November 15, 2017

Financial report of the Consumer Financial Protection Bureau

Fiscal year 2017

Message from Richard Cordray

Director of the CFPB

At the Consumer Financial Protection Bureau, we are deeply committed to achieving our mission as the nation's first federal agency whose sole focus is protecting consumers in the financial marketplace. Financial products like mortgages, credit cards, and student loans involve some of the most important financial transactions in people's lives. The Bureau was created by the Dodd-Frank Wall Street and Consumer Protection Act, to stand on the side of consumers and ensure they are treated fairly in the financial marketplace.

Since we opened our doors, we have been focused on making consumer financial markets work better for the American people and helping consumers improve their financial lives. Through fair rules, consistent oversight, appropriate enforcement of the law, and broad-based consumer engagement, the Bureau is helping to restore American families' trust in consumer financial markets, protect consumers from improper conduct, and ensure access to fair, transparent, and competitive markets.

During fiscal year 2017, our supervisory and enforcement actions resulted or will result in financial institutions, businesses, and individuals providing more than $426 million in restitution to 2.2 million consumers and/or accounts. The Bureau also distributed $31 million in redress collected from these entities to more than 113,000 consumers and $262 million from our Civil Penalty Fund to another one quarter of a million consumers. We expect to collect over $41 million in civil penalties from financial institutions, businesses, and individuals for various violations of consumer financial protection laws ordered in fiscal year 2017. Additionally, the Bureau collected over $32 million in disgorgement paid to the U.S. Department of the Treasury from all fiscal years. We brought numerous enforcement actions for violations of the Dodd-Frank Act and other laws, including actions against three reverse mortgage companies – Aegean

Financial, American Advisors Group, and Reverse Mortgage Services; as well as actions against Mastercard and UniRush; CitiFinancial Servicing, CitiMortgage; and all three major credit reporting agencies – Equifax, TransUnion and Experian.

The Bureau also issued a number of proposed and final rules. In October 2016, we issued a final rule amending Regulations E and Z to create a comprehensive set of consumer protections for prepaid financial products, which are increasingly being used by consumers in place of traditional checking accounts. In July 2017, the Bureau issued a final rule to regulate arbitration agreements in contracts for specified consumer financial products and services.

As a data-driven institution, the Bureau published several reports and other publications during this reporting period. These reports highlighted several important topics in the consumer finance area, including the following: the costs and risks of using a reverse mortgage to delay collecting Social Security; building the capacity of tax preparation providers to encourage saving; a nationwide look at how student debt impacts older adults; and consumer insights on managing funds at retirement.

The premise that lies at the very heart of our mission is that consumers should have someone standing on their side to see that they are treated fairly in the financial marketplace. From July 21, 2011 through September 30, 2017, the CFPB has handled over 1.3 million consumer complaints, including complaints on credit cards, mortgages, checking and savings accounts, vehicle loans and leases, student loans, money transfers, credit reporting, debt collection, payday loans, prepaid cards, credit repair and debt settlement services, title and pawn loans, and virtual currency. We now also publish consumer complaint narratives where consumers have "opted in" to share their accounts of what happened and optional public responses by companies.

The progress we have made has been possible thanks to the engagement of hundreds of thousands of Americans who have utilized our consumer education tools, submitted complaints, participated in rulemakings, and told us their stories though our website and at numerous public meetings from coast to coast. We have also benefited from an ongoing dialogue and constructive engagement with the Bureau's advisory groups, the institutions we supervise, with community banks and credit unions with whom we regularly meet, and with consumer advocates throughout the country.

Our progress has also resulted from the extraordinary work of the Bureau's employees—dedicated public servants who are committed to promoting a healthy consumer financial marketplace. Each day, we work to accomplish the goals of renewing people's trust in the marketplace and ensuring that markets for consumer financial products and services are fair, transparent, and competitive. These goals not only support consumers in all financial circumstances, but also help responsible businesses compete on a level playing field, which helps to reinforce the stability of our economy as a whole.

We also work to ensure the people's trust in how we manage the Bureau's resources. As required by the Dodd-Frank Act, the CFPB prepared comparative financial statements for fiscal years 2017 and 2016. The Government Accountability Office (GAO) rendered an unmodified audit opinion on our financial statements. GAO noted no material weaknesses and cited no instances of noncompliance with laws and regulations.

I want to acknowledge the hard work and dedication of all CFPB employees over the past year to achieve the overall outcomes reflected in this report. All of our colleagues perform at the highest caliber to help achieve our goals to serve the public, protect consumers, support responsible businesses, and help safeguard the American economy.

Sincerely,

Richard Cordray

Richard Cordray

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1. Management's discussion and analysis

1.1 The CFPB at a glance: Overview of the Consumer Financial Protection Bureau

The Bureau of Consumer Financial Protection, known as the Consumer Financial Protection Bureau (CFPB or 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 CFPB 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 CFPB to exercise its authorities to ensure that, with respect to consumer financial products and services:

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.

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 transferred to the CFPB in order to accomplish the above objectives. These authorities were transferred from the Board of Governors of the Federal Reserve System (Board of Governors), Office of the 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 CFPB with certain other Federal consumer financial regulatory authorities.

Organizational structure

Under the Dodd-Frank Act, the Secretary of the Treasury was responsible for establishing the CFPB and performing certain functions of the Bureau until a Director of the CFPB was in place. The Bureau's day-to-day operations were managed by the Special Advisor to the Secretary of the Treasury for the Consumer Financial Protection Bureau until January 4, 2012, when President Obama appointed Richard Cordray. The U.S. Senate confirmed the nomination of Richard Cordray on July 16, 2013, and Director Cordray was sworn in as the first Senate-confirmed Director of the CFPB on July 17, 2013.

To accomplish its mission, the CFPB is organized into six primary divisions:

1. **Consumer Education and Engagement:** provides, through a variety of initiatives and methods, including offices on specific populations, information and tools to consumers to empower them to make financial decisions that are best for them.
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 CFPB's operational infrastructure to support the entire organization and hears directly from consumers about challenges they face in the marketplaces through their complaints, questions, and feedback.

The CFPB workforce is spread across the country with its headquarters in Washington, D.C. and regional offices in Chicago, New York City, and San Francisco. The headquarters is spread across locations within Washington, D.C., utilizing space pursuant to interagency agreements with the OCC, the General Services Administration and the Federal Housing Finance Agency (FHFA). The workforce in the CFPB's regional offices is predominantly mobile and therefore relatively minimal office space is used in the regions.

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

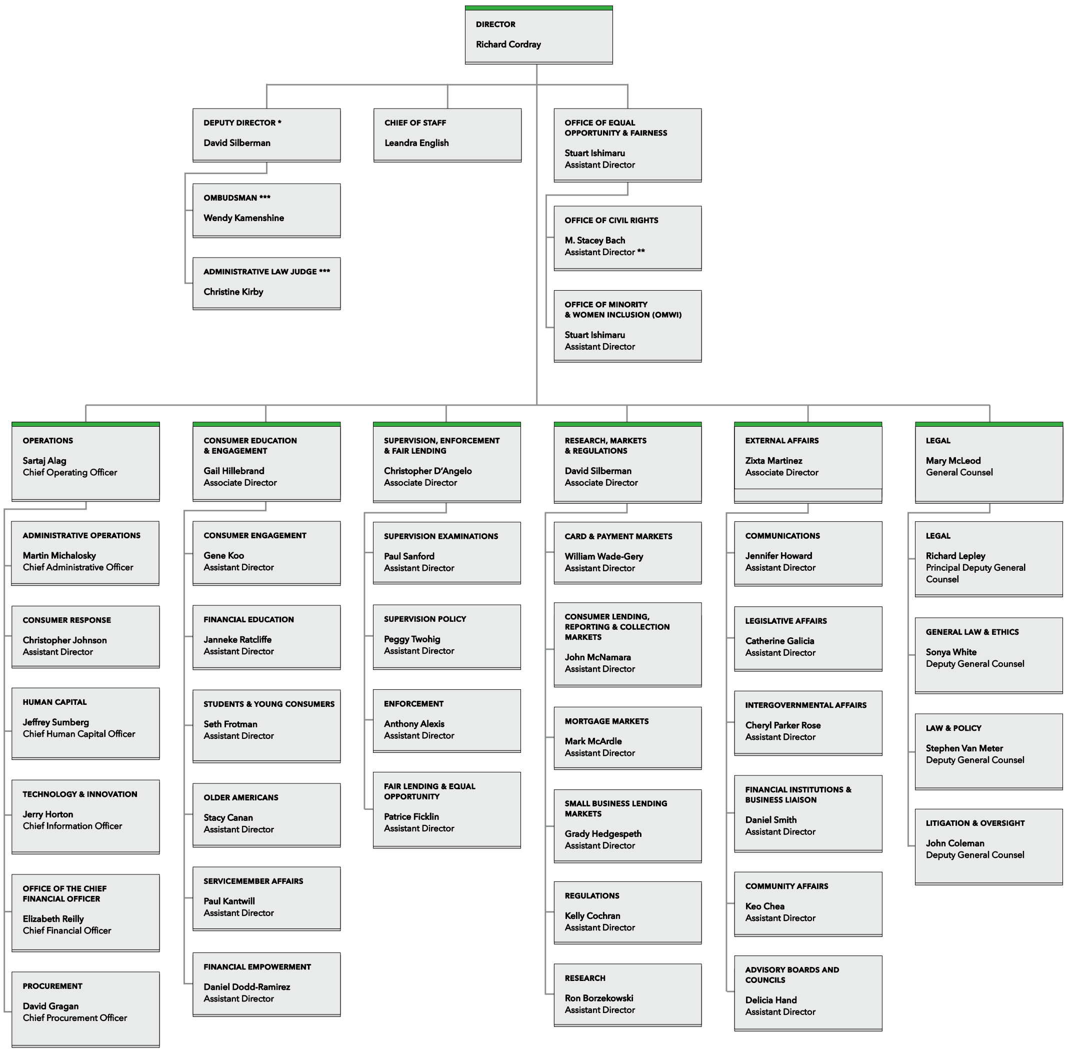


CHART LEGEND

* Position currently filled on an acting basis
** Position has direct reporting responsibilities to the Director
*** Position is not part of the CFPB Director's Office

Advisory groups

The CFPB established four independent advisory bodies to provide consultation and advice to the Director on a range of issues within the CFPB's authority. All advisory bodies are comprised of individuals who are appointed through a public nomination process. Specifically, the CFPB has formally chartered the following advisory groups:

- **Consumer Advisory Board –** Through a public process, the Bureau invited external experts, industry representatives, consumers, community leaders, and advocates to nominate individuals to serve as members of this advisory group. The Consumer Advisory Board (CAB) is a group of experts on consumer protection, consumer financial products or services, community development, fair lending, civil rights, underserved communities, and communities that have been significantly impacted by higher-priced mortgage loans. They are a source of market intelligence and expertise, and they advise and consult on Federal consumer finance issues. The CAB informs the Director about emerging practices or trends in the consumer finance industry, and shares analysis and recommendations. Members are charged with identifying and assessing the impact of emerging products, practices, or services on consumers and other market participants. During fiscal year 2017 the CAB met three times – October 2016, March 2017 and June 2017 in Washington, D.C.
- **Community Bank Advisory Council –** The Community Bank Advisory Council (CBAC) advises on the market impact of consumer financial products or services, specifically from the unique perspectives of community banks. Members share information, analysis, and recommendations to better inform the CFPB's policy development, rulemaking, and engagement work. During fiscal year 2017 the CBAC met two times – April 2017 and September 2017 in Washington, D.C.
- **Credit Union Advisory Council –** The Credit Union Advisory Council (CUAC) advises on the market impact of consumer financial products or services, specifically from the unique perspectives of credit unions. Members share information, analysis, and recommendations to inform the CFPB's policy development, rulemaking, and engagement work. During fiscal year 2017 the CUAC met two times – Washington, D.C. in March and September of 2017.
- **Academic Research Council –** The Academic Research Council (ARC) was established to assist the CFPB with research, analysis, and reports on topics relating to CFPB's mission, including developments in markets for consumer financial products and services, consumer awareness, and consumer behavior. The Council is made up of scholars with relevant methodological and subject-matter expertise. The Council advises the CFPB on research methodologies, data collection, and analytic strategies, and provides feedback about research and strategic planning.

Growth of the CFPB

Since its inception, the CFPB has grown in the number of employees and the corresponding funding needed to carry out its duties and responsibilities. At the end of fiscal year 2017, the CFPB was approaching the steady-state employees and funding levels it estimates it will need to achieve the mission and responsibilities mandated by the Dodd-Frank Act. The CFPB's growth to date has been relatively steady and consistent. The charts below provide a historical depiction of the growth for employees and funding levels.

FIGURE 1: CFPB EMPLOYEES BY FISCAL YEAR

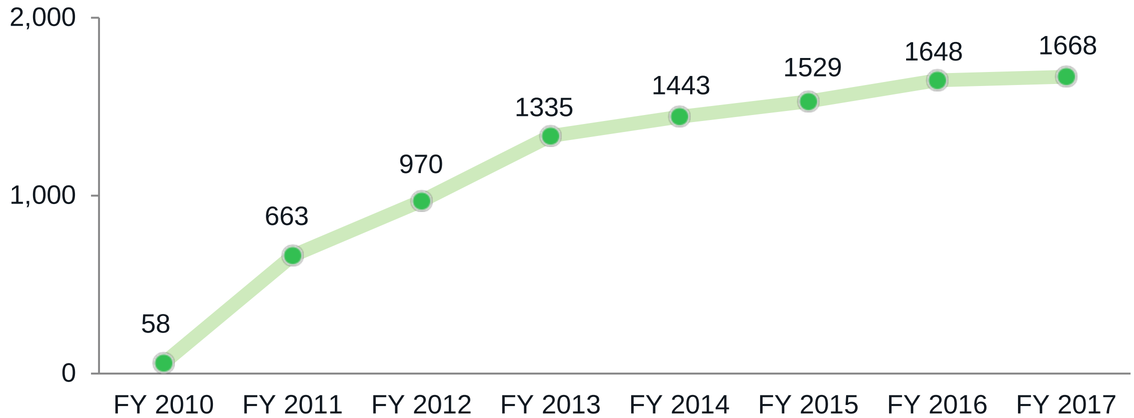
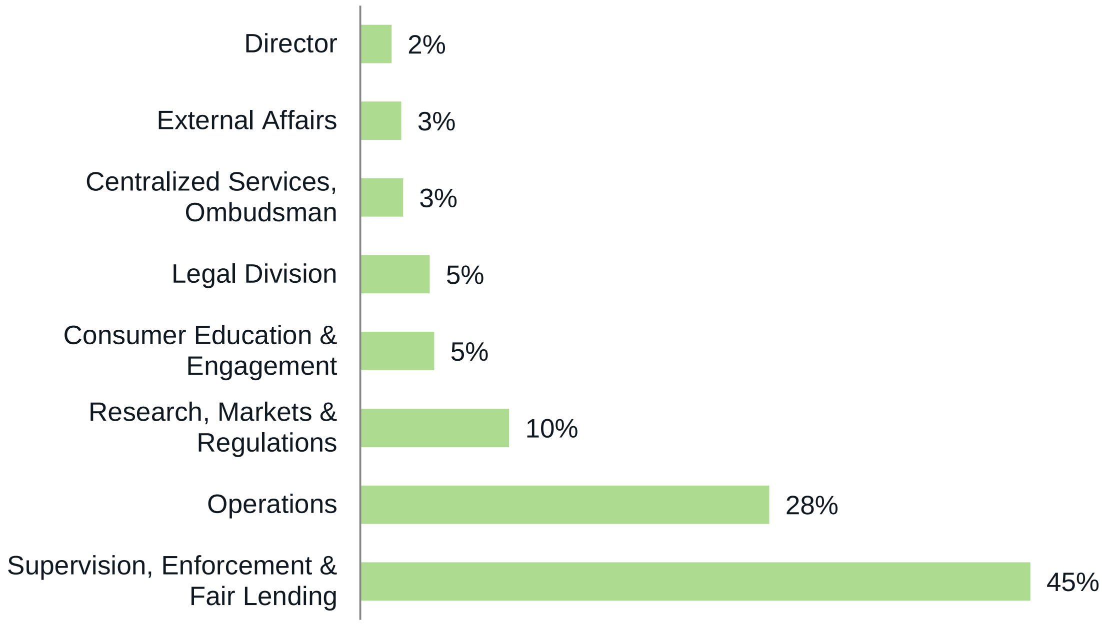
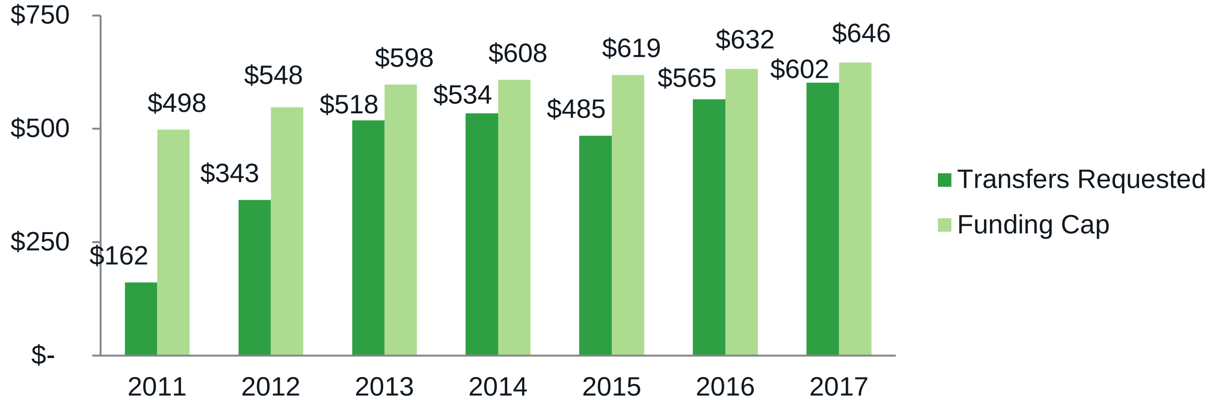


FIGURE 2: OFFICE PERCENTAGE OF TOTAL POSITIONS (AS OF SEPTEMBER 30, 2017)



Within the Operations Division, displayed as 28% of total CFPB positions, the Office of Consumer Response comprises 9% of total CFPB positions, while all other Operations functions comprise 19%. All percentages provided above are rounded and may exceed 100 % due to the rounding.

