CFO update for the first quarter of fiscal year 2019

OCTOBER 1 – DECEMBER 31, 2018

Issued: March 22, 2019

Bureau Fund

As of December 31, 2018, the end of the first quarter of FY 2019, the CFPB had incurred approximately $132.4 million in FY 2019 obligations[1] to carry out the authorities of the Bureau under Federal financial consumer law. Approximately $80.9 million was spent on employee compensation and benefits for the 1,480 CFPB employees who were on-board by the end of the first quarter.

In addition to payroll expenses, the largest obligations made during the first quarter were related to contractual services. Some of the Bureau's significant obligations that occurred during the first quarter of FY 2019 included:

- $3.6 million for IT infrastructure operations & maintenance support;
- $3.5 million for enterprise-wide cloud hosting infrastructure, system administration and support services;
- $1.9 million for consumer response system operations and maintenance;
- $1.8 million for e-discovery systems and support services;
- $1.4 million to the General Services Administration for rental payment for CFPB's West regional office space;
- $1.3 million for video and audio conferencing capabilities and services;
- $1.3 million to the General Services Administration for rental payment for CFPB's Northeast regional office space;
- $1.2 million for security services at CFPB headquarters; and
- $1.1 million for wide-area network services.

[1] This amount includes commitments, obligations and expenditures. A commitment is a reservation of funds in anticipation of a future obligation. An obligation is a transaction or agreement that creates a legal liability and obligates the government to pay for goods and services ordered or received. An expenditure is the authorization or outlay of payment related to a prior obligation.

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

Table 1: Fiscal Year 2019 spending by expense category through Q1:

Expense Category	**Fiscal Year 2019**
Personnel Compensation	53,214,000
Benefit Compensation	27,503,000
Benefit Compensation – former employees	122,000
Travel	3,866,000
Transportation of Things	110,000
Rents, Communications, Utilities & Misc.	6,662,000
Printing and Reproduction	1,599,000
Other Contractual Services	30,114,000
Supplies & Materials	1,368,000
Equipment	7,805,000
Land and Structures	-
Total (as of December 31, 2018)	**$ 132,363,000**

Table 2: Fiscal Year 2019 spending by division/program area through Q1:

Division/Program Area	**Fiscal Year 2019**
Office of the Director	2,682,000
Operations	14,236,000
Consumer Education & Engagement	14,681,000
Research, Markets & Regulations	7,687,000
Supervision, Enforcement, Fair Lending	34,087,000
Legal Division	3,499,000
External Affairs	1,902,000
Other Programs[2]	512,000
Centralized Services[3]	53,077,000
Total (as of December 31, 2018)	**$ 132,363,000**

[2] Other Programs includes the costs of the Office of Ombudsman, Administrative Law Judges, and other CFPB programs.

[3] Centralized services include the cost of certain administrative and operational services provided centrally to other Divisions (e.g., building space, utilities, and IT-related equipment and services) in support of all strategic goals.

FY 2019 Funds Transfers Received from the Federal Reserve

The CFPB is funded principally by transfers from the Federal Reserve System, up to the limits set forth in the Dodd-Frank Act. Funding from the Federal Reserve System for fiscal year 2019 is capped at $678.9 million. As of December 31, 2018, the CFPB had received the following transfers for FY 2019. The amounts and dates of the transfers are shown below.

$172.9M	October 1, 2018
$172.9M	**Total**

Civil Penalty Fund

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

Civil Penalties Collected in FY 2019

In the first quarter of FY 2019, the CFPB collected civil penalties from seven defendants totaling $3.1 million.

