

CFO update for the third quarter of fiscal year 2013

APRIL 1 – JUNE 30, 2013

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Bureau Fund

As of June 30, the end of the third quarter of fiscal year 2013, the Consumer Financial Protection Bureau (CFPB) had spent just under \$308 million (including commitments, obligations, and outlays)¹ to carry out the authorities of the Bureau under Federal financial consumer law. Approximately \$140.2 million was spent on employee compensation and benefits for the 1,226 CFPB employees who were on-board by the end of the quarter.

In addition to payroll expenses, the largest obligations for the quarter were related to other contractual services. Large obligations of \$1 million and over made during the third quarter to government and non-government vendors included:

- \$6.7 million for maintaining ongoing operations of the CFPB's consumer contact center and enhancements to the case management database;
- \$3.6 million to continue implementing a tool capable of reviewing loan and deposit portfolios for compliance with Federal consumer financial laws;
- \$2.9 million for exercising a one year option period on an occupancy agreement with the Federal Housing Finance Agency;
- \$1.4 million to develop customized course software for delivering 5-day and 9-day consumer compliance courses that emphasize on case studies, role-plays, and feedback that support knowledge retention on Operations and Deposits/Prepaid Products and Lending Principles;
- \$1.2 million for management and consulting services for CFPB's Office of Consumer Response;
- \$1.2 million to the Department of Justice for the provision of technical litigation support services and products;
- \$1.1 million to the Government Accountability Office to perform financial audit services and expressing an opinion on the CPFB's fiscal year 2013 financial statements , and;
- \$1.0 million to the Government Printing Office for costs related to posting information in the Federal Register.

Table 1 and table 2 categorizes FY 2013 year to date CFPB spending by expense category and division/program area as of June 30:

Table 1: Fiscal Year 2013 year to date spending by expense category

| Expense Category | Fiscal Year 2013 |
|--|-------------------------|
| Personnel Compensation | 104,570,000 |
| Benefit Compensation | 35,600,000 |
| Travel | 10,059,000 |
| Transportation of Things | 119,000 |
| Rents, Communications, Utilities & Misc. | 4,363,000 |
| Printing and Reproduction | 2,153,000 |
| Other Contractual Services | 126,129,000 |
| Supplies & Materials | 3,242,000 |
| Equipment | 21,514,000 |
| Building Improvements | 93,000 |
| Interest and Dividends | 2,000 |
| Total (as of 6/30/13) | \$307,844 ,000 |

Table 2: Fiscal Year 2013 year to date spending by division/program area

| Division/Program Area | Fiscal Year 2013 |
|--|-------------------------|
| Office of the Director | 3,171,000 |
| Chief Operating Officer | 72,506,000 |
| Consumer Education & Engagement | 16,349,000 |
| Research, Markets & Regulations | 24,599,000 |
| Supervision, Enforcement, Fair Lending | 81,126,000 |
| Legal Division | 7,420,000 |
| External Affairs | 3,393,000 |
| Other Programs ² | 899,000 |
| Centralized Services ³ | 98,381,000 |
| Total (as of 6/30/13) | \$307,844,000 |

FY 2013 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 2013 was capped at 12 percent (or approximately \$598 million) of the total 2009 operating expenses of the Federal Reserve System. Funds transferred into the Bureau Fund during the fiscal year are below the statutory cap.

As of June 30, CFPB received the following transfers in FY 2013. The amounts and dates of the transfers are shown below.

| | |
|-----------|------------------|
| \$136.2 M | October 15, 2012 |
| \$108.0 M | January 15, 2013 |
| \$79.0 M | April 5, 2013 |

Civil Penalty Fund

The Dodd-Frank Act authorizes the CFPB to retain 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 Penalty Funds Collected in FY 2013:

In the first quarter of FY 2013, the CFPB settled enforcement actions against three American Express subsidiaries and Payday Loan Debt Solution, Inc. (PLDS). The American Express subsidiaries agreed to pay a total of \$14.1 million in civil penalties to the CFPB and to provide relief directly to consumers identified in the action. PLDS agreed to pay a total of \$5,000 in civil penalties to the CFPB.

