financial statements. Custodial/Non-entity assets can result from the Bureau enforcement actions that require the defendant to pay disgorgement as well as from the collection of Freedom of Information Act (FOIA) fees. Disgorgement is an equitable remedy that a court or the Bureau 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.S. and Note 20, the Bureau also administers certain funds in a fiduciary capacity.

## D. Funding sources

The Bureau's funding is obtained primarily through transfers from the BOG, interest earned on investments, and penalties and fees collected. The Dodd-Frank Act requires the Bureau to maintain an account with the Federal Reserve – the “Bureau of Consumer Financial Protection Fund” (Bureau Fund). The Director of the Bureau, or his designee, requests transfers from the BOG in amounts necessary to carry out the authorities and operations of the Bureau. The BOG 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 Bureau 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 the Bureau.

The Bureau 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 BOG, equal to:

- In fiscal year 2011, up to 10 percent of these Federal Reserve System expenses (or approximately \$498.0 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.

The Bureau 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 Bureau 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 Bureau 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 a separate subaccount. 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.

The Bureau also began collecting advances from the members<sup>17</sup> of the FFIEC and the U.S Department of the Housing and Urban Development (HUD) for the development of the system to collect data per authority under the Home Mortgage Development Act. Through a

<sup>17</sup> The FFIEC agencies with HMDA responsibilities and party to the MOU for the design and development of the new HMDA system are: Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Office of the Comptroller of the Currency, and the Bureau of Consumer Financial Protection.

Memoranda of Understanding (MOU) an agreement was reached on the funding needed to develop a new Home Mortgage Disclosure Act (HMDA) system. The amounts collected represent a liability for advances and prepayments until the system is developed. A further discussion can be found in Note 1. Q and Note 8.

Pursuant to the Dodd-Frank Act, the Bureau is also authorized to obtain civil penalties for violations of Federal consumer financial laws. The Act requires the Bureau 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 Bureau 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.”

Goods and services are received from other federal entities at no cost or at a cost less than the full cost to the providing federal entity. Consistent with accounting standards, certain costs of the providing entity that are not fully reimbursed by the Bureau are recognized as imputed cost in the Bureau’s Statement of Net Cost and are offset by an imputed financing source in the Bureau’s Statement of Changes in Net Position. The Bureau 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 Bureau’s behalf. Further, the Bureau recognizes earned revenue for reimbursable activity of the Bureau staff detailed to either public or non-public entities. However, unreimbursed costs of goods and services other than those identified above are not included in our financial statements.

## E. Use of estimates

The Bureau has made certain estimates and assumptions relating to the reporting of assets, liabilities, revenues, expenses, accruals, 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 accruals, costs regarding benefit plans for the Bureau 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, 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, the Bureau 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, to finance designated activities, benefits, or purposes, 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 Bureau has determined based on the criteria of SFFAS 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. See additional disclosure in Note 14 "Funds from Dedicated Collections."

## G. Entity and non-entity assets

Entity assets are assets that the Bureau may use in its operations. This includes amounts where the Bureau 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 Bureau's non-entity assets include cash from disgorgement payments made by defendants and other miscellaneous fees collected and recorded in the Statement of Custodial Activity. FOIA non-entity fees collected are reported on the Statement of Changes in Net Position and the Statement of Net Cost.

## H. Fund balance with Treasury

The U.S. Treasury holds funds in the Treasury General Account for the Bureau 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 the Bureau's behalf. As discussed in Note 1.D. above, the Bureau 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 BOG and investment interest. These funds are available for transfer to the Bureau's Fund Balance with Treasury. Also, as discussed above in Note 1.D., the Bureau maintains an additional account at the FRBNY for the Civil Penalty Fund. These funds are also available for transfer to the Bureau's Fund Balance with Treasury under a separate fund symbol from the Bureau Fund. The Bureau's Fund

Balances with Treasury for all funds described above are maintained as 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.

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

## **I. Investments**

The Bureau has the authority to invest the funds in the Bureau Fund account that are not required to meet the current needs of the Bureau. The Bureau 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. The Bureau selects investments with maturities suitable to its needs, currently three-month Treasury bills. Investments are adjusted for discounts. In accordance with GAAP, the Bureau 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 the Bureau. 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 120 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 the Bureau'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 \$500,000 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:

**TABLE 17:** TABLE OF PROPERTY, EQUIPMENT, AND SOFTWARE CATEGORY USEFUL LIVES

Property, Equipment, and Software 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. The Bureau has no real property holdings or stewardship or heritage assets. Leasehold improvements were completed at 1990 K Street N.W., Washington, D.C. in fiscal year 2018 and those costs were moved from Leasehold (Capital) Improvements-in-Development to Leasehold Improvements and are being amortized. Likewise, leasehold improvements were completed at 1700 G Street, N.W., Washington, D.C. in fiscal year 2019 and these costs were moved from Leasehold (Capital) Improvements-in-Development to Leasehold Improvements and are being amortized. See Note 6. 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 the Bureau 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 the Bureau as a result of transactions or events that have already occurred. Liabilities may be intragovernmental (claims against the Bureau by other Federal agencies) or with the public (claims against the Bureau 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 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 of Net Cost that are not part of Net Outlays on the Reconciliation of net cost to net outlays in Note 18.

