

# CFO update for the third quarter of fiscal year 2021

APRIL 1 – JUNE 30, 2021

Issued: August 30, 2021

## Bureau Fund

As of June 30, 2021, the end of the third quarter of fiscal year (FY) 2021, the CFPB had incurred approximately \$502.3 million in FY 2021 obligations<sup>1</sup> to carry out the authorities of the Bureau under Federal financial consumer law. Approximately \$272.8 million was spent on employee compensation and benefits for the 1,552<sup>2</sup> CFPB employees who were on-board by the end of the quarter.

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

- \$12.5 million to the Board of Governors of the Federal Reserve System for services provided by the Inspector General of the Board of Governors of the Federal Reserve System and the Consumer Financial Protection Bureau;
- \$9.9 million for public service announcements to connect at-risk homeowners and renters with CFPB resources that can help them preserve their homes and/or equity. This investment fulfills CFPB's role as the educational hub for mortgage and rental assistance during the COVID-19 emergency;
- \$5.0 million for IT service desk and customer support services;
- \$4.4 million for Consumer Response contact center services;
- \$3.2 million for CFPB headquarters building operations and maintenance;
- \$3.2 million for experts in support of enforcement cases;
- \$3.1 million for Consumer Response system operations and maintenance;
- \$2.8 million for e-discovery systems and support services;
- \$2.2 million for technology data platform development and support;
- \$1.8 million for consumer services awareness and outreach initiatives;
- \$1.6 million to the Federal Housing and Finance Administration for the continued development and maintenance of the National Mortgage Database and the administration of related surveys;
- \$1.4 million for IT servers, network and data storage;
- \$1.2 million for technical litigation support services and products provided through an interagency agreement with the Department of Justice;
- \$1.2 million for CFPB headquarters building custodial services;

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<sup>1</sup> This amount includes new obligations and commitments.

<sup>2</sup> Reflects employees on board during pay-period 15, calendar year 2021.

- \$1.2 million for privacy and FOIA program support;
- \$1.2 million to the Government Accountability Office for government financial audit services;
- \$1.1 million for enterprise-wide IT software design and development support services;
- \$1.1 million for IT business intelligence tool maintenance and support services.

**The tables below categorize spending by expense category and division/program area:**

Table 1: Year-to-date spending by expense category:

| <b>Expense Category</b>                  | <b>FY 2021</b>        |
|--|-----------------------|
| Personnel Compensation                   | 185,420,000           |
| Personnel Benefits                       | 87,233,000            |
| Benefits to Former Employees             | 147,000               |
| Travel                                   | 38,000                |
| Transportation of Things                 | 90,000                |
| Rents, Communications, Utilities & Misc. | 12,697,000            |
| Printing and Reproduction                | 4,315,000             |
| Other Contractual Services               | 186,899,000           |
| Supplies & Materials                     | 6,131,000             |
| Equipment                                | 19,364,000            |
| Land and Structures                      | -                     |
| <b>Total (as of June 30, 2021)</b>       | <b>\$ 502,334,000</b> |

Table 2: Year-to-date spending by division/program area:

| <b>Division/Program Area</b>           | <b>FY 2021</b>        |
|--|-----------------------|
| Office of the Director                 | 12,763,000            |
| Operations                             | 196,137,000           |
| Consumer Education & External Affairs  | 76,210,000            |
| Research, Markets & Regulations        | 29,837,000            |
| Supervision, Enforcement, Fair Lending | 113,782,000           |
| Legal Division                         | 13,466,000            |
| Centralized Services <sup>3</sup>      | 2,625,000             |
| Other Programs <sup>4</sup>            | 57,514,000            |
| <b>Total (as of June 30, 2021)</b>     | <b>\$ 502,334,000</b> |

<sup>3</sup> Includes the cost of certain administrative and operational services provided centrally to other Divisions in support of all strategic goals.

<sup>4</sup> Other Programs includes the costs of the Office of Ombudsman, Administrative Law Judges, and other CFPB programs.