FY 2019 Civil Penalty Fund Collections:

Defendant name	Civil Penalty Collected	Collection date
National Credit Adjusters, LLC and Bradley Hochstein – Defendant Hochstein	$100,000[4]	October 9, 2018
Bluestem Brands, Inc., et al.	$200,000	October 12, 2018
National Credit Adjusters, LLC and Bradley Hochstein – Defendant National Credit Adjusters, LLC	$50,000[5]	October 12, 2018 November 9, 2018
Cash Express, LLC	$200,000	October 29, 2018
Santander Consumer USA Inc.	$2,500,000	November 30, 2018
Richard F. Moseley, Sr., et al. – Defendants Moseley, Sr., Moseley, Jr., and Corporate	$1	December 17, 2018

[4] The consent order suspended full payment of the CMP imposed upon satisfaction of certain requirements, including that Defendant Hochstein 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.
[5] The consent order suspended full payment of the CMP imposed upon satisfaction of the requirement that Defendant National Credit Adjusters, LLC, pay $500,000 toward the CMP in installments 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 Collected	Collection date
Defendants		
Hoffman Law Group f/k/a Residential Litigation	$55,156.97	December 31, 2018
Total	**$3,105,157.97**	

Civil Penalty Fund Allocations in FY 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 $524,320,685 that was available for allocation pursuant to 12 C.F.R. § 1075.105(c).[6]

A civil penalty was imposed in seven cases with final orders from Period 12. Under the Civil Penalty Fund rule, victims of the violations for which these civil penalties were imposed are eligible for compensation from the Civil Penalty Fund. Of those seven cases, four had classes of eligible victims with no uncompensated harm that is compensable from the Civil Penalty Fund. Three cases, Federal Debt Assistance Association, LLC, et al., Triton Management Group, Inc., and Richard F. Moseley, Sr., et al. ("Hydra Group"), had classes of eligible victims with uncompensated harm that is compensable from the Civil Penalty Fund.

The Federal Debt Assistance Association (FDAA) case received an allocation of $4,972,389.31 from the Civil Penalty Fund. The class of victims eligible for an allocation was all 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. The Triton Management Group, Inc. case received an allocation of $1,022,298. Eligible victims in this case included 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. The Hydra Group case received an allocation of $69,623,528 from the Civil Penalty Fund. Eligible victims in this case were (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. Although the Hydra Group victim classes

[6] The amount available for allocation does not include $10,283,886 that was collected in Period 11 pursuant to an order that was pending appeal at the time of the allocation and was thus not yet a "final order" as defined in 12 C.F.R. § 1075.101. Those funds were therefore not available for allocation under 12 C.F.R. § 1075.105(c).

had uncompensated harm totaling $55 million as of the last day of the most recently concluded six-month period (September 30, 2018), as of the date of this allocation, their uncompensated harm equaled $69,623,528. 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 to the Hydra Group victim classes $69,623,528 in order to fully compensate their uncompensated harm as of November 29, 2018.

These three allocations were sufficient to provide the victims in these classes full compensation for their uncompensated harm. The total allocation to classes of victims from Period 12 cases was therefore $75,618,215.

As of the time of this allocation, there were no prior period victim classes with uncompensated harm that is compensable from the Civil Penalty Fund.

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

The total allocation for Period 12 was $75,618,215.

Period 12 Allocation Summary:

Type	**Allocation**
Victim Compensation	$75,618,215.31
• Federal Debt Assistance Association, LLC, et al.	
Victim Class Allocation: $4,972,389.31	
• Triton Management Group, Inc.	
Victim Class Allocation: $1,022,298.00	
• Richard F. Moseley, Sr., et al. ("Hydra Group")	
Victim Class Allocation: $69,623,528.00	
Consumer Education and Financial Literacy Programs:	$0
Total Allocation	**$75,618,215.31**

The amount in the Fund as of March 31, 2019 will be available for allocation following the conclusion of Period 13 in accordance with 12 C.F.R. § 1075.105(c).

Bureau-Administered Redress

Dodd-Frank Act section 1055 authorizes a court in a judicial action, or the CFPB in an administrative proceeding, to grant any appropriate legal or equitable relief for a violation of Federal consumer financial law. Such relief may include redress for victims of the violations, including refunds, restitution, and damages. Relief that is intended to compensate victims is treated as fiduciary funds and deposited into the "Legal or Equitable Relief Fund" established at the Department of the Treasury.

Bureau Administered Redress Collected in FY 2019:

In the first quarter of FY 2019, the Bureau did not collect any Bureau-Administered Redress.

For additional information on CFPB's Civil Penalty Fund and Bureau-Administered Redress programs, see http://www.consumerfinance.gov/about-us/payments-harmed-consumers/.