### **CIVIL PENALTY FUND**

The Bureau 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. Of the funds deposited into the CPF, the Civil Penalty Fund Administrator allocates funds to classes of victims of violations for which civil penalties have been imposed under the Federal consumer financial laws and, to the extent that such victims cannot be located or such payments are otherwise not practicable, to consumer education and financial literacy programs. 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 due to additional research and documentation obtained after the initial estimate was calculated. The measurement of the liability for consumer education and financial literacy programs is based on the services provided under the applicable contracts and any year end accruals. The measurement of the liability for potential payments to harmed consumers is based on the results of the defined allocation process and any year end accruals. The year end accruals are based on documentation from the Office of Enforcement regarding the potential uncompensated harm of closed cases as of September 30<sup>th</sup> of each year. Please see Note 12 for additional information on the amounts accrued in the financial statements for these cases.

## **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

The Bureau employees may enroll in some benefit programs administered by OPM and also have the option to enroll in non-Title 5 benefit programs sponsored by the Bureau in addition to, or in lieu of, OPM programs. For those employees participating in OPM's benefit programs, the Bureau records the employer's contribution to those programs. For those employees participating in the Bureau's non-Title 5 benefit programs, the Bureau 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 the Bureau's financial statements.

## P. Pension costs and other retirement benefits

The Bureau 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.

The Bureau 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, the Bureau 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 the Bureau 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, the Bureau 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.

The Bureau 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 the Bureau's financial statements.

#### **ALL OTHER EMPLOYEES OF THE BUREAU**

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 (FRSRP). The Bureau 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. The Bureau pays the employer's contribution into those plans.

**TABLE 18:** PENSION/RETIREMENT PLANS FOR BUREAU EMPLOYEES

<b>Name</b>	<b>Administering Agency</b>
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	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	Federal Reserve System
Civil Service Retirement System (CSRS)	OPM
CSRS Offset	OPM
Federal Employees Retirement System (FERS)	OPM

Name	Administering Agency
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)

The Bureau does not have a separate pension or retirement plan distinct from the plans described above. The Bureau expenses its contributions to the retirement plans of covered employees as the expenses are incurred. During fiscal year 2018, the Bureau reported imputed costs (not paid by the Bureau) 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. Disclosure is intended to provide information regarding the full cost of the Bureau's program in conformity with GAAP.

During fiscal year 2019 the Bureau received amended guidance from OPM which resulted in the Bureau now reporting imputed costs for post-retirement health benefits for all of its employees regardless of the retirement plan. During fiscal year 2018 costs for post-retirement health benefits (i.e., health benefits also OPM-administered) were recorded as expenses for those employees retiring under the Federal Reserve System retirement plans. These costs were not imputed costs with OPM. The associated liabilities for these post-retirement health benefits were incorporated as part of the line item on the Balance Sheet for Benefits Payable. However based on amended guidance from OPM in fiscal year 2019, these costs are now recorded as imputed costs with OPM. These costs will be paid by OPM on behalf of the Bureau. The effect of the amended guidance from OPM is a net decrease in intragovernmental liabilities and is a net increase to Cumulative Results of Operations of \$43.4 million. See Notes 1.C. and 11 for more information.

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, the Bureau is required to pay an employer contribution to the FRSRP in an amount established by the employer contribution under the Federal Employees Retirement System – for fiscal year 2019 it was 13.7 percent of

salary. For fiscal years 2019 and 2018 those amounts were \$25.9 million and \$27.3 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 Federal Reserve Banks and certain employees of the Bureau. 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., the Bureau). Accordingly, the Bureau cannot report the full cost of the plan benefits applicable to the Bureau employees. Please see the Federal Reserve Banks Combined Financial Statements for the net assets and costs associated with the System Plan (<https://www.federalreserve.gov/aboutthefed/fed-financial-statements.htm>)

## Q. Liability for Advances

Through a Memoranda of Understanding (MOU) with the Federal Financial Institutions Examinations Council (FFIEC), the FFIEC members<sup>18</sup> and the U.S. Department of Housing and Urban Development (HUD) an agreement was reached on the funding needed to develop a new Home Mortgage Disclosure Act (HMDA) system. The new HMDA system design and development has been a multi-year endeavor spanning over several annual financial report cycles – fiscal years 2016, 2017, 2018 and 2019. During the design and development of the system, the Bureau treated the receipt of payments made by FFIEC members and HUD as advances and record the collections as a liability for advances. With two phases of deployment planned, the first phase of the HMDA system became operational and made available for use to the FFIEC members and HUD in fiscal year 2018 and the second phase became operational and made available in fiscal year 2019. The associated portion of the Bureau's liability for advances for these two phases will be liquidated to earned exchange revenue over the useful life of the asset. See Note 8 for additional information.

## R. Commitments and Contingencies

A contingency is an existing condition, situation, or set of circumstances involving uncertainty as to possible gain or loss to an entity that will be ultimately be resolved when one or more

<sup>18</sup> The FFIEC Federal agencies with HMDA responsibilities and party to the MOU for the design and development of the new HMDA system are: Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Office of the Comptroller of the Currency, and the Bureau of Consumer Financial Protection.

future events occur or fail to occur. Examples of a commitment include purchase requisitions or unsigned contracts. All open commitments at year end are closed out and new commitments (requisitions) need to be recorded in the next fiscal year. Accordingly, no open commitments exist at year end to report in the either the financial statements or notes.