## **FY 2021 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 2021 is capped at \$717.5 million. As of June 30, 2021, the CFPB had received the following transfers for FY 2021. The amounts and dates of the transfers are shown below.

|                 |                 |
|-----------------|-----------------|
| \$203.4M        | October 1, 2020 |
| \$118.6M        | January 4, 2021 |
| \$166.8M        | April 1, 2021   |
| <b>\$488.8M</b> | <b>Total</b>    |

## Civil Penalty Fund

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

### Civil Penalties Collected in FY 2021

In the first quarter of FY 2021, the CFPB collected civil penalties from 17 defendants totaling \$54.6 million. In the second quarter of FY 2021, the CFPB collected civil penalties from four defendants totaling \$3.1 million. In the third quarter of FY 2021, the CFPB collected \$317,204 from nine defendants, bringing the total collections for the first three quarters of FY 2021 to \$58 million.

### FY 2021 Civil Penalty Fund Collections:

| <b>Defendant name</b>                                | <b>Civil Penalty Collected</b> | <b>Collection date</b>                 |
|--|--------------------------------|--|
| Hypotec, Inc.  | \$50,000                       | 10/19/2020<br>10/29/2020<br>11/27/2020 |
| PHLoans.com, Inc.                                    | \$100,000                      | 10/22/2020                             |
| Nissan Motor Acceptance Corporation                  | \$4,000,000                    | 10/23/2020                             |
| Encore Capital Group                                 | \$15,000,000                   | 10/23/2020                             |
| Low VA Rates, LLC                                    | \$1,800,000                    | 11/3/2020                              |
| Washington Federal Bank, N.A.                        | \$200,000                      | 11/10/2020                             |
| SMART Payment Plan, LLC                              | \$1                            | 11/12/2020                             |
| Afni, Inc.   | \$500,000                      | 11/16/2020                             |
| U.S. Equity Advantage, Inc. and Robert M. Steenbergh | \$1                            | 12/2/2020                              |
| Nationstar Mortgage LLC d/b/a Mr. Cooper             | \$1,500,000                    | 12/14/2020                             |

| <b>Defendant name</b>  | <b>Civil Penalty Collected</b> | <b>Collection date</b> |
|--|--------------------------------|------------------------|
| RAB Performance Recoveries, LLC  | \$204,000                      | 12/17/2020             |
| Service 1 <sup>st</sup> Mortgage, Inc.   | \$230,000                      | 12/17/2020             |
| Universal Debt & Payment Solutions, LLC; et al. – Tasha Pratcher                                 | \$1                            | 12/28/2020             |
| Discover Bank, The Student Loan Corporation, and Discover Products, Inc.                         | \$25,000,000                   | 12/29/2020             |
| Envios de Valores la Nacional Corp.  | \$750,000                      | 12/30/2020             |
| Santander Consumer USA Inc   | \$4,750,000                    | 12/30/2020             |
| Seterus, Inc.  | \$500,000                      | 12/31/2020             |
| Omni Financial of Nevada, Inc.   | \$2,175,000                    | 1/5/2021               |
| GST Factoring, Inc., et al. – Daniel Ruggiero  | \$1                            | 1/19/2021              |
| LendUp Loans, LLC  | \$950,000                      | 1/27/2021              |
| GST Factoring, Inc., et al. – Champion Marketing Solutions, LLC and Scott Freda                  | \$2                            | 3/26/2021              |
| Yorba Capital Management, LLC and Daniel Portilla, Jr.   | \$2,200                        | 4/15/2021              |
| Nationwide Equities Corporation  | \$140,000                      | 5/5/2021               |
| Chou Team Realty, LLC, et al. – Lend Tech Loans, Inc.  | \$1                            | 5/20/2021              |
| Chou Team Realty, LLC, et al. – Docs Done Right, Inc., Docs Done Right, LP, and Eduardo Martinez | \$125,000                      | 5/24/2021<br>6/24/2021 |
| Chou Team Realty, LLC, et al. – David Sklar  | \$1                            | 5/26/2021              |
| DMB Financial, LLC   | \$1                            | 5/27/2021              |
| Chou Team Realty, LLC, et al. – Frank Anthony Sebreros   | \$1                            | 5/28/2021              |
| 3 <sup>rd</sup> Generation, Inc., dba California Auto Finance                                    | \$50,000                       | 6/9/2021               |
| <b>Total</b>   | <b>\$58,026,210</b>            |                        |