FIGURE 3: FISCAL YEAR TRANSFERS REQUESTED COMPARED TO THE FUNDING CAP ($ IN MILLIONS)



Additional information on how the CFPB is funded can be found in Section 1.6 Financial Analysis.

Mission, Vision, and Values

Our Mission

The CFPB is a 21st century agency that helps consumer financial markets work by making rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives.

Our Vision

If we achieve our mission, then we will have encouraged the development of a consumer financial marketplace –

- Where customers can see prices and risks up front and where they can easily make product comparisons;
- In which no one can build a business model around unfair, deceptive, or abusive practices; and
- That works for American consumers, responsible providers, and the economy as a whole.

We will achieve our mission and vision through:

DATA-DRIVEN ANALYSIS

The CFPB is a data-driven agency. We take in data, manage it, store it, share it appropriately, and protect it from unauthorized access. Our aim is to use data purposefully, to analyze and distill data to enable informed decision-making in all internal and external functions.

INNOVATIVE USE OF TECHNOLOGY

Technology is core to the CFPB accomplishing its mission. This means developing and leveraging technology to enhance the CFPB's reach, impact, and effectiveness. We strive to be recognized as an innovative, 21st century agency whose approach to technology serves as a model within government.

VALUING THE BEST PEOPLE AND GREAT TEAMWORK

At the CFPB, we believe our people are our greatest asset. Therefore, we invest in world-class training and support in order to create an environment that encourages employees at all levels to tackle complex challenges. We also believe effective teamwork extends outside the walls of the CFPB. We seek input from and collaborate with consumers, industry, government entities, and other external stakeholders.

We aim to embody the following values in everything we do:

SERVICE

Our mission begins with service to the consumer and our country. We serve our colleagues by listening to one another and by sharing our collective knowledge and experience.

LEADERSHIP

Fostering leadership and collaboration at all levels is at the core of our success. We believe in investing in the growth of our colleagues and in creating an organization that is accountable to the American people.

INNOVATION

Our organization embraces new ideas and technology. We are focused on continuously improving, learning, and pushing ourselves to be great.

1.2 The CFPB performance and results

This section provides a summary of the CFPB's key performance outcomes as well as selected accomplishments that it has achieved this past fiscal year. This marks only the beginning of the Bureau's work on behalf of consumers and providers of financial products and services.

The CFPB developed and issued a strategic plan consistent with the Government Performance and Results Act (GPRA) that was compiled by the Office of the Chief Strategy Officer (see http://www.consumerfinance.gov/strategic-plan). The CFPB published its fiscal years 2013 to 2017 strategic plan in April 2013, which identified four strategic goals and 28 associated performance measures. 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 2018, which will include the results of all 28 performance measures, along with an analysis of CFPB's efforts to achieve its performance goals. Results reported below for the selected measures contained in this report show that the CFPB has met or exceeded 10 of the 12 measures (83 percent).

Goal 1: Prevent financial harm to consumers while promoting good practices that benefit them

Prior to the enactment of the Dodd-Frank Act, consumer financial protection had not been the primary focus of any one federal agency, and no agency could set the rules for the entire consumer financial market. The result was a system without sufficiently effective rules or consistent enforcement of the law. Consumer financial protection is the CFPB's singular focus.

Performance goal

Complete consumer protection related rulemakings within nine months of receipt of final public comments.

TABLE 1: PERCENTAGE OF PROPOSED RULEMAKINGS, CONDUCTED SOLELY BY THE CFPB, FINALIZED OR OTHERWISE RESOLVED WITHIN NINE MONTHS OF THE DUE DATE FOR RECEIPT OF THE FINAL PUBLIC COMMENTS

	FY 2017	FY 2016
Target	75%	75%
Actual	88%	100%[1]

In FY 2017, the Bureau issued two substantive rules on new topics that were informed by public comment:

- In October 2016, the Bureau issued a final rule amending Regulations E and Z to create a comprehensive set of consumer protections for prepaid financial products, which are

[1] The Bureau finalized two substantive rules during the relevant reporting period for FY 2016. Of these, one of the rulemakings included an additional component (e.g. disclosure testing) that exempted it from the nine months to completion metric.

increasingly being used by consumers in place of traditional checking accounts. The final rule expressly brings prepaid products within the scope of Regulation E, which implements the Electronic Fund Transfer Act (EFTA), as prepaid accounts and creates new provisions specific to such accounts. The final rule also amends Regulation E and Regulation Z, which implements the Truth in Lending Act (TILA), to regulate prepaid accounts with overdraft credit features. The notice of the proposed rule and request for comments was published in December 2014 and comments closed on March 23, 2015.

- In July 2017, the Bureau issued a final rule concerning the use of agreements providing for arbitration of any future dispute between covered persons and consumers in connection with the offering or providing of consumer financial products or services. The final rule followed issuance of a report, mandated by the Dodd-Frank Act, and released in March 2015. The final rule would have prohibited covered providers of certain consumer financial products and services from using an arbitration agreement to bar the consumer from filing or participating in a class action and would have required any arbitration clauses to provide explicitly that they cannot be used to stop consumers from being part of a class action in court. Under the rule, companies would still have been able to include arbitration clauses in their contracts that compel the arbitration of individual disputes. The final rule also would have required a covered provider that has an arbitration agreement and that is involved in arbitration pursuant to a pre-dispute arbitration agreement to submit specified arbitral records to the Bureau. The final rule would have applied only to contracts entered into after March 19, 2018. The notice of proposed rulemaking and request for comments was published in May 2016 and comments closed on August 22, 2016. Congress passed a joint resolution under the Congressional Review Act disapproving the arbitration rule; the President signed the joint resolution on November 1, 2017. Under the resolution, the arbitration rule "shall have no force or effect."

In addition, the Bureau issued several substantive rules in FY 2017 that were intended to clarify or adjust existing rules.[2] Each of these rules were finalized or otherwise resolved within nine months of the due date for receipt of final public comments:

- In November 2016, the Bureau issued three dollar threshold adjustment rules for various rule exemptions: Consumer Leasing (Regulation M), Appraisals for Higher-Priced Mortgage Loans under Truth in Lending Act (TILA), and exemptions for consumer credit transactions under TILA.
- In April 2017, the Bureau issued a final rule to delay the effective date of the rule Prepaid Accounts Under the Electronic Funds Transfer Act (Regulation E) and the Truth in Lending Act (Regulation Z) by six months.
- In July 2017, the Bureau issued various amendments to the federal mortgage disclosure requirements under RESPA and TILA that are implemented in Regulation Z. The amendments memorialize the Bureau's informal guidance on various issues and include clarifications and technical amendments. The Bureau also clarified tolerance provisions for the total of payments, an adjustment to a partial exemption mainly affecting housing finance agencies and nonprofits, extension of coverage of the integrated disclosure requirements to all cooperative units, and guidance on sharing the disclosures with various parties involved in the mortgage origination process.
- In August 2017, the Bureau issued amendments to Regulation C to make technical corrections to and to clarify certain requirements adopted by the Bureau's Home Mortgage Disclosure (Regulation C) final rule.
- In August 2017, the Bureau issued a final rule amending the Supplemental Standards of Ethical Conduct for Employees of the CFPB (CFPB Ethical Regulations) involving: Outside employment for covered employees; Bureau employees' ownership or control of certain securities; restrictions on seeking, obtaining, or renegotiating credit or indebtedness; disqualifications requirement's based on existing credit or indebtedness;

[2] In addition, the Bureau proposed and finalized three rules relating to the methodology for calculation of particular dollar thresholds under various consumer financial protection laws in FY 2017. Those rulemakings are reflected in Table 1. Annual adjustments of these thresholds are not normally counted toward the goal because they do not require notice and comment.

and restrictions on participating in matters involving covered entities. The final rule also clarified and made minor revisions to certain definitions.

- In September 2017, the Bureau issued amendments to the Equal Credit Opportunity Act (Regulation B) to permit creditors additional flexibility in complying with Regulation B in order to facilitate compliance with Regulation C, add certain model forms and removes others from Regulation B, and make various other amendments to Regulation B and its commentary to facilitate the collection and retention of information about the ethnicity, sex, and race of certain mortgage applicants.

The Bureau also issued a number of rules that were interim, procedural, routine, 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, or in the case of threshold adjustments, in January.

Performance goal

Ensure that all rulemakings are informed by public outreach processes, such as Small Business Regulatory Enforcement Fairness Act (SBREFA) panels and consumer and industry roundtables.

TABLE 2: PERCENTAGE OF SIGNIFICANT CONSUMER PROTECTION RELATED, NOTICE-AND-COMMENT RULEMAKINGS INFORMED BY PUBLIC OUTREACH PROCESSES

	FY 2017	FY 2016
Target	100%	100%
Actual	100%	100%

In FY 2017, the Bureau published significant consumer protection related, notice-and-comment rulemakings that were informed by public comment and outreach processes. To cite just a few examples:

- The Bureau issued three proposed rules to support the implementation of the 2015 HMDA Final Rule, one involving technical corrections and clarifying amendments to Regulation C, one involving a temporary adjustment for the threshold for collecting and reporting data on open-end lines of credit under Regulation C, and one reconciling Regulation B and Regulation C ethnicity and race information collection. The proposed rules, which built on feedback received during the implementation process and from other Bureau outreach mechanisms, were finalized in August and September of 2017.

- The Bureau is making certain modifications to its 2016 rule governing prepaid accounts under Regulations E and Z, which created a comprehensive set of consumer protections for prepaid financial products, in response to concerns raised by industry during the course of implementation. In April 2017, the Bureau finalized an extension of the general effective date of the rule by six months, to April 1, 2018; the requirement to submit prepaid account agreements to the Bureau remains October 1, 2018. In June 2017, the Bureau issued a proposal seeking comment on potential modifications to several aspects of the rule.

Additionally, throughout 2017, the Bureau continued efforts to participate in outreach meetings and external events to monitor implementation issues in connection with its existing mortgage rules. Since 2013, the Bureau has issued regulations as directed by the Dodd-Frank Act to implement certain consumer protections for mortgage originations and servicing, integrate various federal mortgage disclosures, and amend mortgage reporting requirements for institutions covered under HMDA. The Bureau engages in intensive implementation work for each new rule or rule change to facilitate understanding and implementation of rulemaking requirements, including follow-up rulemaking where warranted. For example, the Bureau is assisting the industry with implementation of the 2015 HMDA Final Rule, including job aids and summaries of various parts of the rule, webinars providing an overview of the rule, and technical instructions for filing

Along with clarifying rules where warranted and publishing implementation resources, the Bureau continues to engage in extensive outreach activities, including speaking at conferences and other events, publishing compliance guides, and conducting webinars, to support the implementation of its rules. For example, in November 2016, the Bureau published an update to the existing Small Entity Compliance Guide to the mortgage servicing rules to reflect amendments to the rules made in August 2016. The Bureau continues to maintain an online guide to help real estate professionals understand regulatory changes made by the Know Before You Owe mortgage disclosure rule and work with consumers to ensure smooth and on-time closings. The Bureau also continues to maintain the “Owning a Home” website, which features an interactive guide to the mortgage loan process and loan options, a calculator to explore interest rates, checklists, and other resources to help consumers and others understand the loan process and disclosure requirements.

The Bureau also conducted public outreach processes for ongoing rulemakings. For example, the Bureau is starting its work to implement section 1071 of the Dodd-Frank Act, which amends the Equal Credit Opportunity Act to require financial institutions to report information concerning credit applications made by women-owned, minority-owned, and small businesses. The Bureau is conducting public outreach to develop its understanding of the small business market participants, products, and practices in business lending markets and of the potential ways to implement section 1071. To that end, on May 10, 2017, the Bureau held a field hearing and released a Request for Information regarding the small business lending market to further develop our understanding of the institutions, credit products, recording systems, underwriting approaches, distribution channels, and types of applicants in this market. The comment period for this Request for Information ended on September 14, 2017. The Bureau is reviewing the comments received through the Request for Information and intends to work closely with industry leaders, community advocates, government agencies, and other stakeholders in assessing appropriate next steps.

Performance goal

Successfully resolve the cases the CFPB files in court and administrative adjudicative proceedings whether by litigation, settlement, issuance of default judgment, or other means.

TABLE 3: PERCENTAGE OF ALL CASES FILED BY THE CFPB SUCCESSFULLY RESOLVED THROUGH LITIGATION, A SETTLEMENT, ISSUANCE OF DEFAULT JUDGMENT, OR OTHER MEANS

	FY 2017	FY 2016
Target	75%	75%
Actual	98%	100%

During FY 2017, the CFPB successfully resolved 98% of its matters through litigation, a settlement, issuance of default judgment, or other means. Through CFPB's successfully resolved cases, the Bureau helped secure restitution, principal reductions, cancelled debt, and other relief for consumers. Some of the Bureau's actions also resulted in civil penalties, which are paid to the Bureau's Civil Penalty Fund, which is used to compensate victims of activities for which civil penalties have been imposed and, to the extent such victims cannot be located or such payments are otherwise not practicable, for the purpose of consumer education and financial literacy programs. The Bureau's enforcement actions during this period addressed illegal conduct that harmed consumers in the areas of mortgage servicing, debt collection, small-dollar lending, consumer reporting, mortgage origination, payments, student lending, and debt relief. The following is a brief discussion of some of these successfully-resolved matters.

The CFPB took action against JPMorgan Chase Bank, N.A. for failures related to information it provides for checking account screening reports. Banks screen potential customers based on reports about prior checking account behavior created by consumer reporting companies. Banks that supply information for those reports are legally required to have proper processes in place for reporting accurate information. Chase did not have these processes in place and did not inform consumers about the results of their reporting disputes and key aspects of their checking account application denials. The Bureau's order required Chase to pay a $4.6 million penalty and implement necessary changes to its policies to prevent future legal violations.

The Bureau took action against Aequitas Capital Management, Inc. and related entities, for aiding the Corinthian Colleges' predatory lending scheme. In a lawsuit filed in federal district court, the CFPB alleged that Aequitas enabled Corinthian to make high-cost private loans to Corinthian students so that it would seem as if the school was making enough outside revenue to meet the requirements for receiving federal student aid dollars. The risky loans saddled students with high-priced debt that both Aequitas and Corinthian knew students could not afford. Under the final judgment and order, about 41,000 Corinthian students are eligible for approximately $183.3 million in loan forgiveness and reduction.

The Bureau took action against Security National Automotive Acceptance Company (SNAAC), an auto lender specializing in loans to service members, for violating a Bureau consent order. In 2015, the CFPB ordered SNAAC to pay both redress and a civil penalty for illegal debt collection tactics, including making threats to contact service members' commanding officers about debts and exaggerating the consequences of not paying. SNAAC violated the 2015 order by failing to provide more than $1 million in refunds and credits, affecting more than 1,000 consumers. The Bureau's consent order requires SNAAC to make good on the redress it owes to those consumers and pay an additional $1.25 million penalty.

