

November 15, 2016

Financial report of the Consumer Financial Protection Bureau

Fiscal year 2016





Field Hearing on Small Dollar Lending, June 2016 – Kansas City, MO

Message from Richard Cordray

Director of the CFPB



At the Consumer Financial Protection Bureau, we are deeply committed to achieving our mission as the nation's first federal agency whose sole focus is protecting consumers in the financial marketplace. Financial products like mortgages, credit cards, and student loans involve some of the most important financial transactions in people's lives. Through the Dodd-Frank Wall Street and Consumer Protection Act, Congress created the Bureau to stand on the side of consumers and ensure they are treated fairly in the financial marketplace.

Since we opened our doors, we have been focused on making consumer financial markets work better for the American people and helping consumers improve their financial lives. Through fair rules, consistent oversight, appropriate enforcement of the law, and broad-based consumer engagement, the Bureau is helping to restore American families' trust in consumer financial markets, protect consumers from improper conduct, and ensure access to fair, transparent, and competitive markets.

During fiscal year 2016, our supervisory and enforcement actions resulted in or will result in financial institutions, businesses, and individuals providing more than \$254 million in redress to over 1.25 million consumers and/or accounts, and over \$14 million in disgorgement paid to the U.S. Department of the Treasury. The Bureau also distributed \$95 million in redress collected from these entities to more than half a million consumers. Further, we distributed over \$50 million from our Civil Penalty Fund to another half a million consumers. We expect to collect over \$179 million in civil penalties from financial institutions, businesses, and individuals for various violations of consumer financial protection laws. We brought numerous enforcement actions for violations of the Dodd-Frank Act and other laws, including: engaging in illegal debt collection tactics; engaging in a predatory and abusive lending schemes;

misrepresenting the cost of loans; running an illegal debt collection lawsuit mill; reselling sensitive personal information to lenders and debt collectors that had not properly vetted; providing damaging, inaccurate customer information to credit reporting companies and misleading customers; obtaining consumer credit reports without authorization and failing to appropriately investigate consumer disputes about their credit reports; and engaging in illegal debt sales and debt collection practices.

The Bureau also issued a number of proposed and final rules. In October 2015, we issued a final rule to implement amendments to the Home Mortgage Disclosure Act (HMDA), adding new reporting requirements and clarifying several existing requirements. The Bureau issued two rules in March 2016 to address the HELP Rural Communities Act, which was enacted on December 4, 2015. First, the Bureau issued a procedural rule that established a process to apply for an area to be designated as a rural area for purposes of a Federal consumer financial law. Second, the Bureau issued an interim final rule that expanded eligibility for special provisions and an exemption from requirements provided to certain small creditors operating in rural or underserved areas under the Bureau's mortgage rules.

As a data-driven institution, the Bureau published several reports and other publications during this reporting period. These reports highlighted several important topics in the consumer finance area, including the annual report of the CFPB student loan ombudsman, the CFPB Diversity and Inclusion Strategic Plan for 2016 – 2020, the 2015 financial literacy report, the CFPB's Semi-Annual Reports to Congress, the Office of Servicemembers Affairs' semi-annual snapshot of service member complaints, the CFPB's biennial report on the consumer credit card market, the CFPB's report of college credit card agreements under the CARD Act, and an independent audit of the CFPB's operations and budget for FY 2015.

The premise that lies at the very heart of our mission is that consumers should have someone standing on their side to see that they are treated fairly in the financial marketplace. From July 21, 2011 through September 30, 2016 the CFPB has handled over 1 million consumer complaints, including complaints on credit reporting, debt collection, money transfers, bank accounts and services, credit cards, mortgages, vehicle loans, payday loans, student loans, and certain other consumer financial products or services, including prepaid cards, debt settlement services, credit repair services, and pawn and title loans. We now also publish consumer complaint narratives where consumers have "opted in" to share their accounts of what happened and optional public responses by companies.

The progress we have made has been possible thanks to the engagement of hundreds of thousands of Americans who have utilized our consumer education tools, submitted complaints, participated in rulemakings, and told us their stories through our website and at numerous public meetings from coast to coast. We have also benefited from an ongoing dialogue and constructive engagement with the Bureau's advisory groups, the institutions we supervise, with community banks and credit unions with whom we regularly meet, and with consumer advocates throughout the country.

Our progress has also resulted from the extraordinary work of the Bureau's employees—dedicated public servants who are committed to promoting a healthy consumer financial marketplace. Each day, we work to accomplish the goals of renewing people's trust in the marketplace and ensuring that markets for consumer financial products and services are fair, transparent, and competitive. These goals not only support consumers in all financial circumstances, but also help responsible businesses compete on a level playing field, which helps to reinforce the stability of our economy as a whole.

We also work to ensure the people's trust in how we manage the Bureau's resources. As required by the Dodd-Frank Act, the CFPB prepared comparative financial statements for fiscal years 2016 and 2015. The Government Accountability Office (GAO) rendered an unmodified audit opinion on our financial statements. GAO noted no material weaknesses and cited no instances of noncompliance with laws and regulations.

I warmly applaud the hard work and dedication of all CFPB employees over the past year to achieve the overall outcomes reflected in this report. All of our colleagues perform at the highest caliber to help achieve our goals to serve the public, protect consumers, support responsible businesses, and help safeguard the American economy.

Sincerely,



Richard Cordray

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1. Management's discussion and analysis

1.1 The CFPB at a glance: Overview of the Consumer Financial Protection Bureau

The Bureau of Consumer Financial Protection, known as the Consumer Financial Protection Bureau (CFPB or Bureau), was established on July 21, 2010 under Title X of the Dodd-Frank Wall Street Reform and Consumer Protection Act Public Law No. 111-203 (Dodd-Frank Act). The CFPB was established as an independent bureau within the Federal Reserve System. The Bureau is an Executive agency as defined in Section 105 of Title 5, United States Code.

The Dodd-Frank Act authorizes the CFPB to exercise its authorities to ensure that, with respect to consumer financial products and services:

1. Consumers are provided with timely and understandable information to make responsible decisions about financial transactions;
2. Consumers are protected from unfair, deceptive, or abusive acts and practices and from discrimination;
3. Outdated, unnecessary, or unduly burdensome regulations are regularly identified and addressed in order to reduce unwarranted regulatory burdens;
4. Federal consumer financial law is enforced consistently in order to promote fair competition; and
5. Markets for consumer financial products and services operate transparently and efficiently to facilitate access and innovation.

Under the Dodd-Frank Act, on the designated transfer date, July 21, 2011, certain authorities and functions of several agencies relating to Federal consumer financial law transferred to the CFPB in order to accomplish the above objectives. These authorities were transferred from the Board of Governors of the Federal Reserve System (Board of Governors), Office of the Comptroller of the Currency (OCC), Office of Thrift Supervision (OTS), Federal Deposit Insurance Corporation (FDIC), National Credit Union Administration (NCUA), and the Department of Housing and Urban Development (HUD). In addition, Congress vested the Bureau with authority to enforce in certain circumstances the Federal Trade Commission's (FTC) Telemarketing Sales Rule and its rules under the FTC Act, although the FTC retains full authority over these rules. The Dodd-Frank Act also provided the CFPB with certain other Federal consumer financial regulatory authorities.

Organizational structure

Under the Dodd-Frank Act, the Secretary of the Treasury was responsible for establishing the CFPB and performing certain functions of the Bureau until a Director of the CFPB was in place. The Bureau's day-to-day operations were managed by the Special Advisor to the Secretary of the Treasury for the Consumer Financial Protection Bureau until January 4, 2012, when President Obama appointed Richard Cordray to be the first Director of the CFPB. Subsequently, after first being nominated in July 2011 and again in January 2013, the U.S. Senate confirmed the nomination of Richard Cordray on July 16, 2013, and Director Cordray was sworn in as the first Senate-confirmed Director of the CFPB on July 17, 2013.