## Civil Penalty Fund Allocations in FY 2021

Period 16: April 1, 2020 – September 30, 2020

On November 27, 2020, the Bureau made its sixteenth allocation from the Civil Penalty Fund. As of September 30, 2020, the Civil Penalty Fund contained an unallocated balance of \$565,384,178.<sup>5</sup> The Fund Administrator set aside \$2,000,000 to cover administrative expenses associated with distributing funds to harmed consumers, reducing the amount available for allocation to \$563,384,178.

A civil penalty was imposed in 21 cases with final orders from Period 16. 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 21 cases, six had classes of eligible victims with uncompensated harm that was compensable from the Civil Penalty Fund. Five of those six cases, Main Street Personal Finance, Inc., et al.; Certified Forensic Loan Auditors, LLC, et al.; Timemark Solutions, Inc., et al., GST Factoring, Inc., et al.; and Premier Student Loan Center, et al., received an allocation during this period. The remaining case, Chou Team Realty, et al. did not receive an allocation this period.

The allocations for each case are as follows:

- The Main Street Personal Finance, Inc., et al., case received an allocation of \$1,540,517 from the Civil Penalty Fund. The class of victims who have received an allocation are certain Mississippi based consumers who, from October 1, 2016 to June 2, 2020, received deceptive finance charge disclosures.
- The Certified Forensic Loan Auditors, LLC, et al., case received an allocation of \$3,000,000 from the Civil Penalty Fund. The class of victims who have received an allocation are consumers who, between July 1, 2014 and July 20, 2020, purchased mortgage assistance relief services from defendants. This allocation fully compensates the uncompensated harm in this case, including the final order from Period 15 for which an allocation was deferred pending resolution with additional defendants.
- The Timemark Solutions, et al., case received an allocation of \$3,762,360 from the Civil Penalty Fund. The class of victims who have received an allocation are consumers who, between 2016 and October 2019 paid the defendant for debt-relief services.

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<sup>5</sup> The unallocated balance amount does not include \$10,693,571 in funds that were collected pursuant to two orders that were pending appeal and were thus not yet “final orders” 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). The amount includes \$2,017,193 that was sequestered during fiscal year 2020. The sequestration amount was not available for allocation during fiscal year 2020 but was available to the Bureau in fiscal year 2021.

- The GST Factoring, Inc., et al., case received an allocation of \$11,718,432.41 from the Civil Penalty Fund. The class of victims who have received an allocation are consumers who, between 2015 and 2020, paid unlawful advance fees for debt relief services to the defendants.
- The Premier Student Loan Center, et al., case received an allocation of \$89,366,096 from the Civil Penalty Fund. The class of victims who have received an allocation are consumers who, between November 2, 2015, and October 23, 2019, paid the defendants (or their representatives) for debt-relief services.

The Fund Administrator exercised discretion and deferred allocations to classes of consumers in one Period 16 matter, Chou Team Realty, et al., and two prior period matters, Think Finance, LLC, and Northern Resolution Group (Gray). In the Chou Team Realty, et al. case the Bureau is pursuing claims against related defendants, the results of which may affect the amount of uncompensated harm related to victims in this matter. In the Think Finance case, there are related actions which may result in compensation to eligible victims in this matter. In the Northern Resolution Group (Gray) case, the victim allocation is deferred while the Bureau pursues data and determines victim eligibility in a related matter. Each of these cases will be reviewed as part of the Period 17 allocation.

As of the time of this allocation, aside from the Think Finance and Northern Resolution Group (Gray) cases which have been addressed above, there were no prior period victim classes with uncompensated harm that is compensable from the Civil Penalty Fund.

During Period 16, \$0 was allocated for Consumer Education and Financial Literacy purposes.

The total allocation for Period 16 was \$109,387,406.