Goal 2: Empower consumers to live better financial lives

The CFPB works to arm consumers with the knowledge, tools, and capabilities they need in order to make better-informed financial decisions by engaging them in the right moments of their financial lives, in moments when they are most receptive to seeking out and acting on assistance. To that end, the CFPB will develop and maintain a variety of tools, programs and initiatives that provide targeted, meaningful, and accessible assistance and information to consumers at the moment they need them.

Performance goal

Decrease time between receiving and closing a complaint.

TABLE 4: INTAKE CYCLE TIME

	FY 2017	FY 2016
Target	2 Days	2 Days
Actual	<1 Day	<1 Day

TABLE 5: COMPANY CYCLE TIME

	FY 2017	FY 2016
Target	15 Days	15 Days
Actual	11 Days	11 Days

TABLE 6: CONSUMER CYCLE TIME

	FY 2017	FY 2016
Target	30 Days	30 Days
Actual	<1 Day	1 Day

The Office of Consumer Response continued to refine its complaint handling process and systems in fiscal year 2017, increasing efficiencies through process improvements such as:

- Providing tips for consumer before they start a complaint
- Launching a single dynamic complaint form that replaced the previous 11 complaint forms

- Ensuring the complaint form is web-responsive, adjusting to the consumer's screen size whether they are using a computer monitor, tablet or phone.

Performance goal

Facilitate the timely response to consumer complaints by companies.

TABLE 7: PERCENTAGE OF COMPLAINTS ROUTED THROUGH THE DEDICATED COMPANY PORTAL

	FY 2017	FY 2016
Target	93 %	91%
Actual	92 %	85%

The CFPB facilitates timely response to consumer complaints by using a dedicated company portal to route complaints to companies for response. In fiscal year 2017, the Bureau continued its efforts to facilitate company use by providing portal access and training companies' staff. The Bureau receives complaints through the last day of the fiscal year, some of which require additional information from the consumer to ensure they are complete and can be routed appropriately to companies or other regulators.

Performance goal

Expand capacity to handle consumer complaints.

TABLE 8: NUMBER OF CONSUMER COMPLAINTS HANDLED

	FY 2017	FY 2016
Target	300,000	275,000
Actual	317,200	283,000

Complaint volume increased approximately 12 percent from 283,000 in fiscal year 2016 to 317,200 complaints in fiscal year 2017. Since beginning to accept complaints in calendar year 2011, the Bureau has continuously expanded the products and services about which it accepts complaints to include: credit cards, mortgages, checking and savings accounts vehicle loans and leases, student loans, money transfers, credit reporting, debt collection, payday loans, prepaid cards, credit repair and debt settlement services, title and pawn loans, and virtual currency. Accepting complaints about this broad range of consumer financial products and services and the growing public awareness of the Bureau's tools and resources likely contributed to exceeding the total volume target again in fiscal year 2017.

Performance goal

Significantly increase targeted outreach activities and digital education materials in order to engage consumers at the right moment.

TABLE 9: TARGETED POPULATIONS OR ORGANIZATIONS DIRECTLY SERVING TARGETED POPULATIONS REACHED BY DIGITAL CONTENT, DECISION TOOLS, EDUCATIONAL MATERIALS AND RESOURCES

	FY 2017	FY 2016
Target	8,500,000	7,500,000
Actual	10,446,085	8,307,561

In FY 2017, the CFPB continued to offer and augment financial education tools with up-to-date, objective and consumer-friendly print and digital resources to prepare and equip Americans to make informed financial decisions. The CFPB refreshed the content of "Ask CFPB," which provides timely answers to common questions about financial products. The CFPB also made it easier for people to find valuable information by introducing web pages that provide a consolidated view of information on money topics such as credit reports and scores, bank accounts, and mortgages.

CFPB continues to offer a series of tools for people to use as they make major-life financial decisions. CFPB launched a new interactive tool in September 2017, enabling consumers to obtain their own financial well-being score and access CFPB resources to help them take more control of their financial lives. With this score, consumers can better understand their financial situation to provide themselves with financial security and freedom of choice.

Goal 3: Inform the public, policy makers, and the CFPB's own policy-making with data-driven analysis of consumer finance markets and consumer behavior

Understanding how consumer financial markets work, the avenues for innovation in financial products and services, and the potential for risk to consumers is a core component of the CFPB's mission. The CFPB's aim is to ground all of its work – from writing rules and litigating enforcement actions to its outreach and financial literacy efforts – in the realities of the marketplace and the complexities of consumer behavior.

Performance goal

Increase the number of reports produced about specific consumer financial products, markets, or regulations and on consumer decision-making.

TABLE 10: REPORTS PRODUCED ABOUT SPECIFIC CONSUMER FINANCIAL PRODUCTS, MARKETS, OR REGULATIONS AND ON CONSUMER DECISION-MAKING

	FY 2017	FY 2016
Target	6	6
Actual	6	9

Preparing reports is central to the Bureau's commitment to evidence-based policy-making. The Bureau's Division of Research, Markets, and Regulations (RMR) issued six reports in FY 2017. These reports are intended to deepen the public's understanding of these issues and provide the Bureau and other policy makers with a stronger factual foundation on which to make policy judgments.

RMR released the following notable public reports in FY 2017:

- Market Snapshot: Online debt sales (January 2017)
- Consumer Experiences With Debt Collection: Findings From the CFPB's Survey on Consumer Views on Debt (January 2017)
- Key dimensions of the small business lending landscape (May 2017)
- CFPB Data point: Becoming credit visible (June 2017)

- CFPB Data Point: Frequent over drafters (August 2017)
- CFPB Data point: Student loan repayment (August 2017)

Goal 4: Advance the CFPB's performance by maximizing resource productivity and enhancing impact

In order to maximize the effectiveness of consumer protections established by Federal consumer financial law, the CFPB must acquire, maintain, support, and direct its resources in a way that enables it to operate efficiently, effectively, and transparently. This means developing, maintaining, and continuously improving the policies and controls in place to ensure the CFPB has the resources it needs and puts those resources to the best use possible.

A key mission of the CFPB is to make financial products and services more transparent in the consumer marketplace. The CFPB strives to achieve the same level of commitment to transparency in its own activities, while respecting consumer privacy and confidentiality. To accomplish this, the CFPB develops and implements mechanisms and provides channels to maintain an open, collaborative dialogue with the public.

Performance goal

Release new datasets to the public, where legally permissible and appropriate, to allow for innovative uses of the data by individuals, non-profit entities, and businesses for the benefit of consumers.

TABLE 11: PROVISION OF DATA TO THE PUBLIC IN LEGALLY PERMISSIBLE AND APPROPRIATE INSTANCES

	FY 2017	FY 2016
Target	9 Data Sets	9 Data Sets
Actual	12 Data Sets	10 Data Sets

In fiscal year 2017, the Bureau released dashboards that allow users on consumerfinance.gov to explore recent developments in consumer markets, like the mortgage or credit card market. These dashboards are updated monthly to reflect the latest market developments. Also in fiscal year 2017, the Bureau released the Financial Well-Being tool, which allows users to calculate a financial well-being score and a dataset of results from the National Well-Being Survey.

Performance goal

Engage the public by hosting public field hearings, town hall meetings, Consumer Advisory Board meetings, and other events on consumer finance issues.

TABLE 12: NUMBER OF PUBLIC HEARINGS, TOWN HALL MEETINGS, CONSUMER ADVISORY BOARD MEETINGS, AND OTHER PUBLIC EVENTS HOSTED ANNUALLY.

	FY 2017	FY 2016
Target	13 Events	13 Events
Actual	12 Events	18 Events

The Bureau hosted 12 public events in FY 2017, focused on key issues affecting consumer financial markets such as student loans, debt collection, mortgages, arbitration, and payday lending. These included three meetings of its Consumer Advisory Board (CAB), two meetings of its Community Bank Advisory Council, and two meetings of its Credit Union Advisory Council.

The Bureau also participated in dozens of public events hosted by others in FY 2017, including testifying before Congress on one occasion to discuss policy, operations, and budget matters. As of the end of FY 2017, the Bureau had testified before Congress 63 times since the Bureau's inception.

1.3 Civil Penalty Fund annual report

Section 1055(a) of the Dodd-Frank Act authorizes the CFPB 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, 2017, a description of Civil Penalty Fund collections in fiscal year 2017, a description of Civil penalty Fund allocations in fiscal year 2017 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, 2017, the Civil Penalty Fund had $54.3 million in funds available for future allocation to harmed consumers and/or financial education. Table 13 below summarizes significant activity of the fund from inception through September 30, 2017:

TABLE 13: CIVIL PENALTY FUND SIGNIFICANT ACTIVITY

Activity	Amount	Amount
Cash Collections:		
FY 2012-2015	$342,142,081	
FY 2016	$182,138,760	
FY 2017	$42,488,801	
Total Cash Collections		$566,769,642
Amounts Unallocated and Returned to the Fund:		

Activity	Amount	Amount
FY 2017	$4,132,145[3]	
Total Returned		$4,132,145
Less Allocations:		
Victim Compensation		
FY 2013-2015	$190,120,307	
FY 2016	$130,696,406	
FY 2017	$161,415,457	
Subtotal: Allocations to Victim Compensation		($482,232,170)
Consumer Education and Financial Literacy Programs		
FY 2013-2015	$13,380,000	
FY 2016	$15,432,809	
Subtotal: Allocations to Consumer Education and Financial Literacy Programs		($28,812,809)
Total Allocations		($511,044,979)
Less Administrative Set-aside:		
FY 2013-2015		($2,073,322)
FY 2016		($2,500,000)
FY 2017		($1,000,000)
Total Available for Future Allocations		$54,283,486

[3] 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 and the explanatory footnote in the Period 8 allocation narrative for more information).

Civil Penalty Fund collections

TABLE 14: FISCAL YEAR 2017 COLLECTIONS

Defendant name	Civil Penalty Imposed	Civil Penalty Collected	Collection date
Flurish, Inc., d/b/a LendUp	$1,800,000	$1,800,000	October 6, 2016
Navy Federal Credit Union	$5,500,000	$5,500,000	October 14, 2016
Oasis Title Loans, LLC	$20,000	$20,000	November 1, 2016
David Eghbali	$85,000[4]	$20,000	November 21, 2016
3D Resorts-Bluegrass, LLC[5]	$1	$1	November 30, 2016
Aegean Financial	$65,000	$65,000	December 12, 2016
Reverse Mortgage Solutions, Inc. d/b/a Security 1 Lending	$325,000	$325,000	December 12, 2016
American Advisors Group	$400,000	$400,000	December 21, 2016
Moneytree, Inc.	$250,000	$250,000	December 22, 2016
Interstate Lending, LLC	$4,000	$4,000	December 27, 2016
Presto Auto Loans, Inc.	$125,000	$125,000	December 29, 2016
Military Credit Services, LLC	$200,000	$200,000	December 30, 2016
Equifax Inc. and Equifax Consumer Services LLC	$2,500,000	$2,500,000	January 10, 2017
TransUnion	$3,000,000	$3,000,000	January 11, 2017

[4] The final order required David Eghbali to pay a total of $85,000 in civil penalties in four installments, the last of which was paid on November 21, 2016.

[5] The Bureau received $1 from the bankruptcy estate in satisfaction of the judgment for civil money penalties in the December 2013 consent order.

Defendant name	Civil Penalty Imposed	Civil Penalty Collected	Collection date
Works & Lentz, Inc.	$78,800	$78,800	January 17, 2017
CitiFinancial Servicing, LLC	$4,400,000	$4,400,000	January 30, 2017
CitiMortgage, Inc.	$3,000,000	$3,000,000	January 30, 2017
UniRush LLC and Mastercard International Incorporated	$3,000,000	$3,000,000	February 8, 2017
Woodbridge Coins and Jewelry Exchange, Inc. d/b/a Woodbridge Gold & Pawn	$5,000	$5,000	February 9, 2017
Willamette Legacy, LLC dba Keller Williams Mid-Willamette	$35,000	$35,000	February 13, 2017
Auto Cash Leasing, LLC	$10,000	$10,000	February 13, 2017
Prospect Mortgage LLC	$3,500,000	$3,500,000	February 27, 2017
Pawn U.S.A., Inc.	$10,000	$10,000	March 3, 2017
B&B Pawnbrokers, Inc.	$5,000	$5,000	March 15, 2017
Nationstar Mortgage LLC	$1,750,000	$1,750,000	March 20, 2017
Phoenix Title Loans, LLC	$40,000	$40,000	March 22, 2017
Spotsylvania Gold & Pawn, Inc.	$7,500	$7,500	March 31, 2017
Fredericksburg Gold & Pawn, Inc.	$5,000	$5,000	March 31, 2017
Experian	$3,000,000	$3,000,000	April 3, 2017
RGC Services, Inc., dba ReMax Gold Coast Realtors	$50,000	$50,000	April 27, 2017
Security National Automotive Acceptance Company, LLC	$1,250,000	$1,250,000	June 23, 2017
Prime Credit, L.L.C., et al.	$1,530,000	$1,530,000	July 7, 2017
A to Z Pawn, Inc.	$3,500	$3,500	August 3, 2017
JPMorgan Chase Bank, N.A.	$4,600,000	$4,600,000	August 4, 2017
Prime Marketing Holdings, L.L.C. (d.b.a. Park View Credit, National	$150,000	$150,000	September 1, 2017

Defendant name	Civil Penalty Imposed	Civil Penalty Collected	Collection date
Credit Advisor, and Credit Experts)			
Zero Parallel, LLC	$100,000	$100,000	September 19, 2017
Davit Gasparyan a/k/a David Gasparyan	$250,000	$250,000	September 21, 2017
Transworld Systems, Inc.	$2,500,000	$1,500,000[6]	September 22, 2017
Total	$43,553,801	$42,488,801	

In fiscal year 2017, the Bureau collected civil penalties in 38 cases totaling $42.5 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.

[6] The consent order required Transworld Systems, Inc. to pay $1.5 million in civil penalties within 10 days of the effective date of the order and the remaining $1 million within 60 days. The $1 million outstanding was recorded as an accounts receivable in fiscal year 2017.

Allocations in fiscal year 2017

Period 8: April 1, 2016- September 30, 2016

On November 29, 2016, the Bureau made its eighth allocation from the Civil Penalty Fund. As of September 30, 2016, the Civil Penalty Fund contained an unallocated balance of $170.1 million. The Fund Administrator set aside $1 million for administrative expenses, leaving $169.1 million available for allocation pursuant to 12 C.F.R. § 1075.105(c).

TABLE 15: PERIOD 8: CASES IN WHICH A CIVIL PENALTY WAS IMPOSED

Defendant name	Date of Final Order[7]
Pressler & Pressler, LLP, Sheldon H. Pressler, and Gerard J. Felt	April 25, 2016
New Century Financial Services, Inc.	April 25, 2016
Morgan Drexen Inc. and Walter Ledda – Corporate Defendant	May 16, 2016
David Eghbali	May 25, 2016
Santander Bank, N.A.	July 14, 2016
BancorpSouth Bank	July 25, 2016
Orion Processing, LLC, d/b/a World Law Processing – Individual Defendants Derin Scott & David Klein	August 1, 2016
Wells Fargo Bank, N.A. (Educational Financial Services)	August 22, 2016
First National Bank of Omaha	August 25, 2016
Wells Fargo Bank, N.A. (Sales Practices)	September 9, 2016
Bridgepoint Education, Inc.	September 12, 2016

[7] The Civil Penalty Fund rule provides that the term "final order" means 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.

Defendant name	Date of Final Order[7]
TMX Finance LLC	September 26, 2016
Flurish, Inc., d/b/a LendUp	September 27, 2016

A civil penalty was imposed in 13 cases with final orders from Period 8. Of those 13 cases, two cases had classes of eligible victims with uncompensated harm that is compensable from the Civil Penalty Fund.

Of the Period 8 cases with compensable uncompensated harm, one case, the Morgan Drexen case, received an allocation of $33,993,373[8] from the Civil Penalty Fund. The class of victims eligible for an allocation—consumers who from October 27, 2010 to June 18, 2015, were charged certain advance fees by Ledda or Morgan Drexen or who enrolled in a debt relief service in response to deceptive advertisements that Ledda and Morgan Drexen made between December 8, 2010 and April 11, 2014—had uncompensated harm of $33,993,373. In Period 7, an allocation was made to victims in the related Walter Ledda matter. A total of $132,882,488 in Civil Penalty Fund monies has been allocated to eligible consumers in these two matters.