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 future outflow or sacrifice of resources 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 12 for additional information.

## S. Fiduciary activities

The Dodd-Frank Act, section 1055 authorizes the court in a judicial action or the Bureau 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 Bureau and are not recognized on the balance sheet. See Note 20, Fiduciary Activities.

## T. Custodial activities

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

## U. Classified activities

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

## Note 2: Fund balance with Treasury

Fund Balance with Treasury account balances as of September 30, 2019 and September 30, 2018 were as follows:

	2019	2018
<b>Status of Fund Balance with Treasury:</b>		
Unobligated Balance		
Available	\$ 837,799,473	\$ 694,337,722
Obligated Balance Not Yet Disbursed	199,724,384	206,588,566
Investments at Cost	(236,044,378)	(231,769,886)
Cash Held Outside of Treasury (See Note 4)	(781,134,567)	(640,766,403)
<b>Total</b>	<b>\$ 20,344,912</b>	<b>\$ 28,389,999</b>

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, the Bureau invests the portion of the Bureau Fund that is not required to meet the current needs of the Bureau. The Bureau funds available are used to invest 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, 2019 and September 30, 2018.

Investments as September 30, 2019 consist of the following:

	Cost	Amortization Method	Amortized Discount	Investments Net	Market Value Disclosure
<b>Intragovernmental Securities:</b>					
Marketable	236,044,378	Straight-Line	\$ 1,047,104	\$ 237,091,482	\$ 237,115,601
<b>Total</b>	<b>\$ 236,044,378</b>		<b>\$ 1,047,104</b>	<b>\$ 237,091,482</b>	<b>\$ 237,115,601</b>

Investments as of September 30, 2018 consist of the following:

	Cost	Amortization Method	Amortized Discount	Investments Net	Market Value Disclosure
<b>Intragovernmental Securities:</b>					
Marketable	231,769,886	Straight-Line	\$ 927,141	\$ 232,697,027	\$ 232,617,982
<b>Total</b>	<b>\$ 231,769,886</b>		<b>\$ 927,141</b>	<b>\$ 232,697,027</b>	<b>\$ 232,617,982</b>

## Note 4: Cash and other monetary assets

The Bureau has both cash and investments held outside of Treasury. When transfers are made from the BOG to the Bureau, 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. The Bureau requests cash disbursements from the Bureau Fund at the FRBNY to the Bureau'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 the Bureau 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 the Bureau 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 Bureau 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 Bureau deposits civil penalties it obtains in these judicial and administrative actions into the Civil Penalty Fund. 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, 2019 and September 30, 2018:

	2019	2018
<b>Cash</b>		
Cash Held in the Bureau Fund at the Federal Reserve	\$ 336,235	\$ 337,241
Cash Held in the Civil Penalty Fund at the Federal Reserve	780,798,332	640,429,162
<b>Total Cash and Other Monetary Assets</b>	<b>\$ 781,134,567</b>	<b>\$ 640,766,403</b>

As of September 30, 2019 and 2018 the Bureau had allocated or set-aside, but not distributed, \$226.6 million and \$118.1 million, respectively, for victim compensation, consumer education and financial literacy programs, and administrative set-asides. See Note 10 for a discussion regarding victim compensation allocation and Note 12 for a discussion regarding the amount available for future allocations.

## Note 5: Accounts receivable

Accounts receivable represents amounts owed to the Bureau. Account balances as of September 30, 2019 and September 30, 2018:

	2019	2018
<b>With the Public</b>		
Accounts Receivable:		
Bureau Fund	\$ 112,881	\$ 9,549,003
Civil Penalty Fund	642,235	250,001
Custodial Funds	5,295,243	296,166
<b>Total Accounts Receivable</b>	<b>\$ 6,050,359</b>	<b>\$ 10,095,170</b>

Account receivable amounts disclosed above are for Federal and Non-federal transactions. As of September 30, 2019, all accounts receivable were due from the public. There were no uncollectable accounts receivable as of September 30, 2019 and 2018 respectively.

## Note 6: Property, equipment and software, net

Schedule of Property, Equipment, and Software as of September 30, 2019 consists of the following:

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Leasehold Improvements	\$ 162,608,674	\$ 5,243,661	\$ 157,365,013
Furniture & Equipment	31,666,152	15,808,280	15,857,872
Internal Use Software	22,191,130	10,002,148	12,188,982
Leasehold (Capital) Improvements-in-Development	2,245,216	N/A	2,245,216
Internal Use Software-in-Development	2,025,340	N/A	2,025,340
<b>Total</b>	<b>\$ 220,736,512</b>	<b>\$ 31,054,089</b>	<b>\$ 189,682,423</b>

Schedule of Property, Equipment, and Software as of September 30, 2018 consists of the following:

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Leasehold Improvements	\$ 7,485,788	\$ 386,955	\$ 7,098,833
Furniture & Equipment	32,337,340	11,637,901	20,699,439
Internal Use Software	19,222,244	6,377,190	12,845,054
Leasehold (Capital) Improvements-in-Development	156,555,450	N/A	156,555,450
Internal Use Software-in-Development	864,025	N/A	864,025
<b>Total</b>	<b>\$ 216,464,847</b>	<b>\$ 18,402,046</b>	<b>\$ 198,062,801</b>