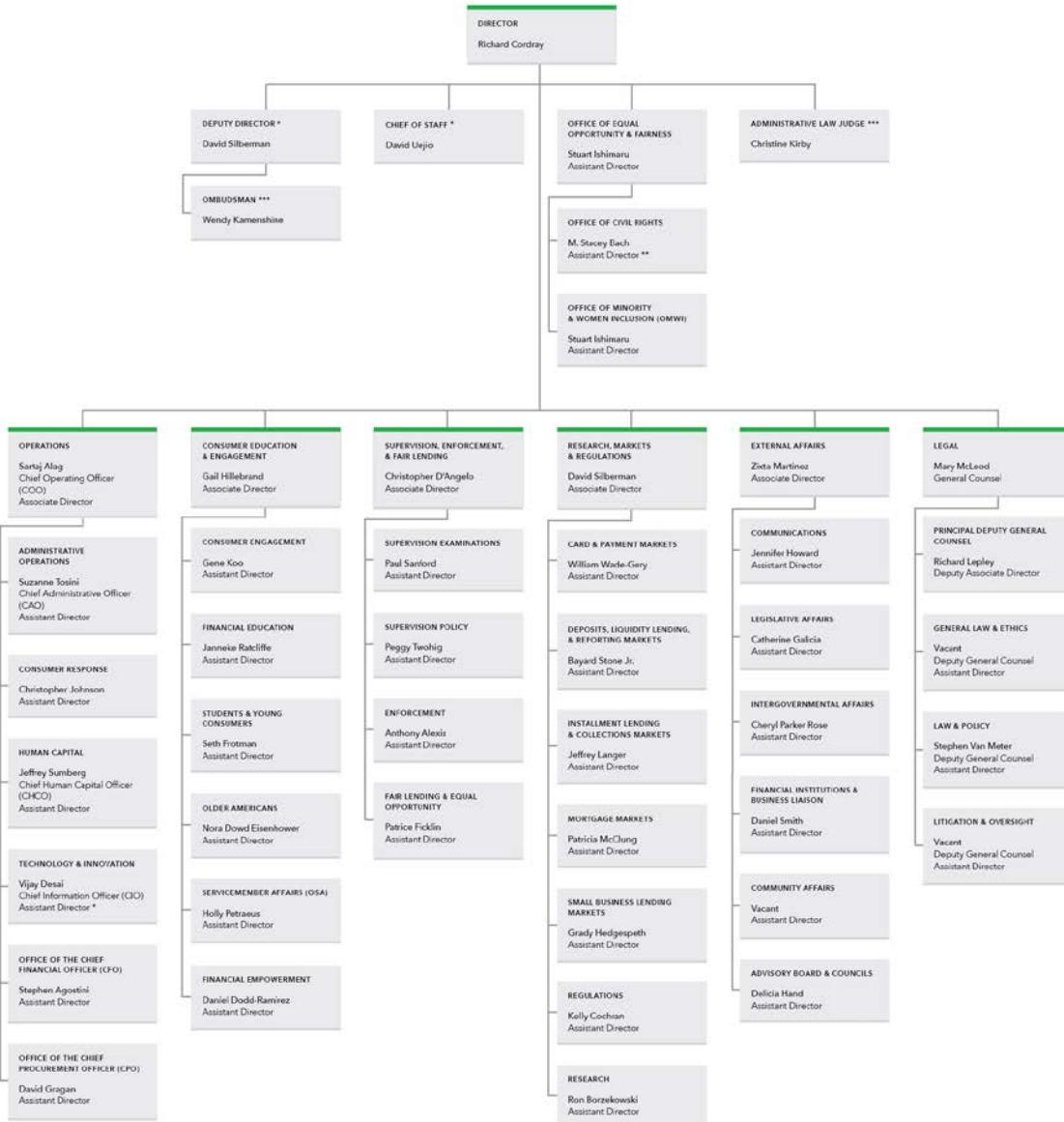
To accomplish its mission, the CFPB is organized into six primary divisions:

1. **Consumer Education and Engagement:** provides, through a variety of initiatives and methods, including offices on specific populations, information and tools to consumers to empower them to make financial decisions that are best for them.
2. **Supervision, Enforcement and Fair Lending:** ensures compliance with Federal consumer financial laws by supervising market participants and bringing enforcement actions when appropriate.
3. **Research, Markets and Regulations:** conducts research to understand consumer financial markets and consumer behavior, evaluates whether there is a need for regulation, and determines the costs and benefits of potential or existing regulations.

4. **Legal Division:** ensures the Bureau's compliance with all applicable laws and provides advice to the Director and the Bureau's divisions.
5. **External Affairs:** manages the Bureau's relationships with external stakeholders and ensures that the Bureau maintains robust dialogue with interested stakeholders to promote understanding, transparency, and accountability.
6. **Operations:** builds and sustains the CFPB's operational infrastructure to support the entire organization and hears directly from consumers about challenges they face in the marketplaces through their complaints, questions, and feedback.

The CFPB workforce is spread across the country with its headquarters in Washington, D.C. and regional offices in Chicago, New York City, and San Francisco. The headquarters is temporarily spread across locations within Washington, D.C., utilizing space pursuant to interagency agreements with the OCC, the General Services Administration and the Federal Housing Finance Agency (FHFA). The workforce in the CFPB's regional offices is predominantly mobile and therefore relatively minimal office space is used in the regions.

Additional information on the organizational structure and responsibilities of the CFPB is available on CFPB's website at <http://www.consumerfinance.gov/>.



Advisory groups

The CFPB established four independent advisory bodies to provide consultation and advice to the Director on a range of issues within the CFPB's authority. All advisory bodies are comprised of individuals who are appointed through a public nomination process. Specifically, the CFPB has formally chartered the following advisory groups:

- **Consumer Advisory Board** – Through a public process, the Bureau invited external experts, industry representatives, consumers, community leaders, and advocates to nominate individuals to serve as members of this advisory group. The Consumer Advisory Board (CAB) is a group of experts on consumer protection, consumer financial products or services, community development, fair lending, civil rights, underserved communities, and communities that have been significantly impacted by higher-priced mortgage loans. They are a source of market intelligence and expertise, and they advise and consult on Federal consumer finance issues. The CAB informs the Director about emerging practices or trends in the consumer finance industry, and shares analysis and recommendations. Members are charged with identifying and assessing the impact of emerging products, practices, or services on consumers and other market participants. During fiscal year 2016 the CAB met three times – October 2015 and February 2016 in Washington, D.C. and June 2016 in Little Rock Arkansas.



Consumer Advisory Board Public Session, June 2016 – Little Rock, AR

- **Community Bank Advisory Council** – The Community Bank Advisory Council (CBAC) advises on the market impact of consumer financial products or services,

specifically from the unique perspectives of community banks. Members share information, analysis, and recommendations to better inform the CFPB's policy development, rulemaking, and engagement work. During fiscal year 2016 the CBAC met two times – April and September of 2016 in Washington, D.C.

- **Credit Union Advisory Council** – The Credit Union Advisory Council (CUAC) advises on the market impact of consumer financial products or services, specifically from the unique perspectives of credit unions. Members share information, analysis, and recommendations to inform the CFPB's policy development, rulemaking, and engagement work. During fiscal year 2016 the CUAC met three times – Washington, D.C. in October 2015 and in March and September of 2016.
- **Academic Research Council** – The Academic Research Council (ARC) was established to assist the CFPB with research, analysis, and reports on topics relating to CFPB's mission, including developments in markets for consumer financial products and services, consumer awareness, and consumer behavior. The Council is made up of scholars with relevant methodological and subject-matter expertise. The Council advises the CFPB on research methodologies, data collection, and analytic strategies, and provides feedback about research and strategic planning.