The other Period 8 matter with compensable uncompensated harm, the World Law case, did not receive an allocation from the Civil Penalty Fund during the Period 8 allocation. As of the time of this allocation, the Fund Administrator did not have sufficient information to determine the amount of compensable uncompensated harm for victims in the World Law matter. As that determination had not yet been made, in accordance with section 1075.106(d)(1) of the rule, the Fund Administrator exercised her discretion to depart from the allocation procedures described in 1075.106 and did not make an allocation to classes from that case during this allocation. The total allocation to classes of victims from Period 8 cases was therefore $33,993,373, leaving $135,064,624 available for allocation to prior-period cases.

[8] The amount of uncompensated harm was initially overstated by $500,000. The uncompensated harm and the resulting allocation should have been $33,493,373. The $500,000 was subsequently unallocated resulting in a total remaining allocation to Morgan Drexen victims of $132,382,488.

Under section 1075.106(d)(2) of the rule, when the Fund Administrator exercises this discretion, she may allocate funds for consumer education and financial literacy purposes only to the same extent she could have absent the exercise of discretion. Had the Fund Administrator not exercised her discretion to depart from the 1075.106 allocation procedures, she would have allocated $13,385,933 to the class of victims from the Global Client Solutions case, enough to compensate fully their uncompensated harm as it was determined in Period 4, and $106,813,049 to the class of victims in the World Law case, enough to fully compensate the total potential amount of uncompensated harm. That would leave $14,865,642 available for allocation for Consumer Education and Financial Literacy purposes under section 1075.106(d)(2) of the rule. During Period 8, $0 was allocated for Consumer Education and Financial Literacy purposes.

Period 8 Allocation Summary:

Victim Compensation: $33,993,373

- Morgan Drexen, Inc. and Walter Ledda
  - Victim Class Allocation: $33,993,373

Consumer Education and Financial Literacy Programs: $0

Total Allocation: $33,993,373

Period 9: October 1, 2016 – March 31, 2017

On May 30, 2017 the Bureau made its ninth allocation from the Civil Penalty Fund. As of March 31, 2017, the Civil Penalty Fund contained an unallocated balance of $167.6 million. That amount was available for allocation pursuant to 12 C.F.R. § 1075.105(c).

TABLE 16: PERIOD 9: CASES IN WHICH A CIVIL PENALTY WAS IMPOSED

Defendant name	Date of Final Order[9]
Navy Federal Credit Union	October 11, 2016
Oasis Title Loans, LLC	November 1, 2016
Aegean Financial	December 7, 2016
Reverse Mortgage Solutions, Inc. d/b/a Security 1 Lending	December 7, 2016
American Advisors Group	December 7, 2016
Moneytree, Inc.	December 16, 2016
Interstate Lending, LLC	December 20, 2016
Presto Auto Loans, Inc.	December 20, 2016
Military Credit Services, LLC	December 20, 2016
Equifax Inc. and Equifax Consumer Services LLC	January 3, 2017
TransUnion	January 3, 2017
Works & Lentz, Inc.	January 9, 2017
CitiFinancial Servicing, LLC	January 23, 2017
CitiMortgage, Inc.	January 23, 2017
Auto Cash Leasing, LLC	January 30, 2017
Willamette Legacy, LLC dba Keller Williams Mid-Willamette	January 31, 2017
Prospect Mortgage LLC	January 31, 2017

[9] 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.

Defendant name	Date of Final Order[9]
RGC Services, Inc., dba ReMax Gold Coast Realtors	January 31, 2017
UniRush LLC and Mastercard International Incorporated	February 1, 2017
Woodbridge Coins and Jewelry Exchange, Inc. d/b/a Woodbridge Gold & Pawn	February 7, 2017
Pawn U.S.A., Inc.	February 22, 2017
B&B Pawnbrokers, Inc.	March 3, 2017
Phoenix Title Loans, LLC	March 13, 2017
Stephen Lyster Siringoringo, an individual, also d/b/a Siringoringo Law Firm, et al. - Siringoringo	March 13, 2017
Nationstar Mortgage LLC	March 15, 2017
Fredericksburg Gold & Pawn, Inc.	March 16, 2017
Spotsylvania Gold & Pawn, Inc.	March 20, 2017
Orion Processing, LLC, d/b/a World Law Processing – Orion Processing, LLC	March 22, 2017
Experian	March 23, 2017

A civil penalty was imposed in 29 cases with final orders from Period 9. Of those 29 cases, two cases, Siringoringo, et al., and Orion Processing, LLC, had classes of eligible victims with uncompensated harm that is compensable from the Civil Penalty Fund.

The Siringoringo, et al., case received an allocation of $20,825,000 from the Civil Penalty Fund. The class of victims eligible for an allocation—consumers who from July 22, 2011 through July 26, 2013, paid the Siringoringo Law Firm advance fees for mortgage-assistance-relief services—had uncompensated harm of $20,825,000. The Orion Processing, LLC case—for which a "final order" was entered against Orion Processing, LLC in Period 9—received an allocation of $98,408,416. Eligible victims in this matter were charged advance fees between October 27, 2010, and March 22, 2017 and/or were consumers who signed up for the defendants' services between July 2010 and March 22, 2017 after being falsely promised that they would receive legal representation, be represented by a local attorney, and/or have their debt settlements negotiated by an attorney. This class of victims fully includes the class of victims from the Period

8 final order from this matter against defendants Derin Scott, David Klein, and relief defendant Shannon Scott for which the Fund Administrator exercised discretion not to allocate any funds in Period 8. Thus, the allocation of $98,408,416 to this class of victims fully compensates the classes of victims from both orders. The total allocation to classes of victims from Period 9 cases was therefore $119,233,416, leaving $48,360,600 available for allocation to prior-period cases.

One matter with a final order in Period 4 received an allocation in Period 9. Global Client Solutions received an allocation of $107,995,400 in Period 4. It was determined that this class's total uncompensated harm was $116,184,068. The class of victims eligible for an allocation—consumers who were (1) were charged advance fees for debt-relief programs from October 27, 2010 to August 27, 2014, (2) received no services, and (3) were not otherwise compensated—received an additional allocation of $8,188,668 to compensate victims at 100% of identified harm.

During Period 9, $0 was allocated for Consumer Education and Financial Literacy purposes

Period 9 Allocation Summary:

Victim Compensation: $127,422,084

- Orion Processing, LLC, d/b/a World Law Processing, et al.
  - Victim Class Allocation: $98,408,416
- Siringoringo, et al.
  - Victim Class Allocation: $20,825,000
- Global Client Solutions
  - Victim Class Allocation: $8,188,668

Consumer Education and Financial Literacy Programs: $0

Total Allocation: $127,422,084

Fiscal year 2017 cases eligible for allocation in fiscal year 2018

On or before November 29, 2017, the Bureau will make its tenth allocation from the Civil Penalty Fund. As of September 30, 2017, the Civil Penalty Fund had an unallocated balance of $54.3 million. This amount is available for allocation pursuant to 12 C.F.R. § 1075.105(c).

Civil Penalty Fund distributions

In fiscal year 2017, Civil Penalty Fund distributions began for six Civil Penalty Fund allocations made in Periods 4 through 9.

TABLE 17: CIVIL PENALTY FUND DISTRIBUTIONS INITIATED IN FISCAL YEAR 2017

Defendant	Period	Amount Allocated	Amount Distributed	Number of Checks Mailed	Year & Quarter of Initial Distribution
Hoffman Law Group	6	$11,074,842	$10,599,805	1,325	FY17 Q1
Irvine Web Works, Inc. d/b/a Student Loan Processing	7	$7,923,548	$7,923,524	4,800	FY17 Q1
Student Financial Aid Services, Inc.	6	$9,300,000	$9,243,731	99,338	FY17 Q2
Student Aid Institute, Inc.	7	$3,508,900	$3,508,900	3,265	FY17 Q2
Global Client Solutions	4, 9	$116,184,068	$115,894,180	64,214	FY17 Q3
Morgan Drexen, Inc.	7, 8	$132,382,488	$114,759,385	59,001	FY17 Q4
TOTALS		$280,373,846	$261,929,525	231,943	

The table above identifies cases for which distributions of Civil Penalty Fund monies to harmed consumers began in fiscal year 2017. 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 checks were mailed, and when distributions began. In fiscal year 2017, a total of $261.9 million was distributed to 231,943 harmed consumers using the Civil Penalty Fund.

Distributions are expected to begin in fiscal year 2018 for the College Education Services, World Law Processing, *et al.*, and Siringoringo, *et al.* cases.

Four Civil Penalty Fund distributions concluded in fiscal year 2017. In these cases, unclaimed funds were or will be unallocated and returned to the Civil Penalty Fund to be available for allocation to future cases.

TABLE 18: CIVIL PENALTY FUND DISTRIBUTIONS CONCLUDED IN FISCAL YEAR 2017

Defendant	Amount Allocated	Amount Distributed	Number of Checks Mailed	Percent of Distributed Funds Cashed	Year & Quarter of Distribution Conclusion
Meracord LLC	$11,542,229	$10,997,212	9,428	90%	FY17 Q1
Culver Capital, LLC	$3,821,915	$3,723,953	3,372	71%	FY17 Q3
3D Resorts-Bluegrass	$6,704,100	$2,983,646	239	97%	FY17 Q4
National Corrective Group	$23,262,067	$23,258,445	110,973	79%	FY17 Q4
TOTALS	$45,330,311	$40,963,256	124,012		

The table above reflects the cases where a distribution concluded in fiscal year 2017. 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.

In fiscal year 2017, the remaining undistributed funds from five cases that had concluded in fiscal years 2016 and 2017 were unallocated from the victim classes to whom they had previously been allocated and made available for future allocations. A total of $3,632,146 was unallocated as follows: $92,861 from Payday Loan Debt Solution, Inc.; $17,418 from American Debt Settlement Solutions, Inc.; $748,701 from National Legal Help Center, Inc.; $1,595,113 from Meracord LLC; and $1,178,053 from Culver Capital, LLC.

For the remaining two cases where distributions have concluded, 3D Resorts-Bluegrass and National Corrective Group, although undistributed funds were returned to the Bureau, they remain allocated to their respective victim classes. It is anticipated that the remaining funds will be unallocated and made available for future allocation in early fiscal year 2018.

1.4 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. CFPB refers to these collections as Bureau-Administered Redress.

TABLE 19: COLLECTIONS IN FISCAL YEAR 2017

Defendant	Amount Collected	Date of Collection
Corinthian Colleges, Inc.[10]	$218,158.35	November 7, 2016
3D Resorts-Bluegrass, LLC[11]	$49,999.00	November 30, 2016
Security National Automotive Acceptance Company, LLC	$55,733.45	December 27, 2016
Chance Edward Gordon, et al.[12]	$5,789.00	January 18, 2017
Orion Processing, LLC, d/b/a World Law Processing – Individual Defendant Derin Scott	$2,036.89	February 8, 2017
Orion Processing, LLC, d/b/a World Law Processing – Individual Defendant David Klein	$47,208.93	April 19, 2017

[10] In July 2016, the bankruptcy court granted a setoff motion in the Corinthian matter. The Bureau expected to receive a total of $232,946 from a tax refund that the IRS owed Corinthian as payment toward the $531,224,267 order for redress. On August 8, 2016, the Bureau received a check for $35,347. On November 7, 2016, the Bureau received a second check for $218,158.35. This amount represents the balance of the amount owed ($197,599) plus $20,599.35 in interest.

[11] The Bureau received $49,999 from the bankruptcy estate in satisfaction of the judgment for equitable monetary relief imposed in the December 2013 consent order.

[12] The Bureau received $5,789, which was the remainder of funds that were being held by the court-appointed Receiver, toward the judgment for equitable monetary relief in the December 2016 final judgment against Gordon.

Security National Automotive Acceptance Company, LLC	$793,900.00	July 3, 2017
Orion Processing, LLC, d/b/a World Law Processing – World Law Corporate Defendants	$8,000,000.00	August 9, 2017
Total	$9,172,825.62	

In fiscal year 2017, the Bureau collected $9.2 million in Bureau-Administered Redress funds from seven defendants. Funds are distributed in accordance with the terms of the final order for each case.

Bureau-administered redress distributions

In fiscal year 2017, distributions of redress began for seven cases.

TABLE 20: BUREAU-ADMINISTERED REDRESS DISBURSEMENTS INITIATED IN FISCAL YEAR 2017

Defendant	Year & Quarter of Initial Distribution	Amount Distributed	Number of Checks Mailed
Hoffman Law Group[13]	FY17 Q1	$655,737	474
Irvine Web Works, Inc. d/b/a Student Loan Processing[14]	FY17 Q1	$326,000	86
Student Financial Aid Services, Inc.	FY17 Q2	$5,199,930	56,118
RPM Mortgage	FY17 Q2	$17,817,899	20,324

[13] The final order in the Hoffman Law Group case included one class of victims. The class was compensated using both the Civil Penalty Fund and Bureau-Administered Redress funds.

[14] The final order in the Student Loan Processing case included one class of victims. The class was compensated using both the Civil Penalty Fund and Bureau-Administered Redress funds.

Defendant	Year & Quarter of Initial Distribution	Amount Distributed	Number of Checks Mailed
Global Client Solutions[15]	FY17 Q3	$5,976,636	34,568
Genuine Title	FY17 Q3	$489,698	1,374
Morgan Drexen, Inc.[16]	FY17 Q4	$499,984	282
TOTALS		$30,965,884	113,226

The table above reflects matters for which redress funds were collected, the time period when distributions began, the total dollar amount that has been mailed to harmed consumers, and the number of consumers to whom checks were mailed. In fiscal year 2017, the Bureau distributed a total of $31 million in redress funds to 113,226 consumers.

Two Bureau-Administered Redress distributions concluded in fiscal year 2017. In these cases, unclaimed funds were treated in accordance with the terms of the final order for each case.

TABLE 21: BUREAU-ADMINISTERED REDRESS DISBURSEMENTS CONCLUDED IN FISCAL YEAR 2017

Defendant	Year & Quarter of Distribution Conclusion	Amount Distributed	Number of Checks Mailed	Percentage of Funds Cashed
JPMorgan Chase	FY17 Q1	$266,241	183	99%
3D Resorts-Bluegrass	FY17 Q4	$99,924	20	100%
TOTALS		$366,165	203	

[15] The final order in the Global Client Solutions case included two classes of victims. One class was compensated in accordance with the final order using Bureau-Administered Redress funds. The other class was compensated with an allocation and subsequent distribution from the Civil Penalty Fund.

[16] The final order in the Morgan Drexen case included one class of victims. The class was compensated using both the Civil Penalty Fund and Bureau-Administered Redress funds.

The table above reflects the cases where a distribution concluded in fiscal year 2017. 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.

1.5 Management assurances and audit results

CFPB Statement of Management Assurance

Fiscal Year 2017, November 8, 2017

The management of the Consumer Financial Protection Bureau (CFPB) 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 CFPB 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 CFPB 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, 2017.

As required by the Dodd-Frank Act, the CFPB is to provide a management assertion as to the effectiveness of the CFPB's internal control over financial reporting. The CFPB management is responsible for establishing and maintaining effective internal control over financial reporting. The CFPB 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 CFPB can provide reasonable assurance that its internal control over financial reporting as of September 30, 2017 was operating effectively and no material weaknesses were found in the design or operation of the internal control over financial reporting.

Under the Dodd-Frank Act, the CFPB is required to maintain financial management systems that comply substantially with Federal financial management systems requirements and applicable Federal accounting standards. The CFPB utilizes financial management systems that substantially comply with the requirements for Federal financial management systems and applicable Federal accounting standards.

Richard Cordray

Richard Cordray
Director of the Consumer Financial Protection Bureau

Federal Managers’ Financial Integrity Act

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

In fiscal year 2017, CFPB performed an evaluation of its risks and systems of internal controls. Based on the results of those evaluations, the CFPB 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, 2017. While there were no material weaknesses identified, the CFPB identified two (2) significant deficiencies that are listed below. The CFPB 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.

Accounting for Property and Equipment (*Significant Deficiency*)

In fiscal year 2014, while there was no material weaknesses identified, the CFPB identified a significant deficiency in the accounting for property and equipment. While the Bureau has 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 2017. During fiscal year 2018, the Bureau will continue to implement and improve processes to more systematically gather and disseminate information on fixed asset acquisitions to ensure capitalized costs are accurately captured and recorded.

Information Technology Controls (*Significant Deficiency*)

In fiscal year 2016, while there was no material weaknesses identified, the CFPB identified a significant deficiency in the operational effectiveness of certain information technology controls. In fiscal year 2017, 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 2017. During fiscal year

2018, the Bureau will continue to implement and improve processes to enhance internal control and improve its operational effectiveness.