Leasehold (Capital) Improvements-in-Development in fiscal year 2018 primarily represent costs incurred for the building renovation at 1700 G Street N.W., Washington D.C. and 1990 K Street N.W., Washington D.C. Upon completion of the building renovations, the Bureau began to amortize the cost incurred over the years remaining on the occupancy agreements. Leasehold improvements were completed at 1990 K Street N.W., Washington, D.C. in fiscal year 2018 and those costs were moved from Leasehold (Capital) Improvements-in-Development to Leasehold Improvements and are being amortized. Likewise, leasehold improvements were completed at 1700 G Street, N.W., Washington, D.C. in fiscal year 2019 and these costs were moved from Leasehold (Capital) Improvements-in-Development to Leasehold Improvements and are being amortized. See Note 1.K. for useful life and depreciation method.

## Note 7: Advances & prepayments

Advances and Prepayment balances as of September 30, 2019 and September 30, 2018 were as follows:

	2019	2018
Intragovernmental		
Advances and Prepayments	\$ 2,512,125	\$ 2,853,042
Total Intragovernmental Other Assets	\$ 2,512,125	\$ 2,853,042
With the Public		
Advances and Prepayments	\$ 5,742,757	\$ 5,789,281
Total Public Other Assets	\$ 5,742,757	\$ 5,789,281

In fiscal years 2019 and 2018 the intragovernmental advances and prepayments are primarily composed of the payments to the Federal Housing Finance Agency for the maintenance of the National Mortgage Database and to the U.S. Government Publishing Office for printing services. In fiscal years 2019 and 2018 the public advances and prepayments are primarily a result of Bureau's payments to the BOG to help fund the Office of Inspector General. Other advances and prepayments include licenses, subscriptions and other miscellaneous items.

## Note 8: Liability for advances

The Bureau is treating the receipt of all payments collected from the FFIEC (via payments made by FFIEC members and HUD) for the development phase of the new HMDA system as a liability for advances. With two phases of deployment planned, the first phase of the HMDA system became operational and made available for use to the FFIEC members and HUD in fiscal year 2018, and the second phase became operational and made available in fiscal year 2019. The associated portion of the Bureau's liability for advances for these two phases are being liquidated to earned exchange revenue over the useful life of the asset.

Liability for Advances as of September 30, 2019 and September 30, 2018 consist of the following:

	2019	2018
Intragovernmental Liabilities		
Liability for Advances	\$ 10,085,924	\$ 9,050,218
Total Liability for Advances	\$ 10,085,924	\$ 9,050,218

## Note 9: Other liabilities

Other liabilities as of September 30, 2019 and September 30, 2018 consist of the following:

	2019	2018
Intragovernmental Liabilities		
FECA Liability	\$ 10,595	\$ 5,529
Payroll Taxes Payable	520,673	450,075
<b>Total Intragovernmental Liabilities</b>	<b>\$ 531,268</b>	<b>\$ 455,604</b>
With the Public		
Employee Withholdings	\$ 31,328	\$ 30,123
Other	11,896	9,444
<b>Total Public Liabilities</b>	<b>\$ 43,224</b>	<b>\$ 39,567</b>

Other liabilities comprise several items the largest being the intragovernmental payroll taxes payable. All other liabilities are considered current liabilities.

## Note 10: Civil penalty fund liability

The Civil Penalty Fund (CPF) Liability account is the cumulative balance of activity comprised of the beginning balance, plus new allocations to victims, less distributions made to victims and other adjustments. Consistent with the CPF rule, the CPF Administrator made two allocations of money to victims during FY 2019. The ending balance of the CPF Liability as of September 30, 2019 and September 30, 2018 is calculated as the following:

	2019	2018
Civil Penalty Fund Allocation:		
Beginning Balance	\$ 85,727,771	\$ 190,162,147
Plus: New Allocations to Victims	119,852,385	69,582,179
Year End Accrual for Potential Allocations	-	1,022,298
Less: Reversal of Prior Year End Accrual for Potential Allocations	(1,022,298)	(48,981,739)
Less: Distributions and Other Adjustments	(1,793,545)	(126,057,114)
<b>Ending Balance</b>	<b>\$ 202,764,313</b>	<b>\$ 85,727,771</b>

## Note 11: Liabilities not covered by budgetary resources

Liabilities not covered by budgetary resources as of September 30, 2019 and September 30, 2018 consist of the following:

	2019	2018
Intragovernmental		
FECA	\$ 10,595	\$ 5,529
Benefits Payable	2,156	43,395,597
With the Public		
Unfunded Leave	24,188,350	24,367,268
Actuarial FECA	45,145	87,052
Total Liabilities Not Covered by Budgetary Resources	\$ 24,246,246	\$ 67,855,446
Total Liabilities Covered by Budgetary Resources	279,059,154	157,582,067
Total Liabilities Not Requiring Budgetary Resources	5,287,497	296,166
Total Liabilities	\$ 308,592,897	\$ 225,733,679

As described in Notes 1.C. and 1.P., benefits payable (not covered by budgetary resources) was decreased by \$43.4 million based on amended guidance from OPM during fiscal year 2019. During fiscal year 2018, the Bureau reported a liability to OPM for post-retirement health benefits for the Bureau employees retiring under the Federal Reserve System retirement plans. Beginning in fiscal year 2019, these costs are imputed with OPM using the actuarial calculations provided by OPM. OPM will pay for these post-retirement health benefits on the Bureau's behalf similar to how OPM pays for these benefits for other Federal agencies.

