

# CFO update for the third quarter of fiscal year 2020

APRIL 1 – JUNE 30, 2020

Issued: September 8, 2020

## Bureau Fund

As of June 30, 2020, the end of the third quarter of fiscal year (FY) 2020, the CFPB had incurred approximately \$453.6 million in FY 2020 obligations<sup>1</sup> to carry out the authorities of the Bureau under Federal financial consumer law. Approximately \$243.4 million was spent on employee compensation and benefits for the 1,478<sup>2</sup> CFPB employees who were on-board by the end of the quarter.

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

- \$12.6 million to the Board of Governors of the Federal Reserve System for services provided by the Inspector General of the Board of Governors of the Federal Reserve System and the Consumer Financial Protection Bureau;
- \$5.0 million for IT service desk and customer support services;
- \$3.3 million for CFPB headquarters building operations and maintenance;
- \$2.4 million to the General Services Administration for the final rental payment for CFPB headquarters office space at 1990 K Street;
- \$2.2 million for licenses and IT implementation support for a cloud-office solution;
- \$1.9 million for IT infrastructure operations & maintenance support;
- \$1.8 million for technology data platform development and support;
- \$1.8 million consumer services awareness and outreach initiatives;
- \$1.5 million for enterprise-wide IT software design and development support services;
- \$1.5 million for e-discovery systems and support services;
- \$1.4 million for CFPB headquarters building custodial services;
- \$1.3 million for experts in support of enforcement cases;
- \$1.3 million for organizational change management support services;
- \$1.1 million for wide area network services;
- \$1.0 million to the Government Accountability Office for government financial audit services;

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

<sup>2</sup> Reflects employees on board during pay-period 12, calendar year 2020.

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

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

<b>Expense Category</b>	<b>FY 2020</b>
Personnel Compensation	166,148,000
Personnel Benefits	76,647,000
Benefits to Former Employees	560,000
Travel	5,710,000
Transportation of Things	131,000
Rents, Communications, Utilities & Misc.	12,277,000
Printing and Reproduction	3,680,000
Other Contractual Services	161,545,000
Supplies & Materials	4,740,000
Equipment	20,477,000
Land and Structures	1,637,000
<b>Total (as of June 30, 2020)</b>	<b>\$ 453,552,000</b>

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

<b>Division/Program Area</b>	<b>FY 2020</b>
Office of the Director	11,601,000
Operations <sup>3</sup>	239,262,000
Consumer Education & Engagement	55,425,000
Research, Markets & Regulations	25,682,000
Supervision, Enforcement, Fair Lending	102,272,000
Legal Division	11,354,000
External Affairs	6,151,000
Other Programs <sup>4</sup>	1,805,000
<b>Total (as of June 30, 2020)</b>	<b>\$ 453,552,000</b>

<sup>3</sup> 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

<sup>4</sup> 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 June 30, 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
\$137.0M	April 1, 2020
<b>\$458.1M</b>	<b>Total</b>

## Civil Penalty Fund

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

### Civil Penalties Collected in FY 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. In the third quarter of FY 2020, the CFPB collected \$1.7 million in civil penalties from 7 defendants in 5 cases.

#### 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 <sup>5</sup>	November 5, 2019
Asset Recovery Associates, Inc. (ARA)	\$150,000 <sup>6</sup>	November 8, 2019
Edmiston Marketing, LLC, d/b/a Easy Military Travel	\$1	November 26, 2019
Sterling Infosystems	\$2,500,000	November 27, 2019

<sup>5</sup> 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.

<sup>6</sup> The defendant transferred \$50,000 of the \$200,000 civil penalty in Q1 FY19.

<b>Defendant name</b>	<b>Civil Penalty Collected</b>	<b>Collection date</b>
USA Service Finance	\$25,000	December 31, 2019
UNIVERSAL DEBT & PAYMENT SOLUTIONS, LLC, et al - Bagga	\$1	February 5, 2020
Think Finance, LLC	\$7	March 11, 2020
Cottonwood Financial Ltd., d/b/a Cash Store	\$1,100,000	May 4, 2020 May 29, 2020 June 30, 2020
Chou Team Realty, LLC, et al. (“Monster Loans”) – Defendant Monster Loans	\$1	May 19, 2020
Monster Loans – Defendant Chou	\$262,500	May 22, 2020 June 22, 2020
Monster Loans – Defendant Cowell	\$75,000	May 22, 2020 June 19, 2020
Specialized Loan Servicing, LLC	\$250,000	May 26, 2020
Main Street Personal Finance, Inc., ACAC, Inc. d/b/a Approved Cash Advance, and Quik Lend, Inc.	\$1	June 5, 2020
Harbour Portfolio Advisors, LLC; National Asset Advisors, LLC; and National Asset Mortgage, LLC – Defendant Harbour	\$25,000	June 25, 2020
<b>Total</b>	<b>\$4,392,512</b>	

