

# **CFO update for the third quarter of fiscal year 2016**

APRIL 1 – JUNE 30, 2016

Issued: August 17, 2016

## **Bureau Fund**

As of June 30, 2016, the end of the third quarter of FY 2016, the CFPB had executed<sup>1</sup> approximately \$498.7 million in FY 2016 funds to carry out the authorities of the Bureau under Federal financial consumer law. Approximately \$223.6 million was spent on employee compensation and benefits for the 1,563 CFPB employees who were on-board by the end of the third quarter.

In addition to payroll expenses, the largest obligations made during the third quarter were related to contractual services. Some of the Bureau's significant obligations that occurred during the third quarter of FY 2016 included:

- \$14.1 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;
- \$3.8 million for enterprise-wide IT infrastructure, software design and development, and programming support;
- \$3.4 million for cyber-security program management support services;
- \$3.3 million for IT infrastructure and office space at CFPB's headquarters office building;
- \$2.0 million for financial management support services; and
- \$1.0 million for wireless blackberry and mobile communications services.

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<sup>1</sup>This amount includes commitments, obligations and expenditures. A commitment is a reservation of funds in anticipation of a future 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. An expenditure is the authorization or outlay of payment related to a prior obligation.

**Table 1 and Table 2** categorize year-to-date CFPB spending through the third quarter by expense category and division/program area:

Table 1: Fiscal Year 2016 spending by expense category through Q3:

<b>Expense Category</b>	<b>Fiscal Year 2016</b>
Personnel Compensation	160,001,000
Benefit Compensation	63,605,000
Travel	14,193,000
Transportation of Things	40,000
Rents, Communications, Utilities & Misc.	18,488,000
Printing and Reproduction	3,799,000
Other Contractual Services	215,497,000
Supplies & Materials	5,989,000
Equipment	17,096,000
Land and Structures	-
Interest and Dividends	-
<b>Total (as of June 30, 2016)</b>	<b>\$498,708,000</b>

Table 2: Fiscal Year 2016 spending by division/program area through Q3:

<b>Division/Program Area</b>	<b>Fiscal Year 2016</b>
Office of the Director	7,593,000
Operations	101,297,000
Consumer Education & Engagement	39,100,000
Research, Markets & Regulations	29,531,000
Supervision, Enforcement, Fair Lending	115,924,000
Legal Division	12,114,000
External Affairs	6,442,000
Other Programs <sup>2</sup>	1,956,000
Centralized Services <sup>3</sup>	184,751,000
<b>Total (as of June 30, 2016)</b>	<b>\$498,708,000</b>

<sup>2</sup> Other Programs includes the costs of the Office of Ombudsman, Administrative Law Judges, and other CFPB programs.

<sup>3</sup> 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) in support of all strategic goals.

## **FY 2016 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 2016 is capped at \$631.7 million. As of June 30, 2016, the CFPB had received the following transfers for FY 2016. The amounts and dates of the transfers are shown below.

\$214.8M	October 14, 2015
\$159.9M	February 5, 2016
\$128.1M	April 13, 2016
<b>\$502.8M</b>	<b>Total</b>

## **Civil Penalty Fund**

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

### Civil Penalties Collected in FY 2016

In the first quarter of FY 2016, the CFPB collected civil penalties from 11 defendants totaling \$33.1 million. In the second quarter of FY 2016, the CFPB collected \$8.1 million from seven defendants. In the third quarter of FY 2016, the CFPB collected \$2.7 million from five defendants. Civil penalties collected in FY 2016 through June 30, 2016, total \$43.9 million.

