

CFO update for the fourth quarter of fiscal year 2017

JULY 1 – SEPTEMBER 30, 2017

Issued: December 11, 2017

Bureau Fund

As of September 30, 2017, the end of the fourth quarter of FY 2017, the CFPB had incurred approximately \$593.5 million in FY 2017 obligations¹ to carry out the authorities of the Bureau under Federal financial consumer law. Approximately \$316.9 million was spent on employee compensation and benefits for the 1,645 CFPB employees who were on-board by the end of the fourth quarter.

In addition to payroll expenses, the largest obligations made during the fourth quarter were related to contractual services. Some of the Bureau's significant obligations that occurred during the fourth quarter of FY 2017 included:

- \$4.0 million for exercising the final occupancy agreement with the Federal Housing Finance Agency for CFPB headquarters temporary office space at 1625 I Street;
- \$3.8 million to the General Services Administration for a 16-month occupancy agreement starting in August 2017 for CFPB headquarters office space at 1990 K Street;
- \$1.8 million for technology data platform development and support;
- \$1.8 million to the General Services Administration for real estate tax increases for CFPB temporary headquarters office space at One Constitution Square;
- \$1.8 million for furniture, fixtures and equipment for the 1700 G Street headquarters renovation; and
- \$1.0 million for expert witnesses in support of enforcement cases.

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

¹This amount includes new obligations and upward adjustments to previous year obligations. 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.

Table 1: Fiscal Year 2017 spending by expense category through Q4:

Expense Category	Fiscal Year 2017
Personnel Compensation	228,442,000
Benefit Compensation	88,425,000
Travel	17,260,000
Transportation of Things	143,000
Rents, Communications, Utilities & Misc.	19,090,000
Printing and Reproduction	4,530,000
Other Contractual Services	177,510,000
Supplies & Materials	5,726,000
Equipment	37,946,000
Land and Structures	14,453,000
Interest and Dividends	1,000
Total (as of September 30, 2017)	\$ 593,526,000

Table 2: Fiscal Year 2017 spending by division/program area through Q4:

Division/Program Area	Fiscal Year 2017
Office of the Director	8,568,000
Operations	123,344,000
Consumer Education & Engagement	44,141,000
Research, Markets & Regulations	37,524,000
Supervision, Enforcement, Fair Lending	153,734,000
Legal Division	16,154,000
External Affairs	8,547,000
Other Programs ²	3,151,000
Centralized Services ³	198,363,000
Total (as of September 30, 2017)	\$ 593,526,000

² Other Programs includes 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.

FY 2017 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 2017 is capped at \$646.2 million. As of September 30, 2017, the CFPB had received the following transfers for FY 2017. The amounts and dates of the transfers are shown below.

\$246.1M	October 24, 2016
\$145.7M	January 23, 2017
\$125.6M	April 19, 2017
\$84.6M	August 1, 2017
\$602.0M	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 2017

In the first quarter of FY 2017, the CFPB collected civil penalties from 12 defendants totaling \$8.7 million. In the second quarter of FY 2017, the CFPB collected \$21.3 million from 16 defendants. In the third quarter of FY 2017, the CFPB collected \$4.3 million from three defendants. In the fourth quarter of FY 2017, the CFPB collected \$8.1 million from seven defendants. The CFPB collected \$42.5 million in civil penalties in FY 2017.

FY 2017 Civil Penalty Fund Collections:

Defendant name	Civil Penalty Collected	Collection date
Flurish, Inc., d/b/a LendUp	\$1,800,000	October 6, 2016
Navy Federal Credit Union	\$5,500,000	October 14, 2016
Oasis Title Loans, LLC	\$20,000	November 1, 2016
David Eghbali ⁴	\$20,000	November 21, 2016
3D Resorts-Bluegrass, LLC ⁵	\$1	November 30, 2016
Aegean Financial	\$65,000	December 12, 2016
Reverse Mortgage Solutions, Inc. d/b/a Security 1 Lending	\$325,000	December 12, 2016

⁴ The final order required David Eghbali to pay a total of \$85,000 in civil penalties in four installments, the last of which was paid on November 21, 2016.

⁵ The Bureau received \$1 from the bankruptcy estate in satisfaction of the judgment for civil money penalties in the December 2013 consent order.

American Advisors Group	\$400,000	December 21, 2016
Moneytree, Inc.	\$250,000	December 22, 2016
Interstate Lending, LLC	\$4,000	December 27, 2016
Presto Auto Loans, Inc.	\$125,000	December 29, 2016
Military Credit Services, LLC	\$200,000	December 30, 2016
Equifax Inc.	\$2,500,000	January 10, 2017
TransUnion	\$3,000,000	January 11, 2017
Works & Lentz, Inc.	\$78,800	January 17, 2017
CitiFinancial Servicing, LLC	\$4,400,000	January 30, 2017
CitiMortgage, Inc.	\$3,000,000	January 30, 2017
UniRush LLC and Mastercard International Incorporated	\$3,000,000	February 8, 2017
Woodbridge Coins and Jewelry Exchange, Inc. d/b/a Woodbridge Gold & Pawn	\$5,000	February 9, 2017
Willamette Legacy, LLC dba Keller Williams Mid-Willamette	\$35,000	February 13, 2017
Auto Cash Leasing, LLC	\$10,000	February 13, 2017
Prospect Mortgage LLC	\$3,500,000	February 27, 2017
Pawn U.S.A., Inc.	\$10,000	March 3, 2017
B&B Pawnbrokers, Inc.	\$5,000	March 15, 2017
Nationstar Mortgage LLC	\$1,750,000	March 20, 2017
Phoenix Title Loans, LLC	\$40,000	March 22, 2017
Spotsylvania Gold & Pawn, Inc.	\$7,500	March 31, 2017