In the second quarter of FY 2013, the CFPB settled an enforcement action against three defendants in the case of *CFPB v. Gordon, et al.* This resulted in the collection of \$1 in civil penalties, as well as injunctive and other significant relief.

In the third quarter of FY2013, the CFPB collected a total of \$15.4M in civil money penalties from five defendants through settlements of Bureau enforcement actions. In April, the Bureau settled with four defendants in a captive reinsurance case, collecting \$4.5 million, \$4.5 million, \$2.65 million, and \$3.75 million in civil penalties from United Guaranty, Genworth, Mortgage Guaranty Insurance Corporation, and Radian Guaranty, respectively. In June, American Debt Settlement Solutions paid \$15,000 in civil penalties.

Civil Penalty Funds Allocated in FY 2013:

Period 1 Allocation: July 21, 2011 – March 31, 2013

The Bureau made its first allocation from the Civil Penalty Fund, in accordance with the Civil Penalty Fund rule, 12 C.F.R part 1075 on May 30, 2013.

As of March 31, 2013, the Bureau received civil money penalties totaling \$46.1 million pursuant to seven final orders.

Table: Civil Penalty Fund Deposits as of March 31, 2013:

| Quarter | Defendant Name | CMP Amount | Comment |
|---------|---------------------------------------|---------------------|-----------------------------|
| FY12 Q4 | Capital One Bank | \$25,000,000 | |
| FY12 Q4 | Discover | \$7,000,000 | |
| FY13 Q1 | American Express Centurion Bank | \$3,900,000 | |
| FY13 Q1 | American Express Bank, FSB | \$1,200,000 | |
| FY13 Q1 | American Express Travel | \$9,000,000 | |
| FY13 Q1 | Payday Loan Debt Solution, Inc | \$5,000 | |
| FY13 Q2 | Abraham M. Pessar | \$1 | Case: Gordon, <i>et al.</i> |
| | Total Period 1 CMP Collections | \$46,105,001 | |

Of the cases that concluded as of March 31, 2013, two cases—Payday Loan Debt Solution, Inc. (PLDS), and Gordon, *et al.*—had classes of victims with uncompensated harm⁴ that is compensable from the Civil Penalty Fund.

After allocating \$10.5 million to compensate the victims in the PLDS and Gordon cases, and setting aside \$1.6 million for administrative expenses, \$34.0 million remained available for allocation. Of this figure, the Bureau allocated \$13.4 million for consumer education and financial literacy programs.

Period 1 Allocation Summary:

Victim Compensation: \$10,488,815

- Payday Loan Debt Solution, Inc.
 - Victim Class Allocation: \$488,815
- Gordon, *et al.*
 - Victim Class Allocation: \$10,000,000

Consumer Education and Financial Literacy Programs: \$13,380,000

Total Allocation: \$23,868,815

Civil penalties collected on or after 4/1/13 were not available for allocation following Period 1. 12 C.F.R. § 1075.105(c).

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

¹ Definitions. For the purposes of this update, outlays are payments that result when the CFPB issues checks, disburses cash, or makes electronic transfers of funds to pay off a current fiscal year obligation. 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.

² Other Programs comprises the costs of the Office of Ombudsman, Administrative Law Judges, and other CFPB programs.

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) in support of all strategic goals.

⁴ Victims' compensable harm is determined by looking to the terms of the relevant court or administrative order. If the amount of a victim's compensable harm cannot be determined based on the terms of the relevant order, the victim's compensable harm generally will be his or her out-of-pocket losses that resulted from the violation. To determine the amount of a victim's uncompensated harm, the Bureau will take the victim's total compensable harm, and subtract out any compensation that the victim has received—or is reasonably expected to receive—for that harm.