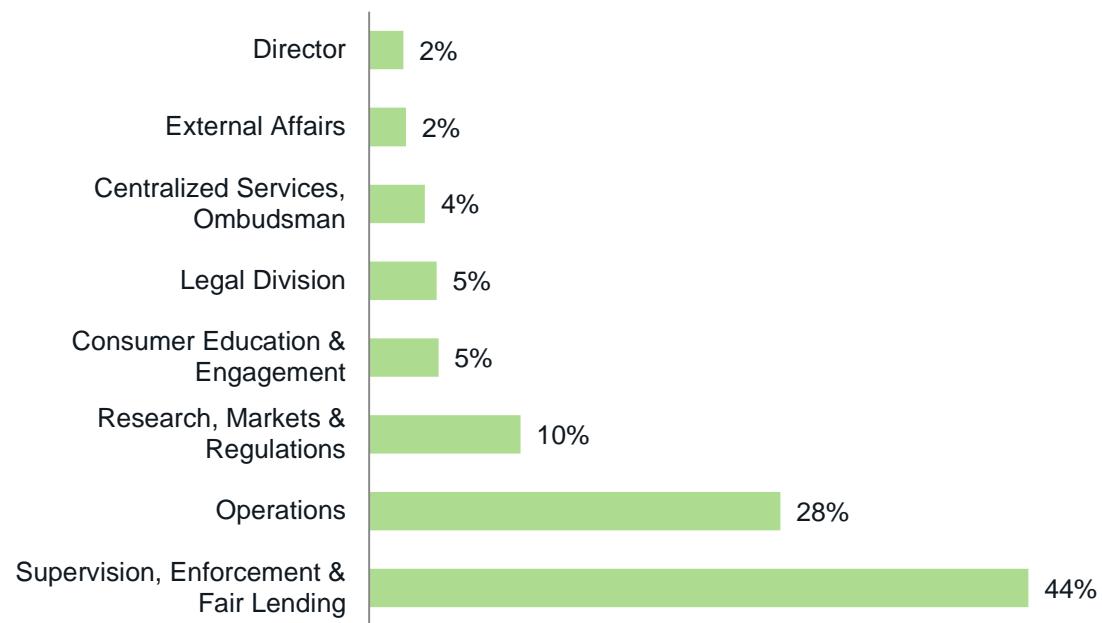
Growth of the CFPB

Since its inception, the CFPB has grown in the number of employees and the corresponding funding needed to carry out its duties and responsibilities. At the end of fiscal year 2016, the CFPB was approaching the steady-state employees and funding levels it estimates it will need to achieve the mission and responsibilities mandated by Congress in the Dodd-Frank Act. The CFPB's growth to date has been relatively steady and consistent. The charts below provide a historical depiction of the growth for employees and funding levels.

FIGURE 1: CFPB EMPLOYEES BY FISCAL YEAR



FIGURE 2: OFFICE PERCENTAGE OF TOTAL POSITIONS (AS OF SEPTEMBER 30, 2016)



Within the Operations Division, displayed as 28% of total CFPB positions, the Office of Consumer Response comprises 9% of total CFPB positions, while all other Operations functions comprise 19%. All percentages provided above are rounded.

FIGURE 3: FISCAL YEAR TRANSFERS REQUESTED COMPARED TO THE FUNDING CAP (\$ IN MILLIONS)



Additional information on how the CFPB is funded can be found in Section 1.6 Financial Analysis.

Mission, Vision, and Values

Our Mission

The CFPB is a 21st century agency that helps consumer financial markets work by making rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives.

Our Vision

If we achieve our mission, then we will have encouraged the development of a consumer financial marketplace –

- Where customers can see prices and risks up front and where they can easily make product comparisons;
- In which no one can build a business model around unfair, deceptive, or abusive practices; and
- That works for American consumers, responsible providers, and the economy as a whole.

We will achieve our mission and vision through:

DATA-DRIVEN ANALYSIS

The CFPB is a data-driven agency. We take in data, manage it, store it, share it appropriately, and protect it from unauthorized access. Our aim is to use data purposefully, to analyze and distill data to enable informed decision-making in all internal and external functions.

INNOVATIVE USE OF TECHNOLOGY

Technology is core to the CFPB accomplishing its mission. This means developing and leveraging technology to enhance the CFPB's reach, impact, and effectiveness. We strive to be recognized as an innovative, 21st century agency whose approach to technology serves as a model within government.

VALUING THE BEST PEOPLE AND GREAT TEAMWORK

At the CFPB, we believe our people are our greatest asset. Therefore, we invest in world-class training and support in order to create an environment that encourages employees at all levels to tackle complex challenges. We also believe effective teamwork extends outside the walls of the CFPB. We seek input from and collaborate with consumers, industry, government entities, and other external stakeholders.

We aim to embody the following values in everything we do:

SERVICE

Our mission begins with service to the consumer and our country. We serve our colleagues by listening to one another and by sharing our collective knowledge and experience.

LEADERSHIP

Fostering leadership and collaboration at all levels is at the core of our success. We believe in investing in the growth of our colleagues and in creating an organization that is accountable to the American people.

INNOVATION

Our organization embraces new ideas and technology. We are focused on continuously improving, learning, and pushing ourselves to be great.

1.2 The CFPB performance and results

This section provides a summary of the CFPB's key performance outcomes as well as selected accomplishments that it has achieved this past fiscal year. This marks only the beginning of the Bureau's work on behalf of consumers and providers of financial products and services.

The CFPB developed and issued a strategic plan consistent with the Government Performance and Results Act (GPRA) that was compiled by the Office of the Chief Strategy Officer (see <http://www.consumerfinance.gov/strategic-plan>). The CFPB published its fiscal years 2013 to 2017 strategic plan in April 2013, which identified four strategic goals and 28 associated performance measures. In order to meet the required due date of preparing and issuing this financial report not all performance measures could be included. However, a full Performance Report will be published in calendar year 2017, which will include the results of all 28 performance measures, along with an analysis of CFPB's efforts to achieve its performance goals. Results reported below for the selected measures contained in this report show that the CFPB has met or exceeded 11 of the 12 measures (92 percent).

Goal 1: Prevent financial harm to consumers while promoting good practices that benefit them

Prior to Congress enacting the Dodd-Frank Act, consumer financial protection had not been the primary focus of any one federal agency, and no agency could set the rules for the entire consumer financial market. The result was a system without sufficiently effective rules or consistent enforcement of the law. Consumer financial protection is the CFPB's singular focus.

Performance goal

Complete consumer protection related rulemakings within nine months of receipt of final public comments.

TABLE 1: PERCENTAGE OF PROPOSED RULEMAKINGS, CONDUCTED SOLELY BY THE CFPB, FINALIZED OR OTHERWISE RESOLVED WITHIN NINE MONTHS OF THE DUE DATE FOR RECEIPT OF THE FINAL PUBLIC COMMENTS

	FY 2016	FY 2015
Target	75%	75%
Actual	100% ¹	86%

In 2016, the Bureau finalized several substantive rules that were not technical or procedural in nature. Most of these rules included an additional element, such as disclosure testing or a substantial operational requirement that exempts it from the nine month metric for reporting. For example, in October 2015, the Bureau finalized a proposal issued in FY 2015 to amend Regulation C to implement amendments to the Home Mortgage Disclosure Act made by section 1094 of the Dodd-Frank Act. Consistent with section 1094, the Bureau added several new reporting requirements and clarified several existing requirements. The Bureau also modified the institutional and transactional coverage of Regulation C. The final rule was issued a little more than a year after the comment period closed as the Bureau worked to finalize the proposed rule and review over 400 comments. Further, in light of various Dodd-Frank requirements and private market data standards initiatives directly related to the rulemaking, the Bureau believes it was important to conduct a broad dialogue about HMDA and to use the opportunity to comprehensively review the HMDA reporting regime as it was developing the final rule.