Period 16 Allocation Summary:

| <b>Case Name</b>                              | <b>Allocation Amount</b> |
|---|--------------------------|
| Main Street Personal Finance, Inc.            | \$1,540,517              |
| Certified Forensic Loan Auditors, LLC; et al. | \$3,000,000              |
| Timemark Solutions, Inc., et al.              | \$3,762,360              |
| GST Factoring, Inc., et al.                   | \$11,718,432             |
| Premier Student Loan Center, et al.           | \$89,366,096             |
| <b>Total</b>                                  | <b>\$109,387,406</b>     |

Period 17: October 1, 2020 – March 31, 2021

On May 28, 2021, the Bureau made its seventeenth allocation from the Civil Penalty Fund. As of March 31, 2021, the Civil Penalty Fund contained an unallocated balance of \$558,057,614.<sup>6</sup> The Fund Administrator set aside \$2,000,000 to cover administrative expenses associated with distributing funds to harmed consumers, reducing the amount available for allocation to \$556,057,614.

A civil penalty was imposed in 19 cases with final orders from Period 17. Under the Civil Penalty Fund rule, victims of the violations for which these civil penalties were imposed were eligible for compensation from the Civil Penalty Fund. Of those 19 cases, five had classes of eligible victims with uncompensated harm that is compensable from the Civil Penalty Fund. Each of those cases received an allocation during period 17.

The allocations for each case are as follows:

- The SMART Payment Plan LLC case received an allocation of \$6,000,000 from the Civil Penalty Fund. The class of victims who have received an allocation are certain consumers who, from January 1, 2012 to March 15, 2015, enrolled in the defendant's plan and paid the full enrollment fee on an interest-bearing loan.
- The Katharine Snyder, et al., case received an allocation of \$3,864,000 from the Civil Penalty Fund. The class of victims who have received an allocation are certain consumers who entered into contracts related to their pension or disability income stream that were brokered by the defendant or her companies.
- The U.S. Equity Advantage case received an allocation of \$8,400,000 from the Civil Penalty Fund. The class of victims who have received an allocation are certain consumers who, from July 21, 2011 to November 20, 2020, paid the full program enrollment fee on an interest-bearing loan to the defendants.
- The Nationstar Mortgage LLC case received an allocation of \$1,210.57 from the Civil Penalty Fund. The class of victims who have received an allocation are consumers from whom, between January 1, 2011 and December 31, 2011, the Defendant collected escrow shortages that were not legally due.
- The Omni Financial of Nevada case received an allocation of \$79,437,227 from the Civil Penalty Fund. The class of victims were active service members who from October 3, 2016 to December 30, 2020, took out loans from Omni and were required to repay by allotment.

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<sup>6</sup> The unallocated balance amount does not include \$10,693,571 in funds that were collected pursuant to two orders that were pending appeal and were thus not yet "final orders" 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). The amount also does not include \$3,289,413 that was subject to sequestration during fiscal year 2021.



The Fund Administrator exercised discretion and deferred allocations to classes of consumers in three prior matters, Chou Team Realty, et al., Think Finance, LLC, and Northern Resolution Group (Gray). In the Chou Team Realty, et al. case the Bureau is pursuing claims against related defendants, the results of which may affect the amount of uncompensated harm related to victims in this matter. In the Think Finance case, there are related actions which may result in compensation to eligible victims in this matter. In the Northern Resolution Group (Gray) case, the victim allocation is deferred while the Bureau pursues data and determines victim eligibility in a related matter. Each of these cases will be reviewed as part of the Period 18 allocation.

As of the time of this allocation, aside from the Chou Team Realty, et al., Think Finance and Northern Resolution Group (Gray) cases which have been addressed above, there were no prior period victim classes with uncompensated harm that is compensable from the Civil Penalty Fund.

During Period 17, \$0 were allocated for Consumer Education and Financial Literacy purposes.

The total allocation for Period 17 was \$97,702,437.

