

CFO update for the fourth quarter of fiscal year 2012

JULY 1 – SEP 30, 2012

Issued: December 15, 2012

Bureau Fund

The CFPB is funded principally by transfers from the Federal Reserve System, up to the limits set forth in the Dodd-Frank Act. The Director of the CFPB requests transfers from the Federal Reserve System in amounts that the Director has determined are reasonably necessary to carry out the Bureau's mission. Funding from the Federal Reserve System for fiscal year 2012 was capped at 11 percent (or approximately \$547.8 million) of the total 2009 operating expenses of the Federal Reserve System. Funds transferred into the Bureau Fund during the fiscal year were below the statutory cap.

In the fiscal year that ended on September 30, 2012, the CFPB spent close to \$300 million, including current year obligations and outlays (1,2). Approximately \$134 million was spent on employee compensation and benefits for the 970 CFPB employees on board by the end of the fiscal year.

In addition to payroll expenses, the largest obligations for fiscal year 2012 were related to other contractual services, such as administrative services provided by other Federal agencies, including the Department of the Treasury.

Large obligations of \$1 million and over made during the fourth quarter to non-governmental vendors included:

- \$10.3 million for project and administrative management as well as general consulting services to support the Office of the Chief Information Officer through the end of FY 2013.
- \$2.5 million for the development of a technology platform to make the Interstate Land Sales (ILS) program more efficient and effective by automating the registration process so that property information is more accessible to consumers and compliance costs are decreased.
- \$1.6 million for the purchase of an anonymous sample of credit records that will include information about mortgages and other consumer credit accounts. These data, which carefully exclude any Personally Identifiable Information (PII) in order to maintain the anonymity and protect the privacy of sampled consumers, will be used to monitor conditions in consumer credit markets and to study consumer credit behavior, compliance with consumer laws, and other issues in support of the Bureau's research, monitoring, and supervision missions.
- \$1.4M for the provision of an information technology service desk and customer support services.

- \$1.4M for research on developing and implementing effective programs with the national Financial Literacy and Education Commission, where these programs will provide seniors financial literacy education, and counseling services.
- \$1.1 million for architectural design services for CFPB's Washington, DC headquarters office building.
- \$1 million for support services for the Office of Consumer Engagement's consumer experience program, in which the Bureau will offer a series of on-line modules that will provide actionable advice to consumers on navigating the most difficult financial decisions they face in the marketplace such as buying a home.

Table 1 and table 2 categorize final year-to-date CFPB spending by expense category and division/program area:

Table 1: Fiscal Year 2012 spending by expense category:

Expense Category	Fiscal Year 2012
Personnel Compensation	99,464,000
Benefit Compensation	34,727,000
Travel	10,117,000
Transportation of Things	166,000
Rents, Communications, Utilities & Misc.	1,514,000
Printing and Reproduction	1,693,000
Other Contractual Services	134,933,000
Supplies & Materials	2,556,000
Equipment	14,590,000
Total (as of 9/30/12)	\$299,760,000

Table 2: Fiscal Year 2012 spending by division/program area:

Division/Program Area	Fiscal Year 2012
Office of the Director	3,948,000
Chief Operating Officer	73,895,000
Consumer Education & Engagement	15,036,000
Research, Markets & Regulations	24,838,000
Supervision, Enforcement, Fair Lending	83,027,000
Legal Division	7,821,000
External Affairs	3,773,000
Centralized Services (3)	87,422,000
Total (as of 9/30/12)	\$ 299,760,000

Funds Transfers Received from the Federal Reserve

Through fiscal year 2012 as of September 30, 2012, the CFPB received ten transfers of funds from the Federal Reserve into the Bureau Fund. The amounts and dates of the transfers are shown below.

Fiscal Year 2010

\$18.4 M	August 12, 2010
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Fiscal Year 2011

\$14.4 M	December 21, 2010
\$27.9 M	March 10, 2011
\$74.5 M	June 7, 2011
\$14.4 M	July 21, 2011
\$30.6 M	September 28, 2011
<i>\$161.8 M</i>	<i>Fiscal Year Total</i>

Fiscal Year 2012

\$94.3 M	October 10, 2011
\$63.9 M	January 6, 2012
\$99.5 M	April 4, 2012
\$85.6M	July 9, 2012

\$343.3 M	<i>Fiscal Year Total</i>
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Civil Penalty Fund

Pursuant to the Dodd-Frank Act, the CFPB is also authorized to retain for specified purposes civil penalties obtained against any person in any judicial or administrative action under federal consumer financial laws. The CFPB generally is authorized to use these funds for payments to victims of activities for which civil penalties have been imposed under the Federal consumer financial laws, but may also use the funds for consumer education and financial literacy programs under certain circumstances. The CFPB maintains a separate account for these funds at the Federal Reserve Bank of New York.

The CFPB conducted major enforcement actions against Capital One Bank and Discover during the last quarter of fiscal year 2012, which resulted in the institutions entering into two separate consent orders. The institutions agreed to pay a total of \$32 million in civil monetary penalties to CFPB, and also agreed to provide other relief directly to consumers.

Financial Report for Fiscal Year 2012

Additional financial information is available in the CFPB Financial Report for Fiscal Year 2012, which is available at the CFPB website.

The financial report has two main parts. The first part includes a narrative description of the Bureau, including our mission, operating units, main activities, performance, and results. It provides some financial analysis and a description of our operating environment. The second section includes financial statements, notes, and the auditor's report.

The Government Accountability Office (GAO) audited the financial statements and rendered an unqualified audit opinion. The GAO noted no material weaknesses or significant deficiencies in the CFPB's internal control and cited no instances of noncompliance with laws and regulations.

1. Definitions. For the purposes of this update, *outlays* are payments that result any time the CFPB issues checks, disburses cash, or makes electronic transfers of funds to pay off an obligation. An *obligation* is a transaction or agreement that creates a legal liability and obligates the government to pay for goods and services ordered or received.

2. The amounts in this report reflect obligations incurred during the fiscal year, and include some upward adjustments to prior year obligations.

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