## Note 12: Commitments and contingencies

The Bureau's General Counsel has determined there is one pending legal case that is deemed to be reasonably possible that an unfavorable outcome may occur, and therefore, is required to be disclosed. The Bureau General Counsel has estimated the range of the reasonably possible loss to be between \$50,000 and \$300,000. However, no accrued liability was recorded as of September 30, 2019 because the likelihood of loss is less than probable. No cases were identified as of September 30, 2018 by the Bureau General Counsel that required disclosure.

The Civil Penalty Fund Administrator made two allocations from the Civil Penalty Fund in fiscal year 2019, the twelfth allocation on November 29, 2018 and the thirteenth allocation on May 30, 2019. The Fund Administrator will make the fourteenth allocation from the Civil Penalty Fund on or before November 29, 2019. At that time, there will be 10 cases considered for allocation and the total amount available for allocation is \$542.9 million. As of September 30, 2019, insufficient information was available to estimate any accrual for these cases, consistent with the process as described in Note 1.M.

## Note 13: Rental payments for space

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

### DESCRIPTION OF AGREEMENT

A. Occupancy Agreement (OA) with the OCC for space to accommodate the Bureau staff assigned to its headquarters at 1700 G Street, N.W., Washington, D.C. The OA with OCC covers use of the premises through February 17, 2032 with two optional five (5) year renewal periods expiring February 17, 2037 and 2042 respectively. The annual rent shall escalate two percent each year.

Future Payments Due:

Fiscal Year	Buildings
2020	\$ 13,520,398
2021	13,790,806
2022	14,066,622
2023	14,347,954
2024 through February 17, 2032	132,244,219
<b>Total Future Payments</b>	<b>\$ 187,969,999</b>

### DESCRIPTION OF AGREEMENT

B. OA between the Bureau and the General Services Administration for supplies, services and the use of space at 401 West Peachtree Street, N.W., Atlanta, Georgia. The OA is for a period through July 31, 2029. The rent is to be adjusted annually for operating cost and real estate taxes.

Future Payments Due:

Fiscal Year	Buildings
2020	\$ 238,195
2021	240,031
2022	241,906
2023	243,819
2024 through July 31, 2029	1,462,478
<b>Total Future Payments</b>	<b>\$ 2,426,429</b>

#### DESCRIPTION OF AGREEMENT

C. OA between the Bureau 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 through September 28, 2023. The rent is to be adjusted annually for operating cost and real estate taxes.

Future Payments Due:

Fiscal Year	Buildings
2020	\$ 1,271,445
2021	1,282,162
2022	1,293,200
2023 through September 28, 2023	1,304,569
<b>Total Future Payments</b>	<b>\$ 5,151,376</b>

#### DESCRIPTION OF AGREEMENT

D. OA between the Bureau 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 through December 16, 2027. The rent is to be adjusted annually for operating cost and real estate taxes.

Future Payments Due:

Fiscal Year	Buildings
2020	\$ 1,411,694
2021	1,416,613
2022	1,421,654
2023	1,535,310
2024 through December 16, 2027	6,738,968
<b>Total Future Payments</b>	<b>\$ 12,524,239</b>

#### DESCRIPTION OF AGREEMENT

E. OA between the Bureau and the General Services Administration for supplies, services and the use of space at 230 S. Dearborn Street, Chicago, IL. The OA was modified for a period through June 30, 2029. The rent is to be adjusted annually for operating cost.

Future Payments Due:

Fiscal Year	Buildings
2020	\$ 351,545
2021	353,420
2022	355,335
2023	357,290
2024 through June 30, 2029	2,094,303
<b>Total Future Payments</b>	<b>\$ 3,511,893</b>

## DESCRIPTION OF AGREEMENT

F. OA between the Bureau and the General Services Administration for supplies, services and the use of space at 1990 K Street N.W., Washington, DC. The OA was modified for a period through December 11, 2023. The rent is to be adjusted annually for operating cost and real estate taxes.

Future Payments Due:

Fiscal Year	Buildings
2020	\$ 4,171,401
2021	4,220,757
2022	4,271,593
2023	4,323,955
2024 through December 11, 2023	711,988
<b>Total Future Payments</b>	<b>\$ 17,699,694</b>