In August 2016, the Bureau issued a final rule amending certain mortgage servicing rules issued in 2013 under RESPA and the Truth in Lending Act (TILA). These amendments focus primarily on clarifying, revising, or amending provisions regarding force-placed insurance notices, policies and procedures, early intervention, and loss mitigation requirements under Regulation X's servicing provisions; and periodic statement requirements under Regulation Z's servicing

¹ The Bureau finalized three substantive rules during the relevant reporting period. Of these, two of the rulemakings included an additional component (e.g. disclosure testing) that exempted them from the nine months to completion metric. Only one rule did not include an additional element and it was completed within the targeted timeframe.

provisions. In conjunction with the final rule, the Bureau issued an interpretive rule under the FDCPA, which constitutes an advisory opinion for purposes of the FDCPA and provides safe harbors from liability for servicers acting in compliance with specified mortgage servicing rules in Regulations X and Z in three specific situations. The NPRM was issued in November 2014. The rulemaking required testing of consumer disclosures, which extended the amount of time needed to finalize the rule.

The Bureau also issued a number of rules that were interim, procedural, or corrective and did not require notice and comment. Most of these rules consequently became effective immediately upon publication in the Federal Register or within 30 days of publication in the Federal Register. A sample of some of the rules is provided below.

The Bureau issued two rules in March 2016 to address the HELP Rural Communities Act, which was enacted on December 4, 2015. First, the Bureau issued a procedural rule that established a process to apply for an area to be designated as a rural area for purposes of a Federal consumer financial law. Second, the Bureau issued an interim final rule that expanded eligibility for special provisions and an exemption from requirements provided to certain small creditors operating in rural or underserved areas under the Bureau's mortgage rules.

In June 2016, the Bureau amended the regulatory text and official interpretations of Regulation Z to revise, as applicable, the dollar amounts for provisions implementing amendments to TILA under the Credit Card Accountability Responsibility and Disclosure Act of 2009 (CARD Act), the Home Ownership and Equity Protection Act of 1994 (HOEPA), and the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act).

Finally, the Bureau also proposed a number of rules in FY2016, which have not yet been finalized. For example, in May 2016, the Bureau issued a Notice of Proposed Rulemaking concerning the use of agreements providing for arbitration of any future dispute between covered persons and consumers in connection with the offering or providing of certain consumer financial products or services. The rulemaking follows on a report that the Bureau issued to Congress in March 2015 as required by the Dodd-Frank Act, as well as on preliminary results of arbitration research that were released by the Bureau in December 2013. The proposal would prohibit covered providers of certain consumer financial products and services from using an arbitration agreement to bar the consumer from filing or participating in a class action. Under the proposal, companies would still be able to include arbitration clauses in their contracts. However, for contracts subject to the proposal, the clauses would have to say

explicitly that they cannot be used to stop consumers from being part of a class action in court. The proposal would also require a covered provider that has an arbitration agreement and that is involved in arbitration pursuant to a pre-dispute arbitration agreement to submit specified arbitral records to the Bureau. As the Bureau considers development of a final rule for spring 2017, it is reviewing and considering comments on the proposed rule.

Performance goal

Ensure that all rulemakings are informed by public outreach processes, such as Small Business Regulatory Enforcement Fairness Act (SBREFA) panels and consumer and industry roundtables.

TABLE 2: PERCENTAGE OF SIGNIFICANT CONSUMER PROTECTION RELATED, NOTICE-AND-COMMENT RULEMAKINGS INFORMED BY PUBLIC OUTREACH PROCESSES

	FY 2016	FY 2015
Target	100%	100%
Actual	100%	100%

Throughout 2016, the Bureau continued efforts to participate in outreach meeting and external events to monitor implementation issues in connection with its mortgage rules. Since 2013, the Bureau has issued regulations as directed by the Dodd-Frank Act to implement certain consumer protections for mortgage originations and servicing, integrate various federal mortgage disclosures, and amend mortgage reporting requirements for institutions covered under the Home Mortgage Disclosure Act. The Bureau engages in intensive implementation work for each new rule or rule change to facilitate understanding and implementation of rulemaking requirements, including follow-up rulemaking where warranted. For example, the Bureau issued a Notice of Proposed Rulemaking in July 2016 to make clarifications and provide further regulatory guidance concerning its rule integrating several federal mortgage disclosures that consumers receive in connection with applying for and closing on a mortgage loan under the Truth in Lending Act and the Real Estate Settlement Procedures Act. In August 2016, the Bureau issued a final rule amending certain mortgage servicing rules in Regulations X and G, for which the Bureau conducted consumer testing of certain disclosures on sample forms provided in the final rule.

The Bureau also conducted numerous other public outreach efforts in FY2016 to inform and assist the Bureau in developing non-mortgage rules. For example, the Bureau conducted extensive outreach concerning potential rules for debt collectors under the Fair Debt Collections Practices Act in summer 2016, including holding a field hearing, convening an inter-agency SBREFA panel, and holding a range of outreach meetings with other stakeholders. The CFPB is continuing to engage in policy analysis and further research initiatives in preparation for a rulemaking on overdraft programs on checking accounts, as well as qualitative consumer testing initiatives relating to the opt-in process.

The Bureau is also continuing to develop research on other critical markets to help implement statutory directives and to assess whether regulation of other consumer financial products and services may be warranted. For example, the Bureau is starting its work to implement section 1071 of the Dodd-Frank Act, which amends the Equal Credit Opportunity Act to require financial institutions to report information concerning credit applications made by women-owned, minority-owned, and small businesses. The Bureau is focusing on outreach and research to develop its understanding of the small business market participants, products, and practices in business lending markets and of the potential ways to implement section 1071.

Performance goal

Successfully resolve the cases the CFPB files in court and administrative adjudicative proceedings whether by litigation, settlement, issuance of default judgment, or other means.

TABLE 3: PERCENTAGE OF ALL CASES FILED BY THE CFPB SUCCESSFULLY RESOLVED THROUGH LITIGATION, A SETTLEMENT, ISSUANCE OF DEFAULT JUDGMENT, OR OTHER MEANS

	FY 2016	FY 2015
Target	75%	75%
Actual	100%	100%

During fiscal year 2016, the CFPB successfully resolved 100 % of its matters through litigation, a settlement, issuance of default judgment, or other means. Through CFPB's successfully resolved cases, the Bureau helped secure restitution, principal reductions, cancelled debt, and other relief for consumers. Some of the Bureau's actions also resulted in civil penalties, which are paid to the Bureau's Civil Penalty Fund, which is used to compensate victims of activities for which civil

penalties have been imposed and, to the extent such victims cannot be located or such payments are otherwise not practicable, for the purpose of consumer education and financial literacy programs. Provided below is a brief discussion of one of the successfully-resolved matters.

The Bureau took action against Wells Fargo Bank, N.A. to address its widespread illegal practice of opening unauthorized deposit and credit card accounts. In an attempt to generate business, Wells Fargo Bank set sales goals and offered financial incentives to encourage employees to cross-sell financial products and services, such as savings and checking accounts, credit cards, debit and ATM cards, and online banking services, to existing customers. The Bureau's investigation revealed thousands of Wells Fargo Bank employees opened unauthorized deposit and credit card accounts to satisfy sales goals and earn financial rewards under the bank's incentive-compensation program. Specifically, the Bureau found that Wells Fargo Bank employees engaged in "simulated funding," opening hundreds of thousands of deposit accounts without consumers' knowledge or consent and transferring funds from consumers' authorized accounts to fund the new accounts, causing consumers to incur about \$2 million in fees. The Bureau also found Wells Fargo Bank employees opened tens of thousands of unauthorized credit cards resulting in over \$400,000 in fees, opened debit cards and created PINs to active them without consumers' knowledge or consent, and enrolled consumers in online banking services using false email addresses.