Additionally, we identified several enhancement areas to focus on during fiscal year 2018 and will continue to make progress toward: ensuring compliance with policies and procedures through enhanced documentation, monitoring and maturing our human capital program, and coordinating and managing employee workspace.

Federal financial management systems requirements

Section 1017(a)(4)(C) of the Dodd-Frank Act requires the CFPB to implement and maintain financial management systems that substantially comply with Federal financial management systems requirements and applicable Federal accounting standards. The CFPB 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 CFPB 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 CFPB provided reasonable assurance that as of September 30, 2017, the CFPB 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 CFPB has entered into an agreement with the Bureau of the Fiscal Service, Administrative Resource Center (BFS/ARC) for the cross-servicing of the CFPB's core financial management system needs. As such, BFS/ARC has provided assurances to the CFPB 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 CFPB evaluated its internal controls over the processing of transactions between the CFPB and BFS/ARC. The CFPB 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 CFPB 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 CFPB prepared comparative financial statements for fiscal years 2017 and 2016.

GAO issued an unmodified audit opinion on the CFPB's fiscal years 2017 and 2016 financial statements. GAO opined that CFPB maintained, in all material respects, effective internal control over financial reporting as of September 30, 2017. 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 2017 that would be reported under U.S. generally accepted government auditing standards.

Financial management systems strategy

The CFPB 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 CFPB 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 CFPB's goal is to continue providing an effective strategy that supports our financial management systems.

The CFPB recognizes the importance of financial management systems and oversight as a part of the capital planning and investment control process. Accordingly, the CFPB 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 CFPB'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 CFPB 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 CFPB 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 CFPB'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 2015 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. The Civil Penalty Fund was determined to be low risk in FY 2015 and as a result, a program risk assessment was not required in FY 2017. Additionally, the Office of the Chief Financial Officer determined that the Civil Penalty Fund did not meet the reporting threshold for fiscal years 2017 and 2016.

Fraud Reduction Report

The Fraud Reduction and Data Analytics Act of 2015 (the Act) mandates OMB issue guidelines for federal agencies to develop proactive measures for their programs and operations to identify the risk of fraud, to analyze known cases of fraud, and then to develop strategies to prevent future fraud. While the CFPB is not obligated to comply with OMB issued guidance, the Bureau opted to voluntarily comply with the guidance as the Bureau continues to develop its fraud risk management controls. During FY 2017, the Bureau continued to raise awareness of fraud risks and fraud risk management requirements under the Act. Additionally, in FY 2017, in conjunction with the Bureau's annual review of entity level controls, the Bureau conducted an assessment of its fraud risk management activities. The results of the assessment highlighted areas of focus for the Bureau as it continues its efforts to develop a framework of anti-fraud policies and procedures.

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 CFPB 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 Consumer Financial Protection Bureau, 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 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 2017 Financial Condition and Results

Since its inception in 2011 the Bureau has experienced considerable growth in the number of its employees, in the maturity of its processes and activities, and in the consumption of requested resources to conduct its activities. This is reflected in the data provided in Table 22 below that reports on significant changes between fiscal years 2017 and 2016.

TABLE 22: SUMMARY OF FINANCIAL INFORMATION

(In Dollars)	Percentage Change	FY 2017	FY 2016
Total Assets	-16%	$844,230,229	$1,004,877,594
Total Liabilities	-11%	$339,084,407	$381,116,653
Total Net Position	-19%	$505,145,822	$623,760,941
Total Net Cost of Operations	13%	$766,776,748	$678,894,875
Total Budgetary Resources	4%	$1,248,935,174	$1,205,051,818
Total New Obligations and Upward Adjustments	32%	$856,006,456	$647,240,925
Total Outlays	41%	$903,765,786	$642,577,690

Total Assets are $844.2 million as of September 30, 2017, a decrease of $160.6 million (or 16 percent) over fiscal year 2016. The main factor contributing to the net decrease was a $208 million decrease (a 49 percent decrease) in the Civil Penalty Fund cash and other monetary asset balance. The significant decrease in Civil Penalty Fund cash resulted primarily from two large monetary disbursements made to harmed consumers from the Global Client Solutions and Morgan Drexen, Inc. cases.

Total Liabilities are $339.1million as of September 30, 2017, a decrease of $42 million (or 11 percent) over fiscal year 2016. 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), which also decreased from $247.5 million as of September 30, 2016 to $190.2 million (a decrease of $57.3 million or 23 percent) as of September 30, 2017.

Total Net Position at the end of fiscal year 2017 decreased by $118.6 million (a decrease of 19 percent) from fiscal year 2016. While both the financing sources and cost of operations increased in 2017 due to the general growth of the agency, the decrease in net position is primarily due to an increase in distributions to harmed consumers from the Civil Penalty Fund.

Total Net Cost of Operations increased from $678.9 million in fiscal year 2016 to $766.8 million in fiscal year 2017 (an increase of $87.9 million or 13 percent) due to the overall growth and maturity of the agency and the continued activity in each of its four strategic goals: (1) Prevent Financial Harm to Consumers While Promoting Good Practices That Benefit Them; (2) Empower Consumers to Live Better Financial Lives; (3) Inform the Public, Policy Makers, and the CFPB's own Policy-Making with Data-Driven Analysis of Consumer Finance Markets and Consumer Behavior; and, (4) Advance the CFPB's Performance by Maximizing Resources Productivity and Enhancing Impact. The largest increase in program cost in fiscal year 2017 supported the strategic goal of advance the CFPB's performance by maximizing resource productivity and enhancing impact.

How the CFPB is funded and other sources of revenue and collections

Bureau fund

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

- In fiscal year 2011, up to 10 percent of these Federal Reserve System expenses (or approximately $498 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 CFPB 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 CFPB are invested in Treasury securities on the open market. Earnings from the investments are also deposited into this fund. During fiscal year 2017 four transfers totaling $602 million were received from the Board of Governors. The amount transferred from the Board of Governors to the CFPB was $44 million less than the funding cap of $646 million and the budget request for fiscal year 2017.

The Dodd-Frank Act explicitly provides that Bureau funds obtained by or transferred to the CFPB 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 CFPB collected civil penalties from judicial or administrative actions in the amount of $42.5 million for fiscal year 2017 and $182.1 million for fiscal year 2016.

Other collections

During fiscal year 2017, the CFPB collected $97,800 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 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. Fiduciary assets are not assets of the CFPB and are not recognized on the balance sheet. During fiscal year 2017, the CFPB collected $9 million in redress to be administered by the CFPB. Further information is contained in our financial statements at Note 20 entitled, "Fiduciary Activities."

Further, section 1055 of the Act provides that the CFPB may obtain the remedy of disgorgement for a violation of Federal consumer law. Disgorgement paid by the defendant is treated by CFPB as custodial revenue and maintained in the Miscellaneous Receipts Fund of the U.S. Treasury. CFPB reported the fiscal year 2017 disgorged deposits of $32.1 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 2017 and 2016.

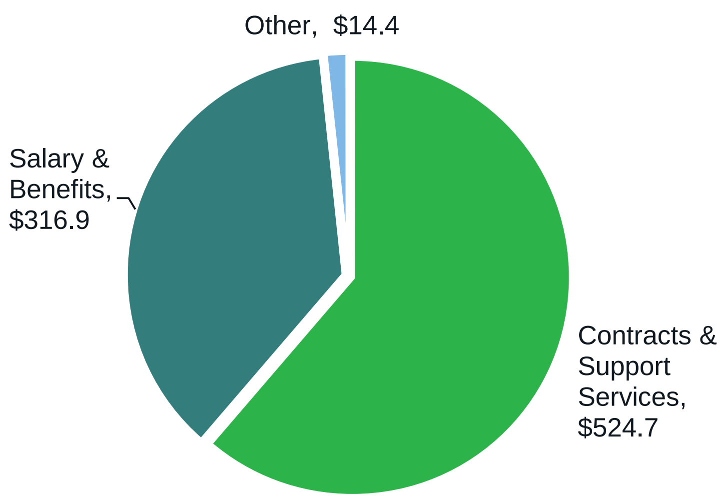
TABLE 23: OVERALL SUMMARY OF CFPB RECEIPTS BY TYPE AND FISCAL YEAR

Fiscal Year	Transfers requested	Civil Penalty Fund receipts	Fiduciary receipts	Custodial receipts
2017	$602,000,000	$42,488,801	$8,975,227	$32,092,616
2016	$564,900,000	$182,138,760	$982,735	$14,565,083

What the CFPB has funded

The CFPB's fiscal year 2017 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 CFPB incurred $856 million in obligations[17] – $524.7 million in Contracts & Support Services[18], $316.9 million in Salary & Benefits, and $14.4 million in All Other.

FIGURE 4: FISCAL YEAR 2017 NEW OBLIGATIONS AND UPWARD ADJUSTMENTS ($ IN MILLIONS)



Examples of some of the larger obligations incurred for CFPB's fiscal year 2017 activities included in the $524.7 million for contracts and support services include:

- $14.8 million for consumer awareness and engagement communications serving to raise awareness of the CFPB's tools and resources among consumers who need and can

[17] New obligations and upward adjustments amount of $856 million that is reported here and on the Statement of Budgetary Resources, includes $17.6 million in upward adjustments to prior year obligations, and $838.4 million associated with the fiscal year 2017 budget.

[18] Includes $71 million of interagency agreements (IAA) CFPB entered into with other Federal agencies and other Federal payments made to Federal Agencies. IAA's are not reported in USASpending.gov

benefit from them the most – with the ultimate goal of meeting our mandate to empower and inform American consumers.

- $14.1 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 Consumer Financial Protection Bureau.

- $13.5 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. With the expectation that complaint volume (along with other consumer interactions) will continue to increase, this investment allows Consumer Response to continue to support the ongoing operations and continuous improvement of the multi-channel contact centers.

- $10 million for continued development of a cost-effective, internally managed cloud infrastructure. These investments assure CFPB will have an infrastructure with flexibility, scalability and on-demand capacity that is adequate to support the agile and expanding environment of the Bureau.

- $8.1 million for operation and development of the cybersecurity program that provides the Bureau a way of securing communications, data, and IT resources through a combination of policy, continuous monitoring, and leveraging best in breed technologies. Assists with creating and refining Bureau policies and processes, supporting various audits and controls assessments, performing secure code review, and providing ongoing security monitoring and incident response.

- $7.8 million to centrally manage the Bureau's Network, manage and measure data effectiveness in order to make data-driven decisions, and improve the financial literacy of consumers, as mandated by the Dodd-Frank Act, by helping to facilitate the Bureau's Empowerment and Education programs and coordinate and amplify the Bureau's advocacy and outreach activities.

- $7.3 million for implementation of a case management system which will improve how consumers, companies, and other government agencies engage with the Bureau around consumer complaints and inquiries. In an effort to help companies research and better respond to complaints, each company now has its own dashboard to improve its ability to view, sort, export, and respond to complaints in the Company Portal. Congressional and government portal users also have more robust sort-and-filter options and enhance the company response information, and all secure portals have new dedicated URLs and 2-factor authentication to enhance privacy and security.

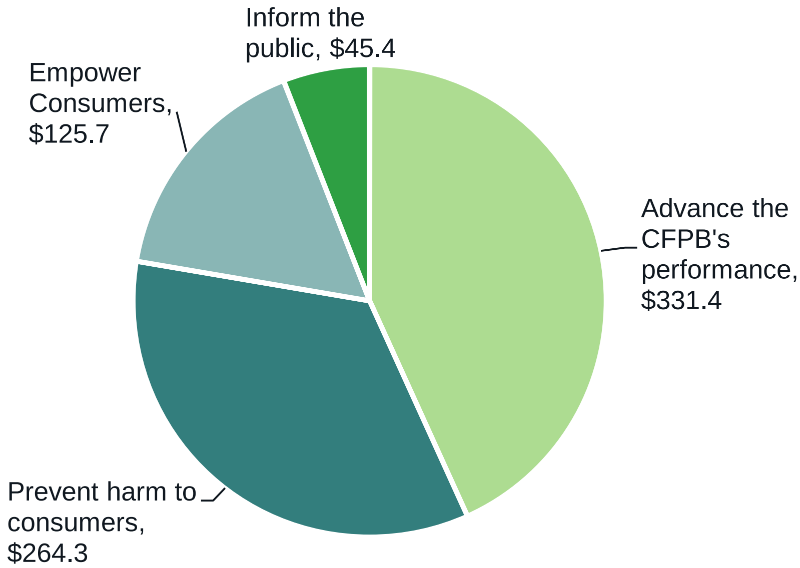
- $6.8 million to deliver high-quality technology end-user support divided into two tiers. Tier 1 support includes initial contact, assessment, and subsequent communications designed to provide quick, easily delivered solutions as well as installation, operation and maintenance of IT hardware and software. In addition to providing advanced support to address escalated functional and technical issues, tier 2 support provides IT asset and inventory management for the Bureau including managing inventory and stock levels, facilitating procurement of IT hardware and software, performing software license management, managing and operating the asset management system and performing shipping and receiving for IT hardware and software.

- $6.3 million for IT portfolio and project management support services, which assist and support the Bureau in its on-going efforts to develop, sustain and mature its IT program management and business process capabilities. These services are essential to supporting the technology and product development functions across the Bureau.

Net costs of the CFPB's operations

The Statement of Net Cost presents the CFPB net cost for its four strategic goals: (1) Prevent Financial Harm to Consumers While Promoting Good Practices That Benefit Them; (2) Empower Consumers to Live Better Financial Lives; (3) Inform the Public, Policy Makers, and the CFPB's own Policy-Making with Data-Driven Analysis of Consumer Finance Markets and Consumer Behavior; and, (4) Advance the CFPB's Performance by Maximizing Resources Productivity and Enhancing Impact. Net program costs for fiscal year 2017 are displayed in the chart below.

FIGURE 5: FISCAL YEAR 2017 NET PROGRAM COSTS ($ IN MILLIONS)



1.7 Possible future risks and uncertainties

Funding and independence

The Dodd-Frank Act followed a long-established precedent in providing the CFPB with sources of funding outside of the Congressional appropriations process to ensure full independence as the Bureau supervises and regulates providers of consumer financial products and services and protects financial consumers. Historically, Federal banking supervisors have been provided with independent sources of funding to allow for long-term planning and the execution of complex initiatives and to ensure that financial institutions are examined regularly and thoroughly for compliance with the law.

The CFPB has been tasked with supervising more entities than all other Federal bank supervisors combined, including supervising the largest, most complex banks. Effective supervision that assures a level playing field between bank and non-bank institutions requires dedicated and predictable resources and independent examiners. However, the CFPB is nonetheless the only banking supervisor with a statutory cap on its primary source of funding.

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 implications 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 CFPB 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 CFPB

During fiscal year 2017, the Office of the Chief Financial Officer continued to support the Consumer Financial Protection Bureau (CFPB) in the overall financial management and budget planning for the Bureau. This is the CFPB's seventh Financial Report and over the years we have matured as an entity and become more experienced in our operations. Accordingly, the Bureau continues to face challenges to ensure we have the sufficient funding to perform our operations, the financial tools necessary to leverage our resources and people, and the processes in place to help ensure our programs are running effectively with minimal risks. Some of the actions taken during fiscal year 2017 to help address these challenges include:

- Continuing to administer and manage the Bureau's internal control review process which supports the Director's annual assurance letter and includes providing an alert system to the Chief Financial Officer, Senior Management Council and other officials within the Bureau, for internal control risks, obstacles, and barriers. Monitored and reported status of corrective action plans for control deficiencies identified during the internal control review process, and external reviews and audits. Provided technical advice and guidance to the Bureau on internal control.

- Coordinating the receipt, management, and disbursement of monies in the Civil Penalty Fund and the Legal or Equitable Relief Fund resulting from the actions of various defendants who violated Federal financial consumer laws. In fiscal year 2017, between the two funds the Bureau distributed $293 million to 345 thousand harmed consumers.

- Continuing to develop an internal data analytics program to assist with travel card reviews for compliance with internal and external policies. Also working on utilizing additional automated tools to assist with internal travel audits and reviews.

- Continuing to provide data analytics on budget execution and financial management to inform senior management for decision making.

Provided herein are the Bureau's financial statements as an integral part of the fiscal year 2017 Financial Report. For fiscal year 2017, the Government Accountability Office rendered a unmodified audit opinion on the CFPB's financial statements and noted no material weaknesses, no significant deficiencies, and no instances of non-compliance with laws and regulations.