## Note 14: Funds from dedicated collections

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



	Bureau Fund	Civil Penalty Fund	FY 2019
<b>A. Fund Balances &amp; Status of Funds:</b>			
Fund Balances:			
Special Fund	\$ 19,883,997	\$ 460,915	\$ 20,344,912
<b>Total</b>	<b>\$ 19,883,997</b>	<b>\$ 460,915</b>	<b>\$ 20,344,912</b>
Status of Fund Balance with Treasury:			
Unobligated Balance			
Available	\$ 67,505,931	\$ 770,293,542	\$ 837,799,473
Obligated Balance Not Yet Disbursed	190,104,618	10,965,705	201,070,323
Uncollected Federal Payments	(1,345,939)	-	(1,345,939)
Investments at Cost	(236,044,378)	-	(236,044,378)
Cash Held Outside of Treasury	(336,235)	(780,798,332)	(781,134,567)
<b>Total</b>	<b>\$ 19,883,997</b>	<b>\$ 460,915</b>	<b>\$ 20,344,912</b>
<b>B. Summary Assets, Liabilities, and Net Position:</b>			
Assets:			
Total Intragovernmental	\$ 259,487,604	\$ 460,915	\$ 259,948,519
Cash and Other Monetary Assets	336,235	780,798,332	781,134,567
Property, Equipment, and Software, Net	189,682,423	-	189,682,423
Other	11,150,881	642,235	11,793,116
<b>Total Summary Assets</b>	<b>\$ 460,657,143</b>	<b>\$ 781,901,482</b>	<b>\$ 1,242,558,625</b>
Liabilities and Net Position:			
Total Liabilities	\$ 105,766,896	\$ 202,826,001	\$ 308,592,897
Cumulative Results of Operations	354,890,247	579,075,481	933,965,728
<b>Total Liabilities &amp; Net Position</b>	<b>\$ 460,657,143</b>	<b>\$ 781,901,482</b>	<b>\$ 1,242,558,625</b>
<b>C. Summary Statement of Net Cost:</b>			
Total Gross Program Costs	\$ 516,128,723	\$ 108,028,538	\$ 624,157,261
Less: Total Earned Revenues	(3,154,704)	-	(3,154,704)
<b>Net Cost of Operations</b>	<b>\$ 512,974,019</b>	<b>\$ 108,028,538</b>	<b>\$ 621,002,557</b>
<b>D. Summary Statement of Changes in Net Position:</b>			
Net Position Beginning of Period	\$ 337,379,933	\$ 555,540,111	\$ 892,920,044
Total Financing Sources	530,484,333	131,563,908	662,048,241
Net Cost of Operations	(512,974,019)	(108,028,538)	(621,002,557)
Change in Net Position	17,510,314	23,535,370	41,045,684
<b>Net Position End of Period</b>	<b>\$ 354,890,247</b>	<b>\$ 579,075,481</b>	<b>\$ 933,965,728</b>

	Bureau Fund	Civil Penalty Fund	FY 2018
<b>A. Fund Balances &amp; Status of Funds:</b>			
Fund Balances:			
Special Fund	\$ 27,460,806	\$ 929,193	\$ 28,389,999
<b>Total</b>	<b>\$ 27,460,806</b>	<b>\$ 929,193</b>	<b>\$ 28,389,999</b>
Status of Fund Balance with Treasury:			
Unobligated Balance			
Available	\$ 56,005,006	\$ 638,332,716	\$ 694,337,722
Obligated Balance Not Yet Disbursed	206,353,341	3,025,639	209,378,980
Uncollected Federal Payments	(2,790,414)	-	(2,790,414)
Investments at Cost	(231,769,886)	-	(231,769,886)
Cash Held Outside of Treasury	(337,241)	(640,429,162)	(640,766,403)
<b>Total</b>	<b>\$ 27,460,806</b>	<b>\$ 929,193</b>	<b>\$ 28,389,999</b>
<b>B. Summary Assets, Liabilities, and Net Position:</b>			
Assets:			
Total Intragovernmental	\$ 263,010,875	\$ 929,193	\$ 263,940,068
Cash and Other Monetary Assets	337,241	640,429,162	640,766,403
Property, Equipment, and Software, Net	198,062,801	-	198,062,801
Other	15,634,450	250,001	15,884,451
<b>Total Summary Assets</b>	<b>\$ 477,045,367</b>	<b>\$ 641,608,356</b>	<b>\$ 1,118,653,723</b>
Liabilities and Net Position:			
Total Liabilities	\$ 139,665,434	\$ 86,068,245	\$ 225,733,679
Cumulative Results of Operations	337,379,933	555,540,111	892,920,044
<b>Total Liabilities &amp; Net Position</b>	<b>\$ 477,045,367</b>	<b>\$ 641,608,356</b>	<b>\$ 1,118,653,723</b>
<b>C. Summary Statement of Net Cost:</b>			
Total Gross Program Costs	\$ 526,638,181	\$ (1,242,818)	\$ 525,395,363
Less: Total Earned Revenues	(2,359,931)	-	(2,359,931)
<b>Net Cost of Operations</b>	<b>\$ 524,278,250</b>	<b>\$ (1,242,818)</b>	<b>\$ 523,035,432</b>
<b>D. Summary Statement of Changes in Net Position:</b>			
Net Position Beginning of Period	\$ 472,859,918	\$ 32,285,904	\$ 505,145,822
Total Financing Sources	388,798,265	522,011,389	910,809,654
Net Cost of Operations	(524,278,250)	1,242,818	(523,035,432)
Change in Net Position	(135,479,985)	523,254,207	387,774,222
<b>Net Position End of Period</b>	<b>\$ 337,379,933</b>	<b>\$ 555,540,111</b>	<b>\$ 892,920,044</b>

## Note 15: Realigned costs and earned revenue

One of the sources of earned revenue reported on the Statement of Net Cost is collections from the Federal Financial Institutions Examination Council (FFIEC) for the operations and maintenance of the Home Mortgage Disclosure Act (HMDA) system. The agency members of the FFIEC and HUD jointly fund the operations and maintenance of the system and the Bureau maintains the system on behalf of the FFIEC and HUD. During fiscal year 2019, the Bureau realigned the costs and revenues from the HMDA system on the Statement of Net Cost. The costs and revenues were previously spread across all of the strategic goals 1, 2, and 3. Beginning with fiscal year 2019, the costs and revenues associated with the HMDA system are allocated only to Goal 1 – *Ensure that all consumers have access to markets for consumer financial products and services*. The fiscal year 2018 column has been reclassified to be comparable to the new presentation in fiscal year 2019. This change has no impact to the overall total net cost of operations.