The Bureau determined that these practices violated the Consumer Financial Protection Act's prohibition against unfairness and abusiveness. The Bureau's consent order requires Wells Fargo Bank to pay full restitution to victims, expected to be at least \$2.5 million, and a \$100 million civil penalty. This is the largest penalty imposed or received in an enforcement action to date and reflects the severity of the practices we addressed. The bank will also pay an additional \$35 million penalty to the Office of the Comptroller of the Currency, and another \$50 million to the City and County of Los Angeles.

Goal 2: Empower consumers to live better financial lives

The CFPB works to arm consumers with the knowledge, tools, and capabilities they need in order to make better-informed financial decisions by engaging them in the right moments of their financial lives, in moments when they are most receptive to seeking out and acting on assistance. To that end, the CFPB will develop and maintain a variety of tools, programs and initiatives that provide targeted, meaningful, and accessible assistance and information to consumers at the moment they need them.

Performance goal

Decrease time between receiving and closing a complaint.

TABLE 4: INTAKE CYCLE TIME

	FY 2016	FY 2015
Target	2 Days	2 Days
Actual	<1 Day	1 Day

TABLE 5: COMPANY CYCLE TIME

	FY 2016	FY 2015
Target	15 Days	15 Days
Actual	11 Days	11 Days

TABLE 6: CONSUMER CYCLE TIME

	FY 2016	FY 2015
Target	30 Days	30 Days
Actual	1 Day	1 Day

Complaint volume increased approximately 7 percent from 265,500 in fiscal year 2015 to 283,700 complaints in fiscal year 2016. Consumer Response continued to refine its complaint handling processes and systems in fiscal year 2016, increasing efficiencies through process improvements, adding automation where possible and improving its overall complaint handling operation.

Performance goal

Facilitate the timely response to consumer complaints by companies.

TABLE 7: PERCENTAGE OF COMPLAINTS ROUTED THROUGH THE DEDICATED COMPANY PORTAL

	FY 2016	FY 2015
Target	91%	89%
Actual	85%	94%

The CFPB facilitates timely response to consumer complaints by using a dedicated company portal to route complaints to companies for response. In FY 2016, the CFPB established company portal access and trained staff of approximately 480 companies, bringing the total count of companies boarded to over 4,300. The Bureau received a large amount of complaints in August and September that required additional information from the consumer before they could be sent to the company, causing the amount of cases still pending as of the end of the year to be higher than expected. In FY 2017, the Bureau will continue its efforts to board companies to provide timely responses to consumer complaints.

Performance goal

Expand capacity to handle consumer complaints.

TABLE 8: NUMBER OF CONSUMER COMPLAINTS HANDLED

	FY 2016	FY 2015
Target	275,000	225,000
Actual	283,000	265,500

Since beginning to accept complaints in calendar year 2011, the Bureau has continuously expanded the products and services about which it accepts complaints to include: credit cards, mortgages, bank accounts and services, consumer loans, student loans, money transfers, credit reporting, debt collection, payday loans, prepaid cards, credit repair and debt settlement services, title and pawn loans, and virtual currency. Accepting complaints about this broad range of consumer financial products and services and the growing public awareness of the Bureau's tools and resources likely contributed to exceeding the total volume target again in fiscal year 2016.

Performance goal

Significantly increase targeted outreach activities and digital education materials in order to engage consumers at the right moment.

TABLE 9: TARGETED POPULATIONS OR ORGANIZATIONS DIRECTLY SERVING TARGETED POPULATIONS REACHED BY DIGITAL CONTENT, DECISION TOOLS, EDUCATIONAL MATERIALS AND RESOURCES

	FY 2016	FY 2015
Target	7,500,000	6,500,000
Actual	8,307,561	6,804,997

In fiscal year 2016, the CFPB continued to update and release consumer education tools providing information supporting both just-in-time and planning needs. The primary source of just-in-time information, “Ask CFPB,” was redesigned to provide users with a clearer pathway to find relevant content. The redesign also added answer summaries for the most-trafficked questions, links among related content, and an improved mechanism to acquire feedback through rating answers.

The CFPB released a new tool in November 2015, “Planning for Retirement,” to help consumers understand how the choice of *when* to begin claiming Social Security might affect their future finances. The tool provides a simple, objective, and individual experience that shows the estimated Social Security benefit at key ages and explains how different factors might affect the claiming age decision.

In fiscal year 2016, the CFPB also developed an “auto loan shopping sheet” as part of a new Know Before You Owe initiative aimed at helping consumers shop for an auto loan. The auto loan shopping sheet is a step-by-step guide and additional online resources. It helps consumers see the total cost of a loan and make apples-to-apples comparisons among loan products. The Know Before You Owe auto loan initiative also walks consumers through each step of the auto finance process to help them decide how much they can afford to borrow and what options are right for them.

Goal 3: Inform the public, policy makers, and the CFPB's own policy-making with data-driven analysis of consumer finance markets and consumer behavior

Understanding how consumer financial markets work, the avenues for innovation in financial products and services, and the potential for risk to consumers is a core component of the CFPB's mission. The CFPB's aim is to ground all of its work – from writing rules and litigating enforcement actions to its outreach and financial literacy efforts – in the realities of the marketplace and the complexities of consumer behavior.

Performance goal

Increase the number of reports produced about specific consumer financial products, markets, or regulations and on consumer decision-making.

TABLE 10: REPORTS PRODUCED ABOUT SPECIFIC CONSUMER FINANCIAL PRODUCTS, MARKETS, OR REGULATIONS AND ON CONSUMER DECISION-MAKING

	FY 2016	FY 2015
Target	6	5
Actual	9	6

Preparing reports is central to the Bureau's commitment to evidence-based policy-making. The Bureau's Division of Research, Markets, and Regulations (RMR) issued nine reports in FY 2016. These reports are intended to deepen the public's understanding of these issues and provide the Bureau and other policy makers with a stronger factual foundation on which to make policy judgments.

RMR released the following notable public reports in FY 2016:

- Tools for saving: Using prepaid accounts to set aside funds (September 2016)
- Study of third-party debt collection operations (July 2016)
- Supplemental findings on payday, payday installment, and vehicle title loans, and deposit advance products (June 2016)

- A Profile of 2013 Mortgage Borrowers: Statistics from the National Survey of Mortgage Originations (May 2016)
- Single-Payment Vehicle Title Lending (May 2016)
- Testing of Bankruptcy Periodic Statement Forms for Mortgage Servicing (April 2016)
- Online Payday Loan Payments (April 2016)
- 2015 College credit card agreements (December 2015)
- The Consumer Credit Card Market (December 2015)

The Bureau has information gathering and other data analysis underway that will yield public reports in FY 2017. The Bureau continues to regard knowledge creation and sharing through research reports as an important Bureau goal and is on schedule to meet the FY 2017 goal of publishing at least six reports.



Community Bank Advisory Council Meeting, April 2016 – Washington, D.C.

Goal 4: Advance the CFPB's performance by maximizing resource productivity and enhancing impact

In order to maximize the effectiveness of consumer protections established by Federal consumer financial law, the CFPB must acquire, maintain, support, and direct its resources in a way that enables it to operate efficiently, effectively, and transparently. This means developing, maintaining, and continuously improving the policies and controls in place to ensure the CFPB has the resources it needs and puts those resources to the best use possible.