Fy 2016 Civil Penalty Fund Collections:

<b>Defendant name</b>	<b>Civil Penalty Collected</b>	<b>Collection date</b>
Fifth Third Bank	\$500,000	October 6, 2016
Westlake Services, LLC, and Wilshire Consumer Credit, LLC	\$4,250,000	October 7, 2016
Morgan Drexen, Inc., and Walter Ledda <sup>4</sup>	\$1	October 23, 2016
Security National Automotive Acceptance Company, LLC	\$1,000,000	November 2, 2016
Affinion Group Holdings, Inc.	\$1,900,000	November 13, 2016
Hudson City Savings Bank, F.S.B.	\$5,500,000	November 13, 2016
All Financial Services, LLC <sup>5</sup>	\$13,000	November 24, 2016 March 10, 2016
General Information Services, Inc., and e-Backgroundchecks.com, Inc.	\$2,500,000	November 25, 2016
Clarity Services, Inc., and Timothy Ranney	\$8,000,000	March 24, 2016
EZCORP, Inc.	\$3,000,000	March 24, 2016
Interstate Auto Group, Inc., aka "CarHop," and Universal Acceptance Corporation	\$6,465,000	March 30, 2016
Collecto, Inc. d/b/a EOS CCA	\$1,850,000	January 5, 2016
Fredrick J. Hanna & Associates, P.C.	\$3,100,000	January 7, 2016
Solomon & Solomon, P.C.	\$65,000	February 24, 2016
Citibank, N.A.	\$3,000,000	February 26, 2016
Faloni & Associates, LLC	\$15,000	March 4, 2016

<sup>4</sup> The \$1 civil penalty was collected pursuant to a final order with respect to Walter Ledda, one of two defendants in this case.

<sup>5</sup> The final order required All Financial Services, LLC, to pay a total of \$13,000 in civil penalties in two installments of \$6,500 each.

Dwolla, Inc.	\$100,000	March 9, 2016
IrvineWebWorks, Inc. d/b/a Student Loan Processing.US	\$1	March 23, 2016
Student Aid Institute, Inc., Steven Lamont	\$50,000	April 1, 2016
New Century Financial Services, Inc.	\$1,500,000	April 27, 2016
Pressler & Pressler, LLP, Sheldon H. Pressler, and Gerard J. Felt	\$1,000,000	April 28, 2016
David Eghbali <sup>6</sup>	\$25,000	June 3, 2016
The Hoffman Law Group P.A. f/k/a The Residential Litigation Group, P.A.	\$135,000	June 29, 2016
<b>Total</b>	<b>\$43,968,002</b>	

#### Civil Penalty Fund Allocations in FY 2016

Period 6: April 1, 2015 – September 30, 2015

On November 27, 2015, the Bureau made its sixth allocation from the Civil Penalty Fund. As of September 30, 2015, the Civil Penalty Fund contained an unallocated balance of \$136.6 million. The Fund Administrator set aside \$1 million for administrative expenses, leaving \$135.6 million available for allocation pursuant to 12 C.F.R. § 1075.105(c).

During Period 6, final orders in Bureau enforcement actions imposed civil penalties in 22 cases. For two cases with final orders from Period 6, the civil penalties were received after September 30, 2015, and were not included as funds available for allocation in Period 6. Under the Civil Penalty Fund rule, the victims of the violations for which the civil penalties were imposed in these 22 cases were eligible to receive payment from the Civil Penalty Fund to compensate their uncompensated harm.

Of those 22 cases, 20 cases had classes of eligible victims with no uncompensated harm that is compensable from the Civil Penalty Fund, and two cases had classes of eligible victims with uncompensated harm that is compensable from the Civil Penalty Fund.

The two cases with compensable uncompensated harm, Hoffman Law Group and Student Financial Aid Services, received an allocation from the Civil Penalty Fund. The

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<sup>6</sup> The final order required David Eghbali to pay a total of \$85,000 in civil penalties in four installments: \$25,000 by June 5, 2016; \$20,000 by July 26, 2016; \$20,000 by September 27, 2016; and \$20,000 by November 22, 2016.

Bureau allocated \$11.1 million to the Hoffman victim class and \$9.3 million to the Student Financial Aid Services class, enough to compensate fully those victim classes' uncompensated harm.

The total allocation to classes of victims from Period 6 cases was \$20.4 million, leaving \$115.2 million available for allocation to prior-period cases. Global Client Solutions, a Period 4 case, received an allocation of \$108 million in Period 4. As of the time of this allocation, there was insufficient information to determine whether additional funds should be allocated to the victims in the Global Client Solutions case.

In accordance with section 1075.106(d) of the Civil Penalty Fund rule, \$101.8 million remained available for allocation for Consumer Education and Financial Literacy purposes. During Period 6, \$15.4 million was allocated for Consumer Education and Financial Literacy purposes.