## Note 16: Apportionment categories of new obligations and upward adjustments

All new obligations and upward adjustments are characterized as Category E, Exempt from apportionment (i.e., not apportioned), on the Statement of Budgetary Resources. New obligations and upward adjustments reported in the Statement of Budgetary Resources in fiscal years 2019 and 2018 consisted of the following:

	2019	2018
Direct Obligations, Category E	\$ 508,119,354	\$ 659,643,137
Reimbursable Obligations, Category E	3,549,703	1,740,833
Total New Obligations and Upward Adjustments	\$ 511,669,057	\$ 661,383,970

## Note 17: Undelivered orders at the end of the period

SFFAS 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. The Bureau's Undelivered Orders represent obligated amounts designated for future payment of goods and services ordered but not received.

Undelivered Orders as of September 30, 2019 were as follows:

	Federal	Non-Federal	Total
Paid Undelivered Orders	\$ 2,512,126	\$ 5,742,757	\$ 8,254,883
Unpaid Undelivered Orders	43,934,020	82,803,997	126,738,017
Total Undelivered Orders	\$ 46,446,146	\$ 88,546,754	\$ 134,992,900

Undelivered Orders as of September 30, 2018 were as follows:

	Federal	Non-Federal	Total
Paid Undelivered Orders	\$ 2,853,042	\$ 5,789,281	\$ 8,642,323
Unpaid Undelivered Orders	48,291,403	98,284,462	146,575,865
Total Undelivered Orders	\$ 51,144,445	\$ 104,073,743	\$ 155,218,188

## Note 18: Reconciliation of net cost to net outlays

The Bureau has reconciled its net costs to its net outlays for the period ended September 30, 2019. The reconciliation of net cost, presented on an accrual basis, to net outlays, presented on a budgetary basis, provides an explanation of the relationship between financial and budgetary information. The analysis below illustrates this reconciliation by listing the key differences between net cost and net outlays.

**BUREAU OF CONSUMER FINANCIAL PROTECTION**  
**RECONCILIATION OF NET COST TO NET OUTLAYS**  
For the Fiscal Year Ended September 30, 2019  
(In Dollars)

	Intragovernmental	With the Public	Total
<b>Net Cost of Operations</b>	<b>\$ 86,740,039</b>	<b>\$ 534,262,518</b>	<b>\$ 621,002,557</b>
<b>Components of Net Cost of Operations Not Part of Budget Outlays</b>			
Property, Equipment and Software Depreciation	-	(13,766,353)	(13,766,353)
Property, Equipment and Software Disposal & Reevaluation	-	(3,404)	(3,404)
<b>Increase/(Decrease) in Assets Not Affecting Budget Outlays:</b>			
Accounts Receivable	-	(9,435,991)	(9,435,991)
Advances and Prepayments	(340,917)	(46,524)	(387,441)
<b>(Increase)/Decrease in Liabilities Not Affecting Budget Outlays:</b>			
Accounts Payable	5,861,926	(4,150,124)	1,711,802
Salaries and Benefits	211,029	(6,353,179)	(6,142,150)
CPF Liability Allocation	-	(117,036,542)	(117,036,542)
Unfunded Leave	-	178,918	178,918
Other Liabilities	(6,302)	39,454	33,152
<b>Other Financing Sources:</b>			
Imputed Federal Employee Retirement Benefit Costs	(10,594,160)		(10,594,160)
<b>Total Components of Net Cost of Operations Not Part of Budget Outlays</b>	<b>\$ (4,868,424)</b>	<b>\$ (150,573,745)</b>	<b>\$ (155,442,169)</b>
<b>Components of the Budget Outlays That Are Not Part of Net Cost of Operations</b>			
Acquisition of Capital Assets	(723,510)	6,112,890	5,389,380
<b>Total Components of the Budget Outlays That Are Not Part of Net Cost of Operations</b>	<b>\$ (723,510)</b>	<b>\$ 6,112,890</b>	<b>\$ 5,389,380</b>
<b>Other Temporary Timing Differences</b>			
Other	13,122		13,122
<b>Outlays, Net (total)</b>	<b>\$ 81,161,227</b>	<b>\$ 389,801,663</b>	<b>\$ 470,962,890</b>

## Note 19: President's Budget

SFFAS 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 2019 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2020 and can be found at the OMB Web site: <http://www.whitehouse.gov/omb/>. The 2020 Budget of the United States Government, with the "Actual" column completed for 2018, has been reconciled to the 2018 Statement of Budgetary Resources and there were no material differences.