A key mission of the CFPB is to make financial products and services more transparent in the consumer marketplace. The CFPB strives to achieve the same level of commitment to transparency in its own activities, while respecting consumer privacy and confidentiality. To accomplish this, the CFPB develops and implements mechanisms and provides channels to maintain an open, collaborative dialogue with the public.

Performance goal

Release new datasets to the public, where legally permissible and appropriate, to allow for innovative uses of the data by individuals, non-profit entities, and businesses for the benefit of consumers.

TABLE 11: PROVISION OF DATA TO THE PUBLIC IN LEGALLY PERMISSIBLE AND APPROPRIATE INSTANCES

	FY 2016	FY 2015
Target	9 Data Sets	7 Data Sets
Actual	10 Data Sets	8 Data Sets

In fiscal year 2016, the Bureau launched the Planning for Retirement Tool, an interactive, online tool designed to help consumers decide when to claim their Social Security retirement benefits. The tool makes claiming-age benefit estimates easy to access, makes trade-offs easy to understand, and helps users consider the impact of different life factors. Also in FY2016, the Bureau updated the Paying for College tool to include program-level data.

Performance goal

Engage the public by hosting public field hearings, town hall meetings, Consumer Advisory Board meetings, and other events on consumer finance issues.

TABLE 12: NUMBER OF PUBLIC HEARINGS, TOWN HALL MEETINGS, CONSUMER ADVISORY BOARD MEETINGS, AND OTHER PUBLIC EVENTS HOSTED ANNUALLY.

	FY 2016	FY 2015
Target	13 Events	13 Events
Actual	18 Events	15 Events

The Bureau hosted 18 public events in fiscal year 2016, focused on key issues affecting consumer financial markets such as student loans, debt collection, mortgages, arbitration, and payday lending. These included three meetings of its Consumer Advisory Board, two meetings of its Community Bank Advisory Council, and three meetings of its Credit Union Advisory Council.

The Bureau also participated in dozens of public events hosted by others in fiscal year 2016, including testifying before Congress on six occasions to discuss policy, operations and budget matters. As of the end of fiscal year 2016, the Bureau had testified before Congress 62 times since the Bureau's inception.

1.3 Civil Penalty Fund annual report

Section 1055(a) of the Dodd-Frank Act authorizes the CFPB to obtain any appropriate legal or equitable relief for violations of Federal consumer financial laws. That relief may include civil penalties. Section 1017(d) of the Dodd-Frank Act further establishes a Consumer Financial Civil Penalty Fund (Civil Penalty Fund) into which the Bureau deposits civil penalties it collects in judicial and administrative actions under Federal consumer financial laws.

Under the Act, funds in the Civil Penalty Fund may be used for payments to the victims of activities for which civil penalties have been imposed under the Federal consumer financial laws. To the extent that such victims cannot be located or such payments are otherwise not

practicable, the Bureau may use funds in the Civil Penalty Fund for the purpose of consumer education and financial literacy programs.

On May 7, 2013, the Bureau published the [Civil Penalty Fund rule](#), 12 C.F.R. part 1075, a final rule governing the Bureau's use of the funds in the Civil Penalty Fund. That rule requires the Bureau to issue regular reports on the Civil Penalty Fund. Included in this Annual Report, within the initial table provided below, is a summary of the Civil Penalty Fund activity since inception through September 30, 2016. The remaining tables provide the schedule for Civil Penalty Fund allocations, a description of Civil Penalty Fund allocations in fiscal years 2015 and 2016 and the basis for those allocations, and an overview of the distribution of those funds.

Additional background information on the Civil Penalty Fund can be found at:

<http://www.consumerfinance.gov/budget/civil-penalty-fund/>

As of September 30, 2016, the Civil Penalty Fund had \$170.1 million in funds available for future allocation to harmed consumers and/or financial education. Table 14 below summarizes significant activity of the fund since inception through September 30, 2016:

TABLE 13: CIVIL PENALTY FUND SIGNIFICANT ACTIVITY

Activity	Amount	Amount
Cash Collections:		
FY 2012	\$32,000,000	
FY 2013	\$49,520,001	
FY 2014	\$77,502,001	
FY 2015	\$183,120,079	
FY 2016	<u>\$182,138,760</u>	
Total Cash Collections		\$524,280,841
Less Allocations:		
Victim Compensation		
FY 2013	\$10,488,815	

Activity	Amount	Amount
FY 2014	\$20,803,560	
FY 2015	\$158,827,932	
FY 2016	<u>\$130,696,406</u>	
Subtotal: Allocations to Victim Compensation		(\$320,816,713)
Consumer Education and Financial Literacy Programs		
FY 2013	\$13,380,000	
FY 2014	\$0	
FY 2015	\$0	
FY 2016	<u>\$15,432,809</u>	
Subtotal: Allocations to Consumer Education and Financial Literacy Programs		(\$28,812,809)
Total Allocations		(\$349,629,522)
Less Administrative Set-aside:		
FY 2013		(\$1,573,322)
FY 2015		(\$500,000)
FY 2016		(\$2,500,000)
Total Available for Future Allocations		\$170,077,997

Civil Penalty Fund collections

TABLE 14: FISCAL YEAR 2015 COLLECTIONS

Defendant name	Civil Penalty Collected	Collection date
U.S. Bank National Association	\$5,000,000	October 3, 2014
Lighthouse Title, Inc.	\$200,000	October 3, 2014

Defendant name	Civil Penalty Collected	Collection date
Flagstar Bank, F.S.B.	\$10,000,000	October 9, 2014
Manufacturers and Traders Trust Company	\$200,000	October 17, 2014
DriveTime Automotive Group, Inc.	\$8,000,000	November 25, 2014
Premier Consulting Group LLC	\$69,075 ²	December 12, 2014 March 05, 2015 June 03, 2015
Freedom Stores, Inc.	\$100,000	January 16, 2015
College Education Services LLC	\$25,000	January 30, 2015
Continental Finance Company, LLC	\$250,000	February 11, 2015
Wells Fargo Bank, N.A. (Genuine Title Matter)	\$21,000,000	February 13, 2015
JPMorgan Chase Bank, N.A. (Genuine Title Matter)	\$500,000	February 18, 2015
NewDay Financial, LLC	\$2,000,000	February 19, 2015
Todd Cohen & Elaine Oliphant Cohen (Genuine Title Matter)	\$30,000	February 20, 2015
American Preferred Lending, Inc.	\$85,000 ³	February 20, 2015 March 20, 2015 April 21, 2015
Flagship Financial Group, LLC	\$225,000	March 2, 2015
National Corrective Group, Inc.	\$50,000	April 7, 2015
R M K Financial Corporation	\$250,000	April 20, 2015

² Premier Consulting Group paid \$69,075 in civil penalties in three installments, \$23,025 on December 12, 2014, \$23,025 on March 05, 2015, and \$23,025 on June 03, 2015.

³ American Preferred Lending, Inc. paid \$85,000 in civil penalties, \$35,000 on February 20, 2015, \$35,000 on March 20, 2015, and \$15,000 on April 21, 2015.

