

CFO update for the second quarter of fiscal year 2020

JANUARY 1 – MARCH 31, 2020

Issued: June 1, 2020

Bureau Fund

As of March 31, 2020, the end of the second quarter of fiscal year (FY) 2020, the CFPB had incurred approximately \$301.1 million in FY 2020 obligations¹ to carry out the authorities of the Bureau under Federal financial consumer law. Approximately \$159.5 million was spent on employee compensation and benefits for the 1,421 CFPB employees who were on-board by the end of the quarter.

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

- \$13.7 million for a one-year building occupancy agreement with the Office of the Comptroller of the Currency;
- \$9.8 million for ongoing maintenance and development of enterprise platform tools;
- \$8.6 million for Consumer Response contact center services;
- \$2.0 million for IT infrastructure operations & maintenance support;
- \$1.9 million for expert witnesses in support of enforcement cases;
- \$1.8 million for ongoing enterprise development of the customer relationship management system;
- \$1.4 million for enterprise-wide IT software design and development support services;
- \$1.4 million for technology data platform development and support;
- \$1.1 million for enterprise-wide cloud hosting infrastructure, system administration and support services;
- \$1.1 million for wide area network services; and,
- \$1.1 million for program support to internal controls.

¹ This amount includes new obligations and commitments.

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

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

Expense Category	FY 2020
Personnel Compensation	112,007,000
Personnel Benefits	47,168,000
Benefits to Former Employees	357,000
Travel	5,824,000
Transportation of Things	110,000
Rents, Communications, Utilities & Misc.	9,492,000
Printing and Reproduction	1,810,000
Other Contractual Services	107,492,000
Supplies & Materials	2,630,000
Equipment	13,964,000
Land and Structures	204,000
Total (as of March 31, 2020)	\$ 301,058,000

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

Division/Program Area	FY 2020
Office of the Director	6,938,000
Operations ²	158,874,000
Consumer Education & Engagement	35,393,000
Research, Markets & Regulations	16,108,000
Supervision, Enforcement, Fair Lending	70,616,000
Legal Division	7,674,000
External Affairs	4,243,000
Other Programs ³	1,212,000
Total (as of March 31, 2020)	\$ 301,058,000

² Includes the cost of certain administrative and operational services provided centrally to other Divisions (e.g., building space, utilities, and IT-related equipment and services) in support of all strategic goals

³ Other Programs includes the costs of the Office of Ombudsman, Administrative Law Judges, and other CFPB programs.

FY 2020 Funds Transfers Received from the Federal Reserve

The CFPB is funded principally by transfers from the Federal Reserve System, up to the limits set forth in the Dodd-Frank Act. Funding from the Federal Reserve System for fiscal year 2020 is capped at \$695.9 million. As of March 31, 2020, the CFPB had received the following transfers for FY 2020. The amounts and dates of the transfers are shown below.

\$223.3M	October 1, 2019
\$97.8M	January 2, 2020
\$321.1M	Total

Civil Penalty Fund

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

Civil Penalties Collected in FY 2020

In the first quarter of FY 2020, the CFPB collected civil penalties from six defendants totaling \$2.7 million. In the second quarter of FY 2020, the CFPB collected civil penalties from two defendants totaling \$8.

FY 2020 Civil Penalty Fund Collections:

Defendant name	Civil Penalty Collected	Collection date
Northern Resolution Group, LLC, Douglas MacKinnon, Mark Gray, Enhanced Acquisitions, LLC, and Delray Capital, LLC	\$1	October 7, 2019
Certified Forensic Loan Auditors, LLC; Andrew Lehman; and Michael Carrigan	\$5,000 ⁴	November 5, 2019
Asset Recovery Associates, Inc. (ARA)	\$150,000 ⁵	November 8, 2019
Edmiston Marketing, LLC, d/b/a Easy Military Travel	\$1	November 26, 2019
Sterling Infosystems	\$2,500,000	November 27, 2019
USA Service Finance	\$25,000	December 31, 2019

⁴ In accordance with the Consent Order, \$5,000 of the \$493,403 penalty was remitted by the defendant in partial satisfaction of the civil penalty. Full payment is suspended.

⁵ The defendant transferred \$50,000 of the \$200,000 civil penalty in Q1 FY19.

Defendant name	Civil Penalty Collected	Collection date
UNIVERSAL DEBT & PAYMENT SOLUTIONS, LLC, et al - Bagga	\$1	February 5, 2020
Think Finance, LLC	\$7	March 11, 2020
Total	\$2,680,010	

Civil Penalty Fund Allocations in FY 2020

Period 14: April 1, 2019 – September 30, 2019

On November 29, 2019, the Bureau made its fourteenth allocation from the Civil Penalty Fund. As of September 30, 2019, the Civil Penalty Fund contained \$542.9 million that was available for allocation pursuant to 12 C.F.R. § 1075.105(c).⁶

A civil penalty was imposed in ten cases with final orders from Period 14. Under the Civil Penalty Fund rule, victims of the violations for which these civil penalties were imposed are eligible for compensation from the Civil Penalty Fund. Of those ten cases, eight have classes of eligible victims with no uncompensated harm that is compensable from the Civil Penalty Fund. Two cases, Universal Debt & Payment Solutions, LLC, et al. and Andrew Gamber, et al., have classes of eligible victims with uncompensated harm that is compensable from the Civil Penalty Fund.

The Universal Debt & Payment Solutions, LLC, et al. case is receiving an allocation of \$558,674 from the Civil Penalty Fund. The class of victims eligible for allocation are consumers who paid money to the entity defendants between March 1, 2011, and March 31, 2015, in connection with the defendants' unlawful debt collection scheme. The Andrew Gamber, et al. case is receiving an allocation of \$2,700,000. Andrew Gamber, through his companies, brokered contracts marketed as purchases of the consumers' future pension and disability payments to consumers, primarily veterans. Eligible victims in this case are consumers who entered into contracts related to their pensions that were brokered by Gamber or his companies between January 1, 2011, and December 31, 2016. The total allocation to classes of victims from Period 14 cases is, therefore, \$3,258,674.

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

During Period 14, \$0 was allocated for Consumer Education and Financial Literacy purposes.

The total allocation for Period 14 was \$3,258,674.

Period 14 Allocation Summary:

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

Type	Allocation
Victim Compensation	\$3,258,674
<ul style="list-style-type: none"> • Universal Debt & Payment Solutions, LLC, et al. <ul style="list-style-type: none"> ○ Victim Class Allocation: \$558,674 	
<ul style="list-style-type: none"> • Andrew Gamber, Voyager Financial Group, LLC, BAIC, Inc., and SoBell Corp. <ul style="list-style-type: none"> ○ Victim Class Allocation: \$2,700,000 	
Consumer Education and Financial Literacy Programs:	\$0
Total Allocation	\$3,258,674

The amount in the Fund as of March 31, 2020, will be available for allocation following the conclusion of Period 15 in accordance with 12 C.F.R. § 1075.105(c).

Bureau-Administered Redress

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

Bureau Administered Redress Collected in FY 2020:

In the first quarter of FY 2020, the Bureau collected \$5,150 in Bureau-Administered Redress from two defendants. In the second quarter of FY2020, the Bureau collected \$3.6 million. Funds are distributed in accordance with the terms of the final order for each case.

FY 2020 Bureau-Administered Redress Collections:

Defendant name	Amount Collected	Collection date
Sumant Khan	\$4,659	October 7, 2019 October 30, 2019
ORION PROCESSING, LLC, d/b/a World Law Processing	\$49	October 29, 2019
Hydra Financial	\$3,600,000	February 18, 2020
Total	\$3,605,151	

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