Sincerely,

for Dana M James, Deputy CFO

Elizabeth Reilly

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

U.S. GOVERNMENT ACCOUNTABILITY OFFICE
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 2017 and 2016 financial statements of the Bureau of Consumer Financial Protection, known as the Consumer Financial Protection Bureau (CFPB), we found

- CFPB's financial statements as of and for the fiscal years ended September 30, 2017, and 2016, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- CFPB maintained, in all material respects, effective internal control over financial reporting as of September 30, 2017; and
- no reportable noncompliance for fiscal year 2017 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)[1] and other information included with the financial statements;[2] (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[3] and the Full-Year Continuing Appropriations Act, 2011,[4] we have audited CFPB's financial statements. CFPB's financial statements comprise the balance sheets as of September 30, 2017, and 2016; 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 CFPB's internal control over financial reporting as of September 30, 2017, 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.

[1]The RSI consists of Management's Discussion and Analysis, which is included with the financial statements.

[2]Other information consists of information included with the financial statements, other than the RSI and the auditor's report.

[3]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).

[4]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

CFPB 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, 2017, included in the accompanying Management's Report on Internal Control over Financial Reporting in appendix I.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements and an opinion on CFPB'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.[5] 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 CFPB's process for evaluating and reporting on internal control over financial reporting based on criteria established under FMFIA and applicable sections of

[5]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.

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, CFPB's financial statements present fairly, in all material respects, CFPB's financial position as of September 30, 2017, and 2016, 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, CFPB maintained, in all material respects, effective internal control over financial reporting as of September 30, 2017, based on criteria established under FMFIA and applicable sections of OMB Circular A-123.

During fiscal year 2017, we found that CFPB took actions to address the internal control deficiencies related to the significant deficiency[6] in CFPB's internal control over accounting for property, equipment, and software that we reported as of September 30, 2016.[7] Specifically,

[6]As defined in auditing standards, 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.

[7]GAO, *Financial Audit: Bureau of Consumer Financial Protection's Fiscal Years 2016 and 2015 Financial Statements*, GAO-17-138R (Washington, D.C.: Nov. 15, 2016).

CFPB designed and implemented procedures to strengthen the Office of the Chief Financial Officer's (OCFO) review of property, equipment, and software transactions. For example, CFPB enhanced its *Office of the Chief Financial Officer Manual of Standard Operating Procedures* to require the review of invoices and purchase orders, contracts, or interagency agreements, as applicable, when distinguishing between costs that should be recorded as capitalized assets and those that should be recorded as gross costs (i.e., expensed). The procedures also require that project names for internal-use software transactions be added to OCFO's financial records to facilitate the matching of costs to the internal-use software tracking schedule and other supporting documents that program offices and vendors provide. In addition, OCFO increased the frequency of its review of property, equipment, and software transactions from quarterly to monthly and designed procedures to help ensure timely determination of costs that should be capitalized and expensed. Moreover, in fiscal year 2017, OCFO began to request inventory listings from the program offices three times a year to resolve issues, if any, promptly when reconciling to the asset schedule.

These actions sufficiently addressed the control deficiencies in CFPB's determination and reporting of its property, equipment, and software such that we no longer consider the remaining control deficiencies in this area, individually or collectively, to represent a significant deficiency as of September 30, 2017.

During our 2017 audit, we identified other deficiencies in CFPB's internal control over financial reporting that we do not consider to be material weaknesses or significant deficiencies. Nonetheless, these deficiencies warrant CFPB management's attention. We have communicated these matters to CFPB management and, where appropriate, will report on them separately.

<u>Other Matters</u>

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

CFPB's other information contains 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 CFPB'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 CFPB'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

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

Auditor's Responsibility

Our responsibility is to test compliance with selected provisions of laws, regulations, contracts, and grant agreements applicable to CFPB that have a direct effect on the determination of material amounts and disclosures in CFPB'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 CFPB.

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 2017 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 CFPB. 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, CFPB stated that it was pleased to receive an unmodified audit opinion on its fiscal years 2017 and 2016 financial statements. CFPB was also pleased with our conclusion that the significant deficiency over accounting for its property, equipment, and software that we reported as of September 30, 2016, was remediated. In addition, CFPB stated that it will continue to work to enhance its system of internal control and ensure the reliability of its financial reporting. The complete text of CFPB's response is reprinted in appendix II.

J. Lawrence Malenich
Director
Financial Management and Assurance

November 8, 2017

APPENDIX I:

Management's report on internal control over financial reporting

Consumer Financial Protection Bureau
1700 G Street, N.W., Washington, DC 20552

November 8, 2017

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 Consumer Financial Protection Bureau (CFPB) provides this management assertion regarding the effectiveness of internal control that apply to financial reporting by the CFPB 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 of Consumer Financial Protection's, known as the Consumer Financial Protection Bureau (CFPB) 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.

CFPB 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. CFPB management evaluated the effectiveness of CFPB's internal control over financial reporting as of September 30, 2017, 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, 2017 CFPB's internal control over financial reporting was effective.

Richard Cordray

Richard Cordray
Director
Consumer Financial Protection Bureau

Dana M James

Dana James
Deputy Chief Financial Officer
Consumer Financial Protection Bureau

consumerfinance.gov

APPENDIX II:

Management’s response to the auditor’s report

Consumer Financial
Protection Bureau

1700 G Street NW, Washington, DC 20552

November 8, 2017

Mr. J. Lawrence Malenich
Director, Financial Management and Assurance
Government Accountability Office
441 G Street, N.W., Room 5T45
Washington, DC 20548

Dear Mr. Malenich,

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 Years 2017 and 2016 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 Consumer Financial Protection Bureau (CFPB or Bureau) financial statements are presented fairly, in all material respects, and in conformity with U.S. generally accepted accounting principles, 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 CFPB's comparative financial statements for fiscal years 2017 and 2016 is a significant accomplishment. We are also pleased that GAO opined that the CFPB has remediated the significant deficiency over the accounting for property and equipment. The CFPB staff worked diligently over the years to implement additional controls to resolve this deficiency.

The CFPB will continue to work to enhance our system of internal control and ensure the reliability of CFPB's financial reporting. The CFPB 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.

Richard Cordray

Richard Cordray
Director
Consumer Financial Protection Bureau

consumerfinance.gov

2.2 Financial statements and notes

CONSUMER FINANCIAL PROTECTION BUREAU
BALANCE SHEET
As of September 30, 2017 and 2016
(In Dollars)

	2017	2016
Assets:		
Intragovernmental		
Fund Balance with Treasury (Note 2)	$ 29,164,054	$ 40,502,023
Investments (Note 3)	402,842,702	431,424,157
Advances and Prepayments (Note 7)	2,211,434	2,383,279
Total Intragovernmental	434,218,190	474,309,459
Cash, and Other Monetary Assets		
Cash in the Bureau Fund (Note 4)	324,111	268,795
Cash in the Civil Penalty Fund (Note 4)	220,230,791	428,255,327
Total Cash, and Other Monetary Assets	220,554,902	428,524,122
Accounts Receivable (Note 5)	1,314,036	2,164,976
Property, Equipment, and Software, Net (Note 6)	178,593,031	92,960,786
Advances and Prepayments (Note 7)	9,550,070	6,918,251
Total Assets	$ 844,230,229	$ 1,004,877,594
Liabilities:		
Intragovernmental		
Accounts Payable	$ 23,226,569	$ 23,923,490
Benefits Payable	36,609,188	28,428,965
Liability for Advances (Note 8)	6,250,000	500,000
Other (Note 9)	527,021	509,031
Total Intragovernmental	66,612,778	53,361,486
Accounts Payable	21,673,427	18,714,144
Employer Benefits Contributions	26,949,193	30,163,667
Accrued Funded Payroll	8,452,329	8,072,547
Civil Penalty Fund Liability (Note 10)	190,162,147	247,458,846
Unfunded Leave	25,197,278	23,270,578
Other (Note 9)	37,255	75,385
Total Liabilities (Note 11)	$ 339,084,407	$ 381,116,653
Commitments and Contingencies (Note 12)		
Net Position:		
Cumulative Results of Operations - Funds from Dedicated Collections (consolidated totals) (Note 19)	$ 505,145,822	$ 623,760,941
Total Liabilities and Net Position	$ 844,230,229	$ 1,004,877,594

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

CONSUMER FINANCIAL PROTECTION BUREAU
STATEMENT OF NET COST
For the Fiscal Years Ended September 30, 2017 and 2016
(In Dollars)

		2017		2016
Program Costs:				
Prevent Financial Harm to Consumers While Promoting Good Practices That Benefit Them:				
Gross Costs	$	264,348,582	$	255,535,234
Less: Earned Revenue		(61,505)		-
Net Prevent Financial Harm to Consumers While Promoting Good Practices That Benefit Them	$	264,287,077	$	255,535,234
Empower Consumers to Live Better Financial Lives:				
Gross Costs	$	125,761,880	$	113,609,439
Net Empower Consumers to Live Better Financial Lives	$	125,761,880	$	113,609,439
Inform The Public, Policy Makers, and the CFPB's own Policy-Making with Data-Driven Analysis of Consumer Finance Markets and Consumer Behavior:				
Gross Costs	$	45,431,812	$	47,071,622
Less: Earned Revenue		(55,498)		-
Net Inform The Public, Policy Makers, and the CFPB's own Policy-Making with Data-Driven Analysis of Consumer Finance Markets and Consumer Behavior	$	45,376,314	$	47,071,622
Advance the CFPB's Performance by Maximizing Resource Productivity & Enhancing Impact:				
Gross Costs	$	331,376,713	$	262,735,627
Less: Earned Revenue		(25,236)		(57,047)
Net Advance the CFPB's Performance by Maximizing Resource Productivity & Enhancing Impact	$	331,351,477	$	262,678,580
Total Gross Program Costs	$	766,918,987	$	678,951,922
Less: Total Earned Revenues		(142,239)		(57,047)
Net Cost of Operations (Note 13)	$	766,776,748	$	678,894,875

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

CONSUMER FINANCIAL PROTECTION BUREAU
STATEMENT OF CHANGES IN NET POSITION
For the Fiscal Years Ended September 30, 2017 and 2016
(In Dollars)

	2017	2016
Cumulative Results of Operations:		
Beginning Balances	$ 623,760,941	$ 556,369,029
Budgetary Financing Sources:		
Nonexchange Revenue		
Transfers from the Board of Governors of the Federal Reserve System	602,000,000	564,900,000
Civil Penalties	41,668,801	179,208,760
Interstate Land Sales Fees	97,800	118,200
Interest from Investments	3,456,293	1,021,894
Total Nonexchange Revenue	647,222,894	745,248,854
Other	17,568	3,955
Other Financing Sources:		
Imputed Financing Sources	946,403	1,091,025
Non-Entity Collections Transferred to the General Fund	(25,236)	(57,047)
Total Financing Sources	648,161,629	746,286,787
Net Cost of Operations	(766,776,748)	(678,894,875)
Net Change	(118,615,119)	67,391,912
Cumulative Results of Operations - Funds from Dedicated Collections (consolidated totals) (Note 19)	$ 505,145,822	$ 623,760,941
Net Position	$ 505,145,822	$ 623,760,941

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

CONSUMER FINANCIAL PROTECTION BUREAU
STATEMENT OF BUDGETARY RESOURCES
For the Fiscal Years Ended September 30, 2017 and 2016
(In Dollars)

	2017	2016
Budgetary Resources:		
Unobligated Balance Brought Forward, October 1	$ 557,810,893	$ 436,004,438
Recoveries of Prior Year Unpaid Obligations	37,253,200	16,879,124
Other changes in unobligated balance	1,967,177	1,056,839
Unobligated Balance from Prior Year Budget Authority, Net	597,031,270	453,940,401
Funds Available for Obligation	647,454,401	747,961,417
Spending Authority from Offsetting Collections	4,449,503	3,150,000
Total Budgetary Resources	$ 1,248,935,174	$ 1,205,051,818
Status of Budgetary Resources:		
New Obligations and Upward Adjustments (total) (Note 14)	$ 856,006,456	$ 647,240,925
Unobligated Balance, End of Year:		
Exempt from Apportionment , Unexpired Accounts	392,928,718	557,810,893
Total Budgetary Resources	$ 1,248,935,174	$ 1,205,051,818
Change in Obligated Balance:		
Unpaid Obligations:		
Unpaid Obligations, Brought Forward, October 1	$ 345,047,894	$ 357,263,784
New Obligations and Upward Adjustments	856,006,456	647,240,925
Outlays (Gross) (-)	(903,765,786)	(642,577,690)
Recoveries of Prior Year Unpaid Obligations (-)	(37,253,200)	(16,879,125)
Unpaid Obligations, End of Year	$ 260,035,364	$ 345,047,894
Uncollected payments:		
Uncollected pmts, Fed sources, brought forward, October 1 (-)	(2,650,000)	(31,860)
Change in uncollected pmts, Fed sources	1,400,000	(2,618,140)
Uncollected pmts, Fed sources, end of year (-)	(1,250,000)	(2,650,000)
Obligated Balance, Start of Year	$ 342,397,894	$ 357,231,924
Obligated Balance, End of Year	$ 258,785,364	$ 342,397,894
Budget Authority and Outlays, Net:		
Budget Authority, Gross	$ 651,903,904	$ 751,111,417
Actual Offsetting Collections (-)	(7,816,680)	(1,588,699)
Change in Uncollected Payments, Federal Sources	1,400,000	(2,618,140)
Recoveries of Prior Year Paid Obligations	1,967,177	1,056,839
Budget Authority, Net	$ 647,454,401	$ 747,961,417
Outlays, Gross	$ 903,765,786	$ 642,577,690
Actual Offsetting Collections (-)	(7,816,680)	(1,588,699)
Agency Outlays, Net	$ 895,949,106	$ 640,988,991

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

CONSUMER FINANCIAL PROTECTION BUREAU
STATEMENT OF CUSTODIAL ACTIVITY
For the Fiscal Years Ended September 30, 2017 and 2016
(In Dollars)

	2017	2016
Revenue Activity:		
Sources of Cash Collections:		
Disgorgement	$ 32,091,287	$ 14,563,727
Miscellaneous	1,329	1,356
Total Cash Collections	32,092,616	14,565,083
Accrual Adjustments	(110)	(21,039)
Total Custodial Revenue	32,092,506	14,544,044
Disposition of Collections:		
Amounts Transferred to the Department of the Treasury	32,092,616	14,565,083
Increase/(Decrease) in Amounts Yet to be Transferred	(110)	(21,039)
Net Custodial Activity	$ -	$ -

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, known as the Consumer Financial Protection Bureau (CFPB), 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 CFPB 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 CFPB 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 CFPB 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 CFPB 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 CFPB with certain other federal consumer financial regulatory authorities in addition to these transferred authorities.

To accomplish its mission, the CFPB 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.
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 CFPB's operational infrastructure to support the entire organization and hears directly from consumers about challenges they face in the marketplaces through their complaints, questions, and feedback.

The CFPB workforce is spread across the country with its headquarters in Washington, D.C. and regional offices in Chicago, New York City, and San Francisco. The headquarters is in several locations within Washington, D.C., utilizing space pursuant to interagency agreements with the Department of the Treasury (Treasury), the Office of the Comptroller of the Currency; the General Services Administration (GSA); and the Federal Housing Finance Agency (FHFA). In addition to its locations within Washington D.C., the CFPB also utilizes space pursuant to occupancy agreements with GSA for the regional offices in New York, Chicago and San Francisco.

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

B. Basis of presentation

The CFPB'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, CFPB 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 CFPB, 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 CFPB. Financial statements are presented on a comparative basis. During fiscal year 2013, the CFPB prepared and issued a five-year strategic plan that contains four 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 CFPB measure its performance in fulfilling its responsibilities under the Dodd-Frank Act. The comparative statement of net cost contains four responsibility segments based on the strategic plan.

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 CFPB 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. In fiscal year 2011, when CFPB and Treasury were establishing the accounting treatment of transactions with the Federal Reserve, the guidance provided was that the transactions with the BOG should be classified as federal and the transactions with the Federal Banks should be classified as non-federal. In fiscal year 2017, the CFPB received new guidance from Treasury indicating that all accounting transactions with the Federal Reserve, which includes both the BOG and the Federal Banks, should be classified as non-federal. As a result, in fiscal year 2017, the CFPB changed the classification of the accounting transactions with the BOG from federal (intragovernmental) to non-federal (public). No changes were required to the classification of the accounting transactions with the Federal Banks as those were already classified as non-federal. The CFPB reclassified related fiscal year 2016 amounts for conformance with the fiscal year 2017 presentation.

The CFPB 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 CFPB 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 CFPB 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.R. and Note 20, the CFPB also administers certain funds in a fiduciary capacity.

D. Funding sources

The CFPB'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 CFPB to maintain an account with the Federal Reserve – the "Bureau of Consumer Financial Protection Fund" (Bureau Fund). The Director of the CFPB, 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 CFPB 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 CFPB.