Period 17 Allocation Summary:

| <b>Case Name</b>               | <b>Allocation Amount</b> |
|--------------------------------|--------------------------|
| SMART Payment Plan, LLC        | \$6,000,000.00           |
| Katharine Snyder, et al.       | \$3,864,000.00           |
| U.S. Equity Advantage          | \$8,400,000.00           |
| Nationstar Mortgage LLC        | \$1,210.57               |
| Omni Financial of Nevada, Inc. | \$79,437,226.51          |
| <b>Total</b>                   | <b>\$97,702,437.08</b>   |

After the Period 17 allocation, the available balance in the Civil Penalty Fund was \$458 million. This amount plus the available collections through September 30, 2021 will be available for the Period 18 allocation 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 2021:

In the first quarter of FY 2021, the Bureau collected \$5 million in Bureau-Administered Redress from ten defendants. In the second quarter of FY 2021, the Bureau collected \$1.9 million in Bureau-Administered Redress from three defendants. In the third quarter of FY 2021, the Bureau collected \$1.7 million in Bureau-Administered Redress from five defendants, bringing the total collections for the first three quarters of FY 2021 to \$8.6 million. Funds are distributed in accordance with the terms of the final order for each case.

### FY 2021 Bureau-Administered Redress Collections:

| <b>Defendant name</b>  | <b>Amount Collected</b> | <b>Collection date</b>  |
|--|-------------------------|---|
| Consumer Advocacy Center Inc.,<br>d/b/a Premier Student Loan Center,<br>et al. – Tuong Nguyen        | \$4,727                 | 10/14/2020  |
| Consumer Advocacy Center Inc.,<br>d/b/a Premier Student Loan Center,<br>et al. – Hold the Door, Corp | \$53,696                | 10/14/2020  |
| Chou Team Realty, LLC, et al. – Relief<br>Defendants Kenneth Lawson and XO<br>Media, LLC             | \$200,000               | 10/21/2020  |
| Consumer Advocacy Center Inc.,<br>d/b/a Premier Student Loan Center,<br>et al. – Mice and Men LLC    | \$1,143                 | 10/26/2020  |
| USA Service Finance, LLC   | \$32,227                | 10/27/2020  |
| SMART Payment Plan, LLC  | \$1,500,000             | 11/12/2020<br>12/17/2020  |
| U.S. Equity Advantage, Inc. and<br>Robert M. Steenbergh  | \$480,000 <sup>7</sup>  | 11/30/2020<br>12/17/2020<br>1/15/2021<br>2/12/2021<br>3/15/2021 |

<sup>7</sup> Full payment of the \$9,300,000 judgment for redress will be suspended upon Respondents’ payment of \$900,000 in 15 monthly installments of \$60,000 each, with the final payment due on or before January 15, 2022.

| <b>Defendant name</b>  | <b>Amount Collected</b> | <b>Collection date</b>              |
|--|-------------------------|-------------------------------------|
|  |                         | 4/15/2021<br>5/15/2021<br>6/15/2021 |
| Consumer Advocacy Center Inc.,<br>d/b/a Premier Student Loan Center,<br>et al. – True Count and First Priority | \$3,077,150             | 12/23/2020                          |
| Universal Debt & Payment Solutions,<br>LLC; et al. – Tasha Pratcher  | \$2,500                 | 12/28/2020                          |
| GST Factoring Inc., et al. – Champion<br>Marketing Solutions, LLC and Scott<br>Freda                           | \$5,000                 | 12/28/2020                          |
| Candy Kern, Howard Sutter III, and<br>Upstate Law Group LLC  | \$725,000               | 1/28/2021                           |
| Consumer Advocacy Center Inc.,<br>d/b/a Premier Student Loan Center,<br>et al. – Horizon Consultants LLC       | \$999,980               | 3/4/2021                            |
| Chou Team Realty, LLC, et al. – David<br>Sklar   | \$3,000                 | 5/11/2021                           |
| Chou Team Realty, LLC, et al. – Frank<br>Anthony Sebreros  | \$17,500                | 5/28/2021                           |
| DMB Financial, LLC   | \$1,418,043             | 6/14/2021<br>6/28/2021              |
| Consumer Advocacy Center Inc.,<br>d/b/a Premier Student Loan Center,<br>et al. – Relief Defendant Judy Dai     | \$88,382                | 6/23/2021                           |
| <b>Total</b>   | <b>\$8,608,348</b>      |                                     |

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