## 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).<sup>7</sup>

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:

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<sup>7</sup> 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"> <li>• Universal Debt &amp; Payment Solutions, LLC, et al.</li> </ul> <ul style="list-style-type: none"> <li>○ Victim Class Allocation: \$558,674</li> </ul>	
<ul style="list-style-type: none"> <li>• Andrew Gamber, Voyager Financial Group, LLC, BAIC, Inc., and SoBell Corp.</li> </ul> <ul style="list-style-type: none"> <li>○ Victim Class Allocation: \$2,700,000</li> </ul>	
Consumer Education and Financial Literacy Programs:	\$0
<b>Total Allocation</b>	<b>\$3,258,674</b>

Period 15: October 1, 2019 – March 31, 2010

On May 29, 2020, the Bureau made its fifteenth allocation from the Civil Penalty Fund. As of March 31, 2020, the Civil Penalty Fund contained \$542.2 million that was available for allocation pursuant to 12 C.F.R. § 1075.105(c).<sup>8</sup>

A civil penalty was imposed in six cases with final orders from Period 15. Under the Civil Penalty Fund rule, victims of the violations for which these civil penalties were imposed were eligible for compensation from the Civil Penalty Fund. Of those six cases, two had classes of eligible victims with no uncompensated harm that is compensable from the Civil Penalty Fund. Four cases, Certified Forensic Loan Auditors, et al.; Edmiston Marketing, LLC, d/b/a Easy Military Travel; Universal Debt & Payment Solutions, LLC, et al. (Bagga); and Think Finance, LLC; had classes of eligible victims with uncompensated harm that is compensable from the Civil Penalty Fund. Additionally,

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<sup>8</sup> The amount available for allocation does not include \$10,283,886 that was collected in Period 11 pursuant to an order that is pending appeal and is thus not yet a “final order” as defined in 12 C.F.R. § 1075.101. Those funds are therefore not available for allocation under 12 C.F.R. § 1075.105(c). The available amount also does not include \$158,121 due to sequestration.

one class of victims in a prior period matter, Northern Resolution Group (Gray), became eligible for compensation during Period 15.<sup>9</sup>

Of the four current period cases with eligible victims with uncompensated harm, two received an allocation this allocation period. Edmiston Marketing, LLC, d/b/a Easy Military Travel received an allocation of \$3,468,224 from the Civil Penalty Fund. The class of victims eligible for an allocation are consumers who between July 21, 2011 and December 31, 2016, were misled about the true cost of credit on financed airline tickets by being charged fees that were not disclosed as part of the finance charge or annual percentage rate. The Universal Debt & Payment Solutions, LLC; et al. (Bagga) case received an allocation of \$4,627,774 from the Civil Penalty Fund. The class of victims eligible for an 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.<sup>10</sup>

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

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

During Period 15, \$0 were allocated for Consumer Education and Financial Literacy purposes.

The total allocation for Period 15 was \$8,095,998.

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<sup>9</sup> While the final order in the Northern Resolution Group matter became effective on August 23, 2019 (Period 14), victims did not become eligible for compensation from the Civil Penalty Fund until the terms of the suspension were met during Period 15.

<sup>10</sup> The same class of victims received an allocation of \$558,673 during Period 14 as the result of a final order with additional defendants—Universal Debt & Payment Solutions, LLC; et al. (Khan).

Period 15 Allocation Summary:

Type	Allocation
Victim Compensation	\$8,095,998
<ul style="list-style-type: none"><li>• Edmiston Marketing, LLC, d/b/a Easy Military Travel<ul style="list-style-type: none"><li>○ Victim Class Allocation: \$3,468,224</li></ul></li></ul>	
<ul style="list-style-type: none"><li>• Universal Debt &amp; Payment Solutions, LLC, et al. (Bagga)<ul style="list-style-type: none"><li>○ Victim Class Allocation: \$4,627,774</li></ul></li></ul>	
Consumer Education and Financial Literacy Programs:	\$0
<b>Total Allocation</b>	<b>\$8,095,998</b>

The amount in the Fund as of September 30, 2020, will be available for allocation following the conclusion of Period 16 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. In the third quarter of FY 2020, the Bureau collected \$2.7 million in Bureau-Administered Redress from four defendants in 3 cases. Funds are distributed in accordance with the terms of the final order for each case.

FY 2020 Bureau-Administered Redress Collections:

<b>Defendant name</b>	<b>Amount Collected</b>	<b>Collection date</b>
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	\$3,801,589	February 18, 2020
Monster Loans – Defendant Monster Loans	\$200,000	May 19, 2020
Monster Loans – Defendants Chou & TDK Enterprises, LLC	\$302,813	May 20, 2020 June 22, 2020
Main Street Personal Finance, Inc., ACAC, Inc. d/b/a Approved Cash Advance, and Quik Lend, Inc.	\$2,000,000	June 5, 2020
<b>Total</b>	<b>\$6,309,553</b>	

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