The CFPB 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 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 CFPB 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 CFPB 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 CFPB 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 CFPB also began collecting advances from the members[19] of the Federal Financial Institutions Examination Council (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 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 CFPB is also authorized to obtain civil penalties for violations of Federal consumer financial laws. The Act requires the CFPB 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 CFPB 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." The Civil Penalty Fund had its initial collections and deposits in fiscal year 2012.

The CFPB also recognizes imputed financing sources. An imputed financing source is recognized by the receiving entity for costs that are paid by other entities. The CFPB recognizes imputed costs and financing sources as prescribed by accounting standards. The CFPB 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 CFPB's behalf. Further, CFPB recognizes earned revenue for reimbursable activity of CFPB staff detailed to either public or non-public entities.

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[19] 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 Consumer Financial Protection Bureau.

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 CFPB 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, CFPB 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 CFPB 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 19 "Funds from Dedicated Collections."

G. Entity and non-entity assets

Entity assets are assets that the CFPB may use in its operations. This includes amounts where the CFPB 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 CFPB'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 CFPB 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 CFPB's behalf. As discussed in Note 1.D. above, CFPB 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 CFPB's Fund Balance with Treasury. Also, as discussed above in Note 1.D., CFPB maintains an additional account at the FRBNY for the Civil Penalty Fund. These funds are also available for transfer to CFPB's Fund Balance with Treasury under a separate fund symbol from the Bureau Fund. CFPB'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.

CFPB 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 CFPB 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 CFPB receiving redress funds that are maintained in a deposit fund. Redress funds are held in a fiduciary capacity until CFPB can make payment directly to the harmed individuals or entities.

I. Investments

CFPB has the authority to invest the funds in the Bureau Fund account that are not required to meet the current needs of the Bureau. CFPB 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. CFPB selects investments with maturities suitable to its needs, currently three-month Treasury bills. Investments are adjusted for discounts. In accordance with GAAP, CFPB 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 CFPB. 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 CFPB'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[20] 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 24: TABLE OF PP&E CATEGORY USEFUL LIVES

PP&E 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. CFPB has no real property holdings or stewardship or heritage assets. Once the on-going building improvements are completed at 1700 G Street, N.W. and 1990 K Street, N.W., Washington, D.C. those costs will be captured as leasehold improvements and amortized over a period of time consistent with the policy above. 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 CFPB employees. Payments made in advance of the receipt of goods and services

[20] The CFPB, in July 2016, increased the threshold of bulk purchases from $250,000 to $500,000.

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 CFPB as a result of transactions or events that have already occurred. Liabilities may be intragovernmental (claims against the CFPB by other Federal agencies) or with the public (claims against CFPB 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 not requiring or generating resources on the Reconciliation of Net Cost of Operations to Budget in Note 16.

CIVIL PENALTY FUND

The CFPB 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.

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

CFPB 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 CFPB in addition to, or in lieu of, OPM programs. For those employees participating in OPM's benefit programs, CFPB records the employer's contribution to those programs. For those employees participating in CFPB's non-Title 5 benefit programs, CFPB 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 CFPB's financial statements.

P. Pension costs and other retirement benefits

CFPB 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.

CFPB 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, CFPB 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 CFPB 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, CFPB 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.

CFPB 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 CFPB's financial statements.

ALL OTHER EMPLOYEES OF CFPB

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). CFPB 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. CFPB pays the employer's contribution into those plans.

TABLE 25: PENSION/RETIREMENT PLANS FOR CFPB EMPLOYEES

Name	Administering Agency
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[1]	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[1]	Federal Reserve System
Civil Service Retirement System (CSRS)	OPM
CSRS Offset	OPM
Federal Employees Retirement System (FERS)	OPM
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)

[1] This retirement program does not have any CFPB participants for fiscal years 2017 or 2016.

The Bureau does not have a separate pension or retirement plan distinct from the plans described above. CFPB expenses its contributions to the retirement plans of covered employees as the expenses are incurred. CFPB reported imputed costs (not paid by CFPB) 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. These costs are paid by OPM. Disclosure is intended to provide information regarding the full cost of CFPB's program in conformity with GAAP. CFPB, however, records expenses for the post-retirement health benefits (i.e., health benefits also OPM-administered) for those employees retiring under the Federal Reserve System retirement plans. These costs are not imputed costs with OPM. The associated liabilities for these post-retirement health benefits are incorporated as part of the line item on the Balance Sheet for Benefits Payable.

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, CFPB 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 2017 it was 13.7 percent of salary. For fiscal years 2017 and 2016 those amounts were $27.4 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 CFPB. 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., CFPB). Accordingly, the CFPB cannot report the full cost of the plan benefits applicable to CFPB 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[21] and the U.S. Department of Housing and

[21] 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 Consumer Financial Protection Bureau.

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 is expected to be a multi-year endeavor spanning over several annual financial report cycles – fiscal years 2016, 2017 and 2018. During the design and development phase of the system, the CFPB will treat the receipt of payments made by FFIEC members and HUD as advances and record the collections as a liability for advances. When the HMDA system is operational and made available for use to the FFIEC members and HUD in FY 2018, the CFPB's liability will be liquidated to earned exchange revenue over the useful life of the asset.

R. Commitments and Contingencies

A commitment is a preliminary action that reserves available funds until an obligation is made which will result in a legal liability of the U.S. government. 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 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. Fiduciary assets are not assets of the CFPB 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 CFPB may obtain disgorgement for violations of Federal consumer law. Disgorgement paid by the defendant is treated by CFPB as a custodial activity. CFPB will report those disgorged deposits and any other miscellaneous funds collected on the Statement of Custodial Activity.

Note 2: Fund balance with Treasury

Fund Balance with Treasury account balances as of September 30, 2017 and September 30, 2016 were as follows:

	2017	2016
Fund Balances:		
Special Funds:		
Bureau Fund	$ 26,366,960	$ 26,953,202
Civil Penalty Fund	$ 2,797,094	$ 13,548,821
Total	$ 29,164,054	$ 40,502,023
Status of Fund Balance with Treasury:		
Unobligated Balance		
Available	$ 392,928,718	$ 557,810,893
Obligated Balance Not Yet Disbursed	260,035,364	345,047,894
Uncollected Federal Payments	(1,250,000)	(2,650,000)
Investments at Cost	(401,995,126)	(431,182,642)
Cash Held Outside of Treasury (See Note 4)	(220,554,902)	(428,524,122)
Total	$ 29,164,054	$ 40,502,023

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 CFPB invests the portion of the Bureau Fund that is not required to meet the current needs of the Bureau. The CFPB 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, 2017 and September 30, 2016.

Investments as September 30, 2017 consist of the following:

	Cost	Amortization Method	Amortized Discount	Investments Net	Market Value Disclosure
Intragovernmental Securities:					
Marketable	401,995,126	Straight-Line	847,576	402,842,702	402,844,894
Total	$ 401,995,126		$ 847,576	$ 402,842,702	$ 402,844,894

Investments as of September 30, 2016 consist of the following:

	Cost	Amortization Method	Amortized Discount	Investments Net	Market Value Disclosure
Intragovernmental Securities:					
Marketable	431,182,642	Straight-Line	241,515	431,424,157	431,426,317
Total	$ 431,182,642		$ 241,515	$ 431,424,157	$ 431,426,317

Note 4: Cash and other monetary assets

CFPB has both cash and investments held outside of Treasury. When transfers are made from the BOG to CFPB, 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. CFPB requests cash disbursement from the Bureau Fund to the CFPB'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 CFPB 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 CFPB 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 CFPB 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 CFPB 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, 2017 and September 30, 2016:

	2017	2016
Cash		
Cash Held in the Bureau Fund at the Federal Reserve	324,111	268,795
Cash Held in the Civil Penalty Fund at the Federal Reserve	220,230,791	428,255,327
Total Cash and Other Monetary Assets	$ 220,554,902	$ 428,524,122

As of September 30, 2017 and 2016, the CFPB had allocated or set-aside, but not distributed, $220.3 and $271.2 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 CFPB. Account balances as of September 30, 2017 and September 30, 2016:

		2017		2016
Accounts Receivable:				
Bureau Fund	$	284,568	$	315,618
Civil Penalty Fund		1,000,000		1,820,000
Custodial Funds		29,468		29,358
Total Accounts Receivable	$	1,314,036	$	2,164,976

Account receivable amounts disclosed above are for Federal and Non-federal transactions. As of September 30, 2017 and 2016, all accounts receivable were due from the public. There were no uncollectable accounts receivable as of September 30, 2017 and 2016 respectively.

Note 6: Property, equipment and software, net

Schedule of Property, Equipment, and Software as of September 30, 2017 consist of the following:

Major Class	Acquisition Cost		Accumulated Amortization/Depreciation		Net Book Value
Furniture & Equipment	$ 28,434,923	$	10,058,069	$	18,376,854
Internal Use Software	11,900,999		3,437,325		8,463,674
Leasehold (Capital) Improvement-in-Development	146,204,703		N/A		146,204,703
Software-in-Development	5,547,800		N/A		5,547,800
Total	$ 192,088,425	$	13,495,394	$	178,593,031

Schedule of Property, Equipment, and Software as of September 30, 2016 consist of the following:

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Furniture & Equipment	$ 17,830,888	$ 7,226,987	$ 10,603,901
Internal Use Software	22,542,036	13,092,971	9,449,065
Leasehold (Capital) Improvement-in-Development	68,115,203	N/A	68,115,203
Software-in-Development	4,792,617	N/A	4,792,617
Total	$ 113,280,744	$ 20,319,958	$ 92,960,786

Leasehold (Capital) Improvements-in-Development primarily represent costs incurred for the building renovation at 1700 G Street N.W., Washington D.C. which began in fiscal year 2013. CFPB has obligated $145 million with GSA for the renovation project. Also, CFPB has obligated $11.9 million with GSA for the renovation that began in fiscal year 2016 for the property at 1990 K Street, N.W. Washington D.C. Upon completion of the each building's renovation, CFPB will begin to amortize the cost incurred over the shorter period of time of either the estimated life of the improvements or the years remaining on the occupancy agreement.

Note 7: Advances & prepayments

Advances and Prepayment balances as of September 30, 2017 and September 30, 2016 were as follows:

	2017	2016
Intragovernmental		
Advances and Prepayments	$ 2,211,434	$ 2,383,279
Total Intragovernmental Other Assets	$ 2,211,434	$ 2,383,279
With the Public		
Advances and Prepayments	$ 9,550,070	$ 6,918,251
Total Public Other Assets	$ 9,550,070	$ 6,918,251

In fiscal years 2017 and 2016 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. In fiscal years 2017 and 2016 the public advances and prepayments are primarily a result of CFPB's payments to the BOG to help fund the Office of

Inspector General. Other advances and prepayments include subscriptions and informational messages via digital media and other miscellaneous items.

The CFPB reclassified fiscal year 2016 accounting transactions with the BOG from intragovernmental to public costs for conformance with the fiscal year 2017 presentation. Refer back to Note 1 C. for the full discussion.

Note 8: Liability for advances

The CFPB 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. When the HMDA system is operational and made available for use to the FFEIC members and HUD in FY 2018, the liability will be liquidated to earned exchange revenue over the useful life of the asset.

Liability for Advances as of September 30, 2017 and September 30, 2016 consist of the following:

	2017	2016
Intragovernmental Liabilities		
Liability for Advances	$ 6,250,000	$ 500,000
Total Liability for Advances	$ 6,250,000	$ 500,000

Note 9: Other liabilities

Other liabilities as of September 30, 2017 and September 30, 2016 consist of the following:

	2017	2016
Intragovernmental Liabilities		
FECA Liability	$ 18,422	$ 51,449
Payroll Taxes Payable	479,131	449,315
Custodial Liability	29,468	8,267
Total Intragovernmental Liabilities	$ 527,021	$ 509,031
With the Public		
Employee Withholdings	$ 29,953	$ 30,071
Other	7,302	45,314
Total Public Liabilities	$ 37,255	$ 75,385

Other liabilities comprise several items the largest being 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 2017. The ending balance of the CPF Liability as of September 30, 2017 and September 30, 2016 is calculated as the following:

	2017	2016
Civil Penalty Fund Allocation:		
Beginning Balance	$ 247,458,846	$ 166,792,385
Plus: New Allocations to Victims	161,415,457	130,696,406
Year End Accrual for Potential Allocations	48,981,739	
Less: Distributions and Other Adjustments	(267,693,895)	(50,029,945)
Ending Balance	$ 190,162,147	$ 247,458,846

Note 11: Liabilities not covered by budgetary resources

Liabilities not covered by budgetary resources as of September 30, 2017 and September 30, 2016 consist of the following:

		2017		2016
Intragovernmental				
FECA	$	18,422	$	51,449
Benefits Payable		33,527,307		25,904,639
With the Public				
Unfunded Leave		25,197,278		23,270,578
Actuarial FECA		210,495		575,934
Total Liabilities Not Covered by Budgetary Resources	$	58,953,502	$	49,802,600
Total Liabilities Covered by Budgetary Resources		280,130,905		331,314,053
Total Liabilities	$	339,084,407	$	381,116,653

As described in Note 1.P., benefits payable also include costs for post-retirement benefits for CFPB employees retiring under the Federal Reserve retirement plans.

Note 12: Commitments and contingencies

CFPB's General Counsel has determined there is one pending arbitration regarding a mass grievance of certain Bureau employees that is deemed to be reasonably possible that an unfavorable outcome may occur, and therefore, is required to be disclosed. However, as of September 30, 2017 no amount was accrued in the financial statements as the future outflows of resources could not be reasonably measured.

The Civil Penalty Fund Administrator made two allocations from the Civil Penalty Fund in fiscal year 2017, the eighth allocation on November 29, 2016 and the ninth allocation on May 30, 2017. The Fund Administrator will make the tenth allocation from the Civil Penalty Fund on or before November 29, 2017. At that time, there will be 10 cases considered for allocation and the total amount available for allocation is $54.3 million. As of September 30, 2017, $49 million was accrued in the financial statements for these cases.

Note 13: Intragovernmental costs and exchange revenue

Intragovernmental costs represent goods and services provided between two reporting entities within the Federal government, and are in contrast to those with non-federal entities (the public). Earned exchange revenue with the public results from transactions between the Federal government and a non-Federal entity. Earned exchange intragovernmental revenue results from transactions between two Federal entities.

The CFPB reclassified fiscal year 2016 accounting transactions with the BOG from intragovernmental to public costs for conformance with the fiscal year 2017 presentation. Refer back to Note 1 C. for the full discussion. Such costs and earned revenues for fiscal years 2017 and 2016 are summarized as follows:

By Program

	2017	2016
Prevent Financial Harm to Consumers While Promoting Good Practices That Benefit Them		
Intragovernmental Costs	$ 33,939,513	$ 37,498,344
Public Costs	230,409,069	218,036,890
Total Program Costs	264,348,582	255,535,234
Less: Public Earned Revenue	(61,505)	-
Net Prevent Financial Harm to Consumers While Promoting Good Practices That Benefit Them Cost	$264,287,077	$ 255,535,234
Empower Consumers to Live Better Financial Lives		
Intragovernmental Costs	$ 16,146,472	$ 16,671,540
Public Costs	109,615,408	96,937,899
Total Program Costs	125,761,880	113,609,439
Net Empower Consumers to Live Better Financial Lives Cost	$125,761,880	$ 113,609,439
Inform The Public, Policy Makers, and the CFPB's own Policy-Making with Data-Driven Analysis of Consumer Finance Markets and Consumer Behavior		
Intragovernmental Costs	$ 5,832,956	$ 6,907,493
Public Costs	39,598,856	40,164,129
Total Program Costs	45,431,812	47,071,622
Less: Public Earned Revenue	(55,498)	
Net Inform The Public, Policy Makers, and the CFPB's own Policy-Making with Data-Driven Analysis of Consumer Finance Markets and Consumer Behavior Cost	$ 45,376,314	$ 47,071,622
Advance the CFPB's Performance by Maximizing Resource Productivity & Enhancing Impact		
Intragovernmental Costs	$ 42,545,203	$ 38,554,962
Public Costs	288,831,510	224,180,665
Total Program Costs	331,376,713	262,735,627
Less: Public Earned Revenue	(25,236)	(57,047)
Net Advance the CFPB's Performance by Maximizing Resource Productivity & Enhancing Impact Cost	$331,351,477	$ 262,678,580
Total Intragovernmental Costs	$ 98,464,144	$ 99,632,339
Total Public Costs	668,454,843	579,319,583
Total Program Costs	766,918,987	678,951,922
Less: Total Public Earned Revenue	(142,239)	(57,047)
Total Program Net Cost	$766,776,748	$ 678,894,875

Note 14: 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 2017 and 2016 consisted of the following:

	2017	2016
Direct Obligations, Category E	$ 853,605,113	$ 645,795,675
Reimbursable Obligations, Category E	2,401,343	1,445,250
Total New Obligations and Upward Adjustments	$ 856,006,456	$ 647,240,925

Note 15: 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. CFPB's Undelivered Orders represent obligated amounts designated for future payment of goods and services ordered but not received.