**Period 6 Allocation Summary:**

<b>Type</b>	<b>Allocation</b>
Victim Compensation	\$20,374,842.02
• The Hoffman Law Group, P.A. f/k/a The Residential Litigation Group, P.A. Victim Class Allocation: \$11,074,842.02	
• Student Financial Aid Services, Inc. Victim Class Allocation: \$9,300,000.00	
Consumer Education and Financial Literacy Programs:	\$15,432,809.02
<b>Total Allocation</b>	<b>\$35,807,651.02</b>

**Period 7: October 1, 2015 – March 31, 2016**

On May 27, 2016, the Bureau made its seventh allocation from the Civil Penalty Fund. As of March 31, 2016, the Civil Penalty Fund contained an unallocated balance of \$141 million. The Fund Administrator set aside \$1.5 million for administrative expenses, leaving \$139.5 million available for allocation pursuant to 12 C.F.R. § 1075.105(c).

During Period 7, final orders in Bureau enforcement actions imposed civil penalties in 18 cases. For one case with a final order from Period 7, the civil penalties were received after March 31, 2016, and were not included as funds available for allocation in Period 7. Under the Civil Penalty Fund rule, the victims of the violations for which the civil penalties were imposed in these 18 cases were eligible to receive payment from the Civil Penalty Fund to compensate their uncompensated harm.

Of those 18 cases, 15 cases had classes of eligible victims with no uncompensated harm that is compensable from the Civil Penalty Fund, and three cases had classes of eligible victims with uncompensated harm that is compensable from the Civil Penalty Fund.

The three cases with compensable uncompensated harm, Walter Ledda (from the Morgan Drexen case), Irvine Web Works, Inc. d/b/a Student Loan Processing, and Student Aid Institute, received an allocation from the Civil Penalty Fund. The Bureau allocated \$98.9 million to the Morgan Drexen victim class, \$7.9 million to the Student Loan Processing victim class, and \$3.5 million to the Student Aid Institute victim class, enough to compensate fully those victim classes' uncompensated harm.

The total allocation to classes of victims from Period 7 cases was \$110.3 million, leaving \$29.2 million available for allocation to prior-period cases. Global Client Solutions, a Period 4 case, received an allocation of \$108 million in Period 4. As of the time of this allocation, there was insufficient information to determine whether additional funds should be allocated to the victims in the Global Client Solutions case.

In accordance with section 1075.106(d) of the Civil Penalty Fund rule, \$15.7 million remained available for allocation for Consumer Education and Financial Literacy purposes. During Period 7, no money was allocated for Consumer Education and Financial Literacy purposes.

**Period 7 Allocation Summary:**

Type	Allocation
Victim Compensation	\$110,321,563.75
• Morgan Drexen, Inc. and Walter Ledda	
Victim Class Allocation: \$98,889,115.00	
• Irvine Web Works, Inc. d/b/a Student Loan Processing	
Victim Class Allocation: \$7,923,548.48	
• Student Aid Institute, Steven Lamont	
Victim Class Allocation: \$3,508,900.27	
Consumer Education and Financial Literacy Programs:	\$0
<b>Total Allocation</b>	<b>\$110,321,563.75</b>

The remaining unallocated Civil Penalty Fund balance will be available for future allocations. The amount in the Fund as of September 30, 2016 will be available for

allocation following the conclusion of Period 8 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 2016:

In the first quarter of FY 2016, the Bureau collected \$500,000 in Bureau-Administered Redress funds from Walter Ledda, one of the defendants in the Morgan Drexen matter. These funds will be distributed in accordance with the terms of the final order.

In the second quarter of FY 2016, the Bureau collected \$326,000 in Bureau-Administered Redress funds from IrvineWebWorks, Inc. d/b/a Student Loan Processing.US. These funds will be distributed in accordance with the terms of the final order.

No Bureau-Administered Redress funds were collected in the third quarter of FY 2016.

For additional information on CFPB’s Civil Penalty Fund, see  
<http://www.consumerfinance.gov/budget/civil-penalty-fund/>.