Defendant name	Civil Penalty Collected	Collection date
S/W Tax Loans, Inc.	\$438,000	April 30, 2015
Regions Bank	\$7,500,000	April 30, 2015
Green Tree Servicing LLC	\$15,000,000	April 30, 2015
Hoffman Law Group, P.A.	\$3 ⁴	May 12, 2015 May 18, 2015 September 25, 2015
PayPal, Inc., and Bill Me Later, Inc.	\$10,000,000	May 29, 2015
Guarantee Mortgage Corporation	\$228,000	June 10, 2015
RPM Mortgage, Inc.	\$2,000,000	June 15, 2015
Union Workers Credit Services, Inc.	\$70,000	June 26, 2015
Syndicated Office Systems, LLC	\$500,000	June 23, 2015
Intersections Inc.	\$1,200,000 ⁵	July 13, 2015 July 24, 2015 August 27, 2015
Chase Bank, USA N.A.	\$30,000,000	July 15, 2015
Citibank, N.A.	\$35,000,000	July 24, 2015
Discover Bank	\$2,500,000	July 27, 2015
LoanCare, LLC	\$100,000	July 29, 2015
Paymap Inc.	\$5,000,000	August 4, 2015

⁴ Individuals named in the Hoffman Law Group case paid \$3 in the civil penalties, \$1 on May 12, 2015, \$1 on May 18, 2015, and \$1 on September 25, 2015. An additional \$10,000,000 in civil penalties was ordered against the corporate defendants in this case. It is not reasonably expected to be received by the Bureau and has not resulted in an accounts receivable.

⁵ Intersections Inc. paid \$1,200,000 in the civil penalties, \$400,000 on July 13, 2015, \$400,000 on July 24, 2015, and \$400,000 on August 27, 2015.

Defendant name	Civil Penalty Collected	Collection date
Residential Credit Solutions, Inc.	\$100,000	August 7, 2015
RBS Citizens Financial Group, Inc.	\$7,500,000	August 14, 2015
Encore Capital Group, Inc.	\$10,000,000	September 16, 2015
Portfolio Recovery Associates, LLC	\$8,000,000	September 17, 2015
Student Financial Aid Services, Inc.	\$1	September 18, 2015
Total	\$183,120,079	

In fiscal year 2015, the Bureau collected civil penalties in 37 cases totaling \$183.1 million.⁶

TABLE 15: FISCAL YEAR 2016 COLLECTIONS

Defendant name	Civil Penalty Collected	Collection date
Fifth Third Bank	\$500,000	October 6, 2015
Westlake Services, LLC, and Wilshire Consumer Credit, LLC	\$4,250,000	October 7, 2015
Walter J. Ledda (Morgan Drexen, Inc.) ⁷	\$1	October 23, 2015
Security National Automotive Acceptance Company, LLC	\$1,000,000	November 2, 2015
Affinion Group Holdings, Inc.	\$1,900,000	November 13, 2015
Hudson City Savings Bank, F.S.B.	\$5,500,000	November 13, 2015

⁶ Two additional civil penalty fund cases, Fifth Third Bank, and Westlake Services, LLC, resulted in accounts receivable in fiscal year 2015 and collections in fiscal year 2016.

⁷ The \$1 civil penalty was collected pursuant to a final order with respect to Walter Ledda, one of two defendants in this case.

Defendant name	Civil Penalty Collected	Collection date
All Financial Services, LLC ⁸	\$13,000	November 24, 2015 December 10, 2015
General Information Services, Inc., and e-Backgroundchecks.com, Inc.	\$2,500,000	November 25, 2015
Clarity Services, Inc., and Timothy Ranney	\$8,000,000	December 24, 2015
EZCORP, Inc.	\$3,000,000	December 24, 2015
Interstate Auto Group, Inc., aka "CarHop," and Universal Acceptance Corporation	\$6,465,000	December 30, 2015
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
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 ⁹	\$65,000	June 3, 2016 July 22, 2016

⁸ All Financial Services, LLC, paid a total of \$13,000 in civil penalties in two installments of \$6,500 on November 24, 2015, and December 10, 2015.

⁹ David Eghbali was ordered to pay \$85,000. In accordance with the order, the defendant paid \$25,000 on June 3, 2016, \$20,000 on July 22, 2016, and 20,000 on September 26, 2016. Collection of the outstanding funds is anticipated in accordance with the order in fiscal year 2017.

Defendant name	Civil Penalty Collected	Collection date
		September 26, 2016
The Hoffman Law Group P.A. f/k/a The Residential Litigation Group, P.A.	\$135,000	June 29, 2016
Santander Bank, N.A.	\$10,000,000	July 22, 2016
Orion Processing, LLC, d/b/a World Law Processing – Individual Defendants Derin Scott & David Klein ¹⁰	\$2	August 4, 2016 September 12, 2016
BancorpSouth Bank	\$3,030,756	August 4, 2016
Wells Fargo Bank, N.A. (Educational Financial Services)	\$3,600,000	August 26, 2016
First National Bank of Omaha	\$4,500,000	August 30, 2016
Wells Fargo Bank, N.A. (Sales Practices)	\$100,000,000	September 19, 2016
Bridgepoint Education, Inc.	\$8,000,000	September 20, 2016
TMX Finance LLC	\$9,000,000	September 29, 2016
Total	\$182,138,760	

In fiscal year 2016, the Bureau collected civil penalties in 31 cases totaling \$182.1 million.¹¹

Allocations from the Civil Penalty Fund

Under the Civil Penalty Fund rule, the Civil Penalty Fund Administrator allocates funds in the Civil Penalty Fund to classes of victims of violations for which civil penalties have been imposed under the Federal consumer financial laws and, to the extent that such victims cannot be located

¹⁰ On August 4, 2016, and September 12, 2016, defendants Derin Scott and David Klein respectively transferred \$1 each into the Civil Penalty Fund.

¹¹ Two additional cases in which civil penalties were ordered, David Eghbali and Flurish, Inc dba Lendup, resulted in accounts receivable in fiscal year 2016.

or such payments are otherwise not practicable, to consumer education and financial literacy programs. The Fund Administrator makes these allocations according to a schedule published in accordance with the rule. That schedule established six-month periods and provides that an allocation will be made within 60 days of the end of each period. The Fund Administrator may allocate only those funds that were available as of the end of the six-month period, and may allocate funds to a class of victims only if that class had uncompensated harm as of the end of the six-month period.

Allocations in fiscal year 2015

Period 4: April 1, 2014- September 30, 2014

On November 28, 2014, the Bureau made its fourth allocation from the Civil Penalty Fund. As of September 30, 2014, the Civil Penalty Fund had an unallocated balance of \$112.8 million. This amount was available for allocation pursuant to 12 C.F.R. § 1075.105(c).

TABLE 16: PERIOD 4: CASES IN WHICH A CIVIL PENALTY WAS IMPOSED

Defendant Name	Date of Final Order
Bank of America, N.A.	April 9, 2014
RealtySouth	May 28, 2014
Stonebridge Title Services, Inc.	June 12, 2014
Synchrony Bank (GE Capital Retail Bank)	June 19, 2014
Ace Cash Express, Inc.	July 10, 2014
Colfax Capital Corporation, Culver Capital, LLC	July 29, 2014
Amerisave Mortgage Corporation	August 12, 2014
USA Discounters, Ltd.	August 14, 2014
First Investors Financial Services Group, Inc.	August 20, 2014
Global Client Solutions, LLC	August 27, 2014
U.S. Bank National Association	September 25, 2014

Defendant Name	Date of Final Order
Flagstar Bank, F.S.B.	September 29, 2014
Lighthouse Title, Inc.	September 30, 2014

During Period 4, final orders in Bureau enforcement actions imposed civil penalties in 13 cases. For three of the cases with final orders issued in Period 4, the civil penalties were received after September 30, 2014, and were not included as funds available for allocation in Period 4, although the victims were considered in Period 4.¹² The table above lists the date that the order in each of those cases became a “final order” within the meaning of the Civil Penalty Fund rule. Under the Civil Penalty Fund rule, the victims of the violations for which the civil penalties were imposed in these cases are eligible to receive payment from the Civil Penalty Fund to compensate their uncompensated harm.