Fredericksburg Gold & Pawn, Inc.	\$5,000	March 31, 2017
Experian	\$3,000,000	April 3, 2017
RGC Services, Inc., dba ReMax Gold Coast Realtors	\$50,000	April 27, 2017
Security National Automotive Acceptance Company, LLC	\$1,250,000	June 23, 2017
Prime Credit, L.L.C., et al.	\$1,530,000	July 7, 2017
A to Z Pawn, Inc.	\$3,500	August 3, 2017
JPMorgan Chase Bank, N.A.	\$4,600,000	August 4, 2017
Prime Marketing Holdings, L.L.C. (d.b.a. Park View Credit, National Credit Advisor, and Credit Experts)	\$150,000	September 1, 2017
Zero Parallel, LLC	\$100,000	September 19, 2017
Davit Gasparyan a/k/a David Gasparyan	\$250,000	September 21, 2017
Transworld Systems, Inc.	\$1,500,000	September 22, 2017
Total	\$42,488,801	

Civil Penalty Fund Allocations in FY 2017

Period 8: April 1, 2016 – September 30, 2016

On November 29, 2016, the Bureau made its eighth allocation from the Civil Penalty Fund. As of September 30, 2016, the Civil Penalty Fund contained an unallocated balance of \$170.1 million. The Fund Administrator set aside \$1 million for administrative expenses, leaving \$169.1 million available for allocation pursuant to 12 C.F.R. § 1075.105(c).

A civil penalty was imposed in 13 cases with final orders from Period 8. 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 13 cases, 11 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.

Of the Period 8 cases with compensable uncompensated harm, one case, the Morgan Drexen case, received an allocation of \$33,993,373⁶ from the Civil Penalty Fund. The classes of victims eligible for an allocation—consumers who from October 27, 2010 to June 18, 2015, were charged certain advance fees by Ledda or Morgan Drexen or who enrolled in a debt relief service in response to deceptive advertisements that Ledda and Morgan Drexen made between December 8, 2010 and April 11, 2014—have uncompensated harm of \$33,993,373. In Period 7, an allocation was made to victims in the related Walter Ledda matter. A total of \$132,882,488 in Civil Penalty Fund monies has been allocated to eligible consumers in these two matters. The other Period 8 matter with compensable uncompensated harm, the World Law case, did not receive an allocation from the Civil Penalty Fund during the Period 8 allocation. As of the time of this allocation, the Fund Administrator did not have sufficient information to determine the amount of compensable uncompensated harm for victims in the World Law matter. As that determination had not yet been made, in accordance with section 1075.106(d)(1) of the rule, the Fund Administrator exercised her discretion to depart from the allocation procedures described in 1075.106 and did not make an allocation to classes from that case during this allocation. The Fund Administrator will revisit an allocation to this case in Period 9. The total allocation to classes of victims from Period 8 cases was therefore \$33,993,373, leaving \$135,064,624 available for allocation to prior-period cases.

Under section 1075.106(d)(2) of the rule, when the Fund Administrator exercises this discretion, she may allocate funds for consumer education and financial literacy purposes only to the same extent she could have absent the exercise of discretion. Had the Fund Administrator not exercised her discretion to depart from the 1075.106 allocation procedures, she would have allocated \$13,385,933 to the class of victims from the Global Client Solutions case, enough to compensate fully their uncompensated harm as it was determined in Period 4, and \$106,813,049 to the class of victims in the World Law case, enough to fully compensate the total potential amount of uncompensated harm. That would leave \$14,865,642 available for allocation for Consumer Education and Financial Literacy purposes under section 1075.106(d)(2) of the rule. During Period 8, \$0 was allocated for Consumer Education and Financial Literacy purposes.

Period 8 Allocation Summary:

Type	Allocation
Victim Compensation	\$33,993,373
• Morgan Drexen, Inc. and Walter Ledda	

⁶ The amount of uncompensated harm was initially overstated by \$500,000. The uncompensated harm and the resulting allocation should have been \$33,493,373. The \$500,000 was subsequently unallocated resulting in a total remaining allocation to Morgan Drexen victims of \$132,382,488.

Victim Class Allocation: \$33,993,373	
Consumer Education and Financial Literacy Programs:	\$0
Total Allocation	\$33,993,373

Period 9: October 1, 2016 – March 31, 2017

On May 30, 2017 the Bureau made its ninth allocation from the Civil Penalty Fund. As of March 31, 2017, the Civil Penalty Fund contained an unallocated balance of \$167.6 million. That amount was available for allocation pursuant to 12 C.F.R. § 1075.105(c).