	Budgetary Resources	New Obligations and Upward Adjustments	Net Outlays
Combined Statement of Budgetary Resources	\$ 1,355,721,692	\$ 661,383,970	\$ 660,947,171
Rounding Difference	(721,692)	(383,970)	52,829
Budget of U.S. Government	1,355,000,000	661,000,000	661,000,000
Total Unreconciled Difference	\$ -	\$ -	\$ -

## Note 20: Fiduciary activities

Section 1055 of the Dodd-Frank Act authorizes the court in a judicial action, or the Bureau 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 Bureau. The victims have an ownership interest in the cash or other assets held by the Bureau under provision of law, regulation, or other fiduciary arrangement. Significant changes in activity for fiscal year 2019 include a 4,496 percent increase in fiduciary revenues collected or \$22,477,824 compared to fiscal year 2018.

During fiscal years 2019 and 2018, the Bureau had the following fiduciary activity:

**BUREAU OF CONSUMER FINANCIAL PROTECTION  
SCHEDULE OF FIDUCIARY ACTIVITY  
For the Fiscal Years Ended September 30, 2019 and 2018  
(In Dollars)**

	2019	2018
	<b>Consumer Financial Legal or Equitable Relief Fund</b>	
Fiduciary Net Assets, Beginning of Year	\$ 5,636,515	\$ 10,013,899
Fiduciary Revenues Collected	22,977,824	500,000
Fiduciary Revenues Receivables	205,364	-
Administrative Expenses	(129,211)	(343,948)
Disbursements to and on behalf of beneficiaries	625,163	(4,533,436)
Increase/(Decrease) in Fiduciary Net Assets	23,679,140	(4,377,384)
Fiduciary Net Assets, End of Year	\$ 29,315,655	\$ 5,636,515

**BUREAU OF CONSUMER FINANCIAL PROTECTION  
FIDUCIARY NET ASSETS  
As of September 30, 2019 and 2018  
(In Dollars)**

	2019	2018
	<b>Consumer Financial Legal or Equitable Relief Fund</b>	
<b>Fiduciary Assets:</b>		
Cash	\$ 29,110,291	\$ 5,636,803
Accounts Receivable	205,364	-
<b>Fiduciary Liabilities:</b>		
Less: Liabilities	-	288
Total Fiduciary Net Assets	\$ 29,315,655	\$ 5,636,515

### 3. Other Information

The Federal Civil Penalties Inflation Adjustment Act of 1990, as amended by the Debt Collection Improvement Act of 1996 and further amended by the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015, directs Federal agencies to adjust for inflation the civil penalty amounts within their jurisdiction each year. The table below describes, for each type of penalty within the Bureau's jurisdiction, the statutory authority, a description of the penalty, the year the statute was enacted, the latest year of penalty adjustment, the date of the current adjustment, the current penalty amount, and the location for additional details on the penalty update.

**TABLE 19: FEDERAL CIVIL PENALTIES INFLATION ADJUSTMENT**

Authority (Statute)	Penalty Description	Year Enacted	Latest Year of Adjustment	Date of Current Adjustment	Current Penalty Amount	Location for Penalty Update Details
Consumer Financial Protection Act, 12 U.S.C. 5565(c)(2)(A)	Tier 1 penalty	2010	2019	January 15, 2019	\$5,781	12 CFR Part 1083
Consumer Financial Protection Act, 12 U.S.C. 5565(c)(2)(B)	Tier 2 penalty	2010	2019	January 31, 2019	\$28,906	12 CFR Part 1083
Consumer Financial Protection Act, 12 U.S.C. 5565(c)(2)(C)	Tier 3 penalty	2010	2019	January 31, 2019	\$1,156,242	12 CFR Part 1083
Interstate Land Sales Full Disclosure Act, 15 U.S.C. 1717a(a)(2)	Per violation	1968	2019	January 31, 2019	\$2,014	12 CFR Part 1083
Interstate Land Sales Full Disclosure Act, 15 U.S.C. 1717a(a)(2)	Annual cap	1968	2019	January 31, 2019	\$2,013,399	12 CFR Part 1083



Authority (Statute)	Penalty Description	Year Enacted	Latest Year of Adjustment	Date of Current Adjustment	Current Penalty Amount	Location for Penalty Update Details
Real Estate Settlement Procedures Act, 12 U.S.C. 2609(d)(1)	Per failure	1974	2019	January 31, 2019	\$94	12 CFR Part 1083
Real Estate Settlement Procedures Act, 12 U.S.C. 2609(d)(1)	Annual cap	1974	2019	January 31, 2019	\$189,427	12 CFR Part 1083
Real Estate Settlement Procedures Act, 12 U.S.C. 2609(d)(2)(A)	Per failure, where intentional	1974	2019	January 31, 2019	\$190	12 CFR Part 1083
SAFE Act, 12 U.S.C. 5113(d)(2)	Per violation	2008	2019	January 31, 2019	\$29,192	12 CFR Part 1083
Truth in Lending Act, 15 U.S.C. 1639e(k)(1)	First violation	2010	2019	January 31, 2019	\$11,563	12 CFR Part 1083
Truth in Lending Act, 15 U.S.C. 1639e(k)(2)	Subsequent violations	2010	2019	January 31, 2019	\$23,125	12 CFR Part 1083