Of those cases, the Civil Penalty Fund Administrator determined that 10 cases did not have classes of victims with uncompensated harm, and three cases had classes of eligible victims with uncompensated harm that is compensable from the Civil Penalty Fund. During this allocation period, the total eligible uncompensated harm exceeded available funds. As a result, the Bureau allocated \$1.4 million to the Amerisave Mortgage Corporation victim class to fully compensate the victims’ uncompensated harm; \$3.4 million to the Culver Capital, LLC victim class; and \$107.9 million to the Global Client Solutions, LLC victim class.¹³

As part of the Period 4 allocation, the Fund Administrator also reviewed the five cases from prior periods for which the Fund Administrator did not at the time have sufficient information to determine whether classes of victims had “compensable harm” or “uncompensated harm.” In

¹² During this period, civil penalties collected from three cases, U.S. Bank, Flagstar Bank, F.S.B., and Lighthouse Title, were not included as available funds due to civil penalties being deposited after September 30, 2014.

¹³ During this allocation period, total eligible uncompensated harm exceeded available funds. As a result, \$3,400,434 was allocated to the Culver Capital victim class and \$107,995,400 to the Global Client Solutions class—enough to compensate 89% of those victims’ uncompensated harm. In accordance with the Civil Penalty Fund Rule these victim classes remained eligible to receive additional allocations to compensate their remaining uncompensated harm in future periods.

particular, one case from Period 3, Republic Mortgage Insurance Company, and four cases from Period 2, United Guaranty Corporation, Genworth Mortgage Ins. Corp., Mortgage Guaranty Ins. Corp., and Radian Guaranty, Inc. were reviewed. In these five cases, the Fund Administrator determined that the classes of victims in these cases do not have uncompensated harm that is compensable from the Civil Penalty Fund. There was no remaining unallocated Civil Penalty Fund balance available for future allocation. No funds were allocated for consumer education and financial literacy purposes.

Period 4 Allocation Summary:

Victim Compensation: \$112,776,305

- Culver Capital, LLC
 - Victim Class Allocation: \$3,400,434
- Amerisave Mortgage Corporation
 - Victim Class Allocation: \$1,380,470
- Global Client Solutions, LLC
 - Victim Class Allocation: \$107,995,400

Consumer Education and Financial Literacy Programs: \$0

Total Allocation: \$112,776,305

Period 5: October 1, 2014- March 31, 2015

On May 29, 2015, the Bureau made its fifth allocation from the Civil Penalty Fund. As of March 31, 2015, the Civil Penalty Fund had an unallocated balance of \$47.6 million. Of that, \$500,000 was set aside for administrative costs and \$47.1 million was available for allocation pursuant to 12 C.F.R. § 1075.105(c).

TABLE 17: PERIOD 5: CASES IN WHICH A CIVIL PENALTY WAS IMPOSED

Defendant name	Date of Final Order
Manufacturers and Traders Trust Company	October 9, 2014
DriveTime Automotive Group, Inc.	November 19, 2014
Premier Consulting Group LLC	December 4, 2014

Defendant name	Date of Final Order
Freedom Stores, Inc.	January 9, 2015
College Education Services LLC	January 15, 2015
Wells Fargo Bank, N.A. (Genuine Title Matter)	January 22, 2015
JPMorgan Chase Bank, N.A. (Genuine Title Matter)	January 22, 2015
Todd Cohen & Elaine Oliphant Cohen (Genuine Title Matter)	February 2, 2015
Continental Finance Company, LLC	February 4, 2015
NewDay Financial, LLC	February 10, 2015
Union Workers Credit Services, Inc.	February 10, 2015
American Preferred Lending, Inc.	February 12, 2015
Flagship Financial Group, LLC	February 12, 2015
National Corrective Group, Inc.	March 31, 2015

During Period 5, final orders in Bureau enforcement actions imposed civil penalties in 14 cases. The table above lists the date that the order in each of those cases became a “final order” within the meaning of the Civil Penalty Fund rule. Under the Civil Penalty Fund rule, the victims of the violations for which the civil penalties were imposed in these cases are eligible to receive payment from the Civil Penalty Fund to compensate their uncompensated harm.

Of those cases, the Civil Penalty Fund Administrator determined 11 cases did not have eligible classes of victims with uncompensated harm, and three cases had classes of eligible victims with uncompensated harm that is compensable from the Civil Penalty Fund. The Bureau allocated \$3.5 million to the College Education Services victim class, \$18.9 million to the Union Workers Credit Services victim class, and \$23.3 million to the National Corrective Group victim class. Sufficient funds were allocated to each of these classes to compensate fully the uncompensated harm of all victims in those classes to whom it is practicable to make payments.

The total allocation to classes of victims from Period 5 cases was \$45.63 million, which left \$1.5 million available for allocation to prior-period cases. The total eligible uncompensated harm for

the Period 4 allocation exceeded available funds at that time, resulting in allocations to classes in two cases of less than 100% of their victims' uncompensated harm. One of those cases, Culver Capital, received a Period 4 allocation of \$3.4 million. In Period 5, the Bureau allocated an additional \$421,481 to the Culver Capital victim class. That is enough to compensate fully the uncompensated harm of the victims in the Culver Capital class. The other Period 4 case with eligible uncompensated harm, Global Client Solutions, received an allocation of \$107.9 million in Period 4. As of the time of the Period 5 allocation, the Fund Administrator did not have sufficient information to determine whether additional funds should be allocated to the victims in the Global Client Solutions case. As a result, the Fund Administrator did not make an allocation to Global Client Solutions in Period 5. No funds were allocated for consumer education and financial literacy purposes.

Period 5 Allocation Summary:

Victim Compensation: \$46,051,628

- College Education Services
 - Victim Class Allocation: \$3,459,336
- Union Workers Credit Services, Inc.
 - Victim Class Allocation: \$18,908,744
- National Corrective Group
 - Victim Class Allocation: \$23,262,067
- Culver Capital, LLC
 - Victim Class Allocation: \$421,481

Consumer Education and Financial Literacy Programs: \$0

Total Allocation: \$46,051,628

Allocations in fiscal year 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).

TABLE 18: PERIOD 6: CASES IN WHICH A CIVIL PENALTY WAS IMPOSED

Defendant name	Date of Final Order
R M K Financial Corporation	April 9, 2015
S/W Tax Loans, Inc.	April 16, 2015
Green Tree Servicing LLC	April 23, 2015
Regions Bank	April 28, 2015
Hoffman Law Group, P.A. ¹⁴	May 5, 2015, May 6, 2015, and July 27, 2015
PayPal, Inc., and Bill Me Later, Inc.	May 21, 2015
Guarantee Mortgage Corporation	June 5, 2015
RPM Mortgage, Inc.	June 9, 2015
Syndicated Office Systems, LLC	June 18, 2015
Intersections Inc.	July 1, 2015
Chase Bank, USA N.A.	July 8, 2015
Citibank, N.A.	July 21, 2015
Discover Bank	July 22, 2015
LoanCare, LLC	July 28, 2015
Paymap Inc.	July 28, 2015

¹⁴ The Hoffman Law Group case included four separate final orders. Final order and judgement for Michael Harper was entered on May 5, 2015; final order and judgement for defendant Ben Wilcox was entered on May 5, 2015; final order and judgement against March Hoffman was entered on May 6, 2015; and, the final judgement and order against the Hoffman corporate defendant was entered on May 28, 2015. The orders against the individual defendants were consent orders. The order against the corporate defendant was an appealable order, and the time for appeal expired on July 27, 2015.

Defendant name	Date of Final Order
Residential Credit Solutions, Inc.	July 30, 2015
RBS Citizens Financial Group, Inc.	August 12, 2015
Encore Capital Group, Inc.	September 9, 