A civil penalty was imposed in 29 cases with final orders from Period 9. 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 29 cases, 27 cases had classes of eligible victims with no uncompensated harm that is compensable from the Civil Penalty Fund, and two cases, Siringoringo, et al., and Orion Processing, LLC, had classes of eligible victims with uncompensated harm that is compensable from the Civil Penalty Fund.

The Siringoringo, et al., case received an allocation of \$20,825,000 from the Civil Penalty Fund. The class of victims eligible for an allocation—consumers who from July 22, 2011 through July 26, 2013, paid the Siringoringo Law Firm advance fees for mortgage-assistance-relief services—had uncompensated harm of \$20,825,000. The Orion Processing, LLC case—for which a “final order” was entered against Orion Processing, LLC in Period 9—received an allocation of \$98,408,416. Eligible victims in this matter were charged advance fees between October 27, 2010, and March 22, 2017 and/or were consumers who signed up for the defendants’ services between July 2010 and March 22, 2017 after being falsely promised that they would receive legal representation, be represented by a local attorney, and/or have their debt settlements negotiated by an attorney. This class of victims fully includes the class of victims from the Period 8 final order from this matter against defendants Derin Scott, David Klein, and relief defendant Shannon Scott for which the Fund Administrator exercised discretion not to allocate any funds in Period 8. Thus, the allocation of \$98,408,416 to this class of victims fully compensates the classes of victims from both orders. The total allocation to classes of victims from Period 9 cases was therefore \$119,233,416, leaving \$48,360,600 available for allocation to prior-period cases.

One matter with a final order in Period 4 received an allocation in Period 9. Global Client Solutions received an allocation of \$107,995,400 in Period 4. It was determined that this class’s total uncompensated harm was \$116,184,068. The class of victims eligible for an allocation—consumers who (1) were charged advance fees for debt-relief programs from October 27, 2010 to August 27, 2014, (2) received no services, and (3) were not otherwise compensated—received an additional allocation of \$8,188,668 to compensate victims at 100% of identified harm.

During Period 9, \$0 was allocated for Consumer Education and Financial Literacy purposes.

Period 9 Allocation Summary:

Type	Allocation
Victim Compensation	\$127,422,084
• Orion Processing, LLC, d/b/a World Law Processing, <i>et al.</i>	
Victim Class Allocation: \$98,408,416	
• Siringoringo, <i>et al.</i>	
Victim Class Allocation: \$20,825,000	
• Global Client Solutions	
Victim Class Allocation: \$8,188,668	
Consumer Education and Financial Literacy Programs:	\$0
Total Allocation	\$127,422,084

The remaining unallocated Civil Penalty Fund balance will be available for future allocations. The amount in the Fund as of September 30, 2017 will be available for allocation following the conclusion of Period 10 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 2017:

In the first quarter of FY 2017, the Bureau collected a total of \$323,890.80 in Bureau-Administered Redress from three defendants. In the second quarter of FY 2017, the Bureau collected \$7,825.89 from two defendants. In the third quarter of FY 2017, the Bureau collected \$47,208.93 from one defendant. In the fourth quarter of FY 2017, the

Bureau collected \$8.8 million from two defendants. In total, the Bureau collected \$9.2 million in Bureau-Administered redress in FY 2017. In all cases, these funds will be distributed in accordance with the terms of their respective final orders.

FY 2017 Bureau-Administered Redress Collections

Defendant name	Amount Collected	Collection date
Corinthian Colleges, Inc. ⁷	\$218,158.35	November 7, 2016
3D Resorts-Bluegrass, LLC ⁸	\$49,999.00	November 30, 2016
Security National Automotive Acceptance Company, LLC	\$55,733.45	December 27, 2016
Chance Edward Gordon, et al. ⁹	\$5,789.00	January 18, 2017
Orion Processing, LLC, d/b/a World Law Processing – Individual Defendant Derin Scott	\$2,036.89	February 8, 2017
Orion Processing, LLC, d/b/a World Law Processing – Individual Defendant David Klein	\$47,208.93	April 19, 2017
Security National Automotive Acceptance	\$793,900.00	July 3, 2017
Orion Processing, LLC, d/b/a World Law	\$8,000,000.00	August 9, 2017
Total	\$9,172,825.62	

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

⁷ In July 2016, the bankruptcy court granted a setoff motion in the Corinthian matter. The Bureau expected to receive a total of \$232,946 from a tax refund that the IRS owed Corinthian as payment toward the \$531,224,267 order for redress. On August 8, 2016, the Bureau received a check for \$35,347. On November 7, 2016, the Bureau received a second check for \$218,158.35. This amount represents the balance of the amount owed (\$197,599) plus \$20,599.35 in interest.

⁸ The Bureau received \$49,999 from the bankruptcy estate in satisfaction of the judgment for equitable monetary relief imposed in the December 2013 consent order.

⁹ The Bureau received \$5,789, which was the remainder of funds that were being held by the court-appointed Receiver, toward the judgment for equitable monetary relief in the December 2016 final judgment against Gordon.