Undelivered Orders as of September 30, 2017 and September 30, 2016 were as follows:

	2017	2016
Total Undelivered Orders at the End of the Period	$ 176,346,982	$ 261,726,310

Note 16: Reconciliation of net cost to budget

CFPB has reconciled its budgetary obligations and non-budgetary resources available to its net cost of operations for the periods ended June 30, 2017 and June 30, 2016.

RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET
For the Fiscal Years Ended September 30, 2017 and 2016
(In Dollars)

	2017	2016
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
New Obligations and Upward Adjustments	$ 856,006,456	$ 647,240,925
Less: Spending Authority From Offsetting Collections and Recoveries	(43,669,880)	(21,085,963)
Net Obligations	812,336,576	626,154,962
Other Resources		
Imputed Financing From Costs Absorbed By Others	946,403	1,091,025
Total Resources Used to Finance Activities	813,282,979	627,245,987
Resources Used to Finance Items Not Part of the Net Cost of Operations:		
Change In Budgetary Resources Obligated For Goods, Services and Benefits Ordered But Not Yet Provided	87,365,456	10,459,904
Resources That Fund Expenses Recognized In Prior Periods	(349,873)	(134,328)
Resources That Finance the Acquisition of Assets	(98,442,434)	(56,843,295)
Total Resources Used to Finance Items Not Part of Net Cost of Operations	(11,426,851)	(46,517,719)
Total Resources Used to Finance the Net Cost of Operations	801,856,128	580,728,268
Components of the Net Cost of Operations That Will Not Require or Generate Resources in the Current Period:		
Components Requiring or Generating Resources in Future Periods		
Increase In Annual Leave Liability	1,926,700	3,071,368
Civil Penalty Fund Allocation	(57,296,699)	80,666,461
Increase in Exchange Revenue Receivable from the Public	(117,003)	-
Increase In Post Retirement Health Benefits	7,622,668	7,972,124
Total Components of Net Cost of Operations That Will Require or Generate Resources In Future Periods	(47,864,334)	91,709,953
Components Not Requiring or Generating Resources		
Depreciation and Amortization	7,275,040	6,492,640
Revaluation of Assets or Liabilities	5,535,150	21,061
Other	(25,236)	(57,047)
Total Components of Net Cost of Operations That Will Not Require or Generate Resources	12,784,954	6,456,654
Total Components of Net Cost of Operations That Will Not Require or Generate Resources In The Current Period	(35,079,380)	98,166,607
Net Cost of Operations	$ 766,776,748	$ 678,894,875

Note 17: President's Budget

Statement of Federal Financial Accounting Standards 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 2017 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2018 and can be found at the OMB Web site: *http://www.whitehouse.gov/omb/*. The 2018 Budget of the United States Government, with the "Actual" column completed for 2016, has been reconciled to the 2016 Statement of Budgetary Resources and there were no material differences.

	Budgetary Resources	New Obligations and Upward Adjustments	Net Outlays
Combined Statement of Budgetary Resources	$ 1,205,051,818	$647,240,925	$640,988,991
Rounding Difference	(51,818)	(240,925)	11,009
Budget of U.S. Government	1,205,000,000	647,000,000	641,000,000
Total Unreconciled Difference	$ -	$ -	$ -

Note 18: Rental payments for space

For all Interagency Agreements the CFPB enters into with another Federal Agency, the CFPB 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 CFPB 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.

Beginning in August 2016, the retail rental rebates that offset the payments to OCC were suspended because all retailers were vacated from the premises for the building renovation.

Future Payments Due:

Fiscal Year	Buildings
2018	12,995,384
2019	13,255,292
2020	13,520,398
2021	13,790,806
2022 through February 17, 2032	160,658,795
Total Future Payments	$ 214,220,675

DESCRIPTION OF AGREEMENT

B. OA between the CFPB and the General Services Administration for supplies, services and the use of space at 1275 First Street, N.E., Washington D.C. The OA is for a period through October 31, 2017. The rent is to be adjusted annually for operating cost and real estate taxes. The CFPB entered into this OA in order to secure temporary swing space while the CFPB undergoes a full-building renovation of its primary headquarters located at 1700 G Street, N.W., Washington D.C. The space assigned in this OA will permit the CFPB to conduct a single-phase renovation. Upon completion of the renovation, the CFPB plans to vacate the space governed by this OA and return to its primary headquarters.

Future Payments Due:

Fiscal Year	Buildings
2018 through October 31, 2017	822,412
Total Future Payments	$ 822,412

DESCRIPTION OF AGREEMENT

C. Interagency agreement with the Federal Housing Finance Agency (FHFA) for supplies, services and the use of space at 1625 Eye Street, N.W., Washington D.C. The interagency agreement was modified for an early termination and is now through June 15, 2019. The CFPB will occupy the space and incur lease payments until May 15, 2018. However, the interagency agreement will be settled by June 15, 2019 to allow for the reconciliation of the operating expenses and real estate taxes (estimated in the chart below) for calendar year 2018.

Future Payments Due:

Fiscal Year		Buildings
2018		2,629,543
2019 through June 15, 2019		25,000
Total Future Payments	$	2,654,543

DESCRIPTION OF AGREEMENT

D. OA between the CFPB 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
2018		1,148,974
2019		1,261,041
2020		1,271,445
2021		1,282,162
2022 through September 28, 2023		2,597,769
Total Future Payments	$	7,561,391

DESCRIPTION OF AGREEMENT

E. OA between the CFPB 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 September 30, 2023. The rent is to be adjusted annually for operating cost and real estate taxes.

Future Payments Due:

Fiscal Year	Buildings
2018	1,386,704
2019	1,508,896
2020	1,513,506
2021	1,518,231
2022 through September 30, 2023	3,159,553
Total Future Payments	9,086,890

DESCRIPTION OF AGREEMENT

F. OA between the CFPB and the General Services Administration for supplies, services and the use of space at 230 S. Dearborn Street, Chicago, IL. The OA is for a period through June 30, 2019. The rent is to be adjusted annually for operating cost.

Future Payments Due:

Fiscal Year	Buildings
2018	492,598
2019 through June 30, 2019	370,740
Total Future Payments	$ 863,338

DESCRIPTION OF AGREEMENT

G. OA between the CFPB and the General Services Administration for supplies, services and the use of space at 1800 F Street N.W., Washington D.C. The OA was modified for a period through March 31, 2018.

Future Payments Due:

Fiscal Year	Buildings
2018 through March 31, 2018	170,990
Total Future Payments	$ 170,990

DESCRIPTION OF AGREEMENT

H. OA between the CFPB and the General Services Administration for supplies, services and the use of space at 1990 K Street NW, Washington, DC. The OA was modified for a period through December 11, 2018. The rent is to be adjusted annually for operating cost and real estate taxes.

Future Payments Due:

Fiscal Year	Buildings
2018	2,806,345
2019 through December 11, 2018	715,905
Total Future Payments	$3,522,250

Note 19: Funds from dedicated collections

Provided below is summary consolidated component entity information for CFPB'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.

The CFPB reclassified fiscal year 2016 accounting transactions with the BOG from intragovernmental to public costs for conformance with the fiscal year 2017 presentation. Refer back to Note 1 C. for the full discussion.

	Bureau Fund	Civil Penalty Fund	FY 2017
A. Fund Balances & Status of Funds:			
Fund Balances:			
Special Fund	$ 26,366,960	$ 2,797,094	$ 29,164,054
Total	$ 26,366,960	$ 2,797,094	$ 29,164,054
Status of Fund Balance with Treasury:			
Unobligated Balance			
Available	$ 177,095,425	$ 215,833,293	$ 392,928,718
Obligated Balance Not Yet Disbursed	252,840,772	7,194,592	260,035,364
Uncollected Federal Payments	(1,250,000)	-	(1,250,000)
Investments at Cost	(401,995,126)	-	(401,995,126)
Cash Held Outside of Treasury	(324,111)	(220,230,791)	(220,554,902)
Total	$ 26,366,960	$ 2,797,094	$ 29,164,054
B. Summary Assets, Liabilities, and Net Position:			
Assets:			
Total Intragovernmental	$ 431,421,096	$ 2,797,094	$ 434,218,190
Cash and Other Monetary Assets	324,111	220,230,791	220,554,902
Property, Equipment, and Software, Net	178,593,031	-	178,593,031
Other	9,864,106	1,000,000	10,864,106
Total Summary Assets	$ 620,202,344	$ 224,027,885	$ 844,230,229
Liabilities and Net Position:			
Total Liabilities	$ 147,342,426	$ 191,741,981	$ 339,084,407
Cumulative Results of Operations	472,859,918	32,285,904	505,145,822
Total Liabilities & Net Position	$ 620,202,344	$ 224,027,885	$ 844,230,229
C. Summary Statement of Net Cost:			
Total Gross Program Costs	$ 561,912,880	$ 205,006,107	$ 766,918,987
Less: Total Earned Revenues	(142,239)	-	(142,239)
Net Cost of Operations	$ 561,770,641	$ 205,006,107	$ 766,776,748
D. Summary Statement of Changes in Net Position:			
Net Position Beginning of Period	$ 428,137,731	$ 195,623,210	$ 623,760,941
Total Financing Sources	606,492,827	41,668,802	648,161,629
Net Cost of Operations	(561,770,641)	(205,006,107)	(766,776,748)
Change in Net Position	44,722,186	(163,337,305)	(118,615,119)
Net Position End of Period	$ 472,859,917	$ 32,285,905	$ 505,145,822

	Bureau Fund	Civil Penalty Fund	FY 2016
A. Fund Balances & Status of Funds:			
Fund Balances:			
Special Fund	$ 26,953,202	$ 13,548,821	$ 40,502,023
Total	$ 26,953,202	$ 13,548,821	$ 40,502,023
Status of Fund Balance with Treasury:			
Unobligated Balance			
Available	$ 141,745,669	$ 416,065,224	$ 557,810,893
Obligated Balance Not Yet Disbursed	319,308,970	25,738,924	345,047,894
Uncollected Federal Payments	(2,650,000)	-	(2,650,000)
Investments at Cost	(431,182,642)	-	(431,182,642)
Cash Held Outside of Treasury	(268,795)	(428,255,327)	(428,524,122)
Total	$ 26,953,202	$ 13,548,821	$ 40,502,023
B. Summary Assets, Liabilities, and Net Position:			
Assets:			
Total Intragovernmental	$ 460,760,638	$ 13,548,821	$ 474,309,459
Cash and Other Monetary Assets	268,795	428,255,327	428,524,122
Property, Equipment, and Software, Net	92,960,786	-	92,960,786
Other	7,263,227	1,820,000	9,083,227
Total Summary Assets	$ 561,253,446	$ 443,624,148	$ 1,004,877,594
Liabilities and Net Position:			
Total Liabilities	$ 133,115,715	$ 248,000,938	$ 381,116,653
Cumulative Results of Operations	428,137,731	195,623,210	623,760,941
Total Liabilities & Net Position	$ 561,253,446	$ 443,624,148	$ 1,004,877,594
C. Summary Statement of Net Cost:			
Total Gross Program Costs	$ 543,253,977	$ 135,697,945	$ 678,951,922
Less: Total Earned Revenues	(57,047)		(57,047)
Net Cost of Operations	$ 543,196,930	$ 135,697,945	$ 678,894,875
D. Summary Statement of Changes in Net Position:			
Net Position Beginning of Period	$ 404,256,633	$ 152,112,396	$ 556,369,029
Total Financing Sources	567,078,028	179,208,759	746,286,787
Net Cost of Operations	(543,196,930)	(135,697,945)	(678,894,875)
Change in Net Position	23,881,098	43,510,814	67,391,912
Net Position End of Period	$ 428,137,731	$ 195,623,210	$ 623,760,941

Note 20: Fiduciary activities

Section 1055 of the Dodd-Frank Act authorizes the 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. 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 CFPB. The victims have an ownership interest in the cash or other assets held by the CFPB under provision of law, regulation, or other fiduciary arrangement.

During fiscal years 2017 and 2016, the CFPB had the following fiduciary activity:

CONSUMER FINANCIAL PROTECTION BUREAU
SCHEDULE OF FIDUCIARY ACTIVITY
For the Year Ended September 30, 2017 and 2016
(In Dollars)

	2017	2016
	Consumer Financial Legal or Equitable Relief Fund	
Fiduciary Net Assets, Beginning of Year	$ 32,598,294	$ 99,779,147
Fiduciary Revenues Collected	8,975,227	$ 982,735
Fiduciary Revenues Receivables	-	197,599
Administrative Expenses	(502,095)	(966,061)
Disbursements to and on behalf of beneficiaries	(31,057,527)	(67,395,126)
Increase/(Decrease) in Fiduciary Net Assets	(22,584,395)	(67,180,853)
Fiduciary Net Assets, End of Year	$ 10,013,899	$ 32,598,294

CONSUMER FINANCIAL PROTECTION BUREAU
SCHEDULE OF FIDUCIARY ACTIVITY
As of September 30, 2017 and 2016
(In Dollars)

	2017	2016
	Consumer Financial Legal or Equitable Relief Fund	
Fiduciary Assets:		
Cash	$ 10,018,313	$ 32,795,259
Accounts Receivable	-	197,599
Fiduciary Liabilities:		
Less: Liabilities	4,414	394,564
Total Fiduciary Net Assets	$ 10,013,899	$ 32,598,294

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, the responsible agency, and the location for additional details on the penalty update.

TABLE 26: FEDERAL CIVIL PENALTIES INFLATION ADJUSTMENT

Authority (Statute)	Penalty Description	Year Enacted	Latest Year of Adjustment	Date of Current Adjustment	Current Penalty Amount	Sub-Agency/ Bureau	Location for Penalty Update Details
Consumer Financial Protection Act, 12 U.S.C. 5565(c)(2)(A)	Tier 1 penalty	2010	2017	January 15, 2017	$5,526	Consumer Financial Protection Bureau	12 CFR Part 1083
Consumer Financial Protection Act, 12 U.S.C. 5565(c)(2)(B)	Tier 2 penalty	2010	2017	January 15, 2017	$27,631	Consumer Financial Protection Bureau	12 CFR Part 1083
Consumer Financial Protection Act, 12 U.S.C. 5565(c)(2)(C)	Tier 3 penalty	2010	2017	January 15, 2017	$1,105,241	Consumer Financial Protection Bureau	12 CFR Part 1083
Interstate Land Sales Full Disclosure Act, 15 U.S.C. 1717a(a)(2)	Per violation	1968	2017	January 15, 2017	$1,925	Consumer Financial Protection Bureau	12 CFR Part 1083
Interstate Land Sales Full Disclosure Act, 15 U.S.C. 1717a(a)(2)	Annual cap	1968	2017	January 15, 2017	$1,924,589	Consumer Financial Protection Bureau	12 CFR Part 1083

Authority (Statute)	Penalty Description	Year Enacted	Latest Year of Adjustment	Date of Current Adjustment	Current Penalty Amount	Sub-Agency/ Bureau	Location for Penalty Update Details
Real Estate Settlement Procedures Act, 12 U.S.C. 2609(d)(1)	Per failure	1974	2017	January 15, 2017	$90	Consumer Financial Protection Bureau	12 CFR Part 1083
Real Estate Settlement Procedures Act, 12 U.S.C. 2609(d)(1)	Annual cap	1974	2017	January 15, 2017	$181,071	Consumer Financial Protection Bureau	12 CFR Part 1083
Real Estate Settlement Procedures Act, 12 U.S.C. 2609(d)(2)(A)	Per failure, where intentional	1974	2017	January 15, 2017	$181	Consumer Financial Protection Bureau	12 CFR Part 1083
SAFE Act, 12 U.S.C. 5113(d)(2)	Per violation	2008	2017	January 15, 2017	$27,904	Consumer Financial Protection Bureau	12 CFR Part 1083
Truth in Lending Act, 15 U.S.C. 1639e(k)(1)	First violation	2010	2017	January 15, 2017	$11,053	Consumer Financial Protection Bureau	12 CFR Part 1083
Truth in Lending Act, 15 U.S.C. 1639e(k)(2)	Subsequent violations	2010	2017	January 15, 2017	$22,105	Consumer Financial Protection Bureau	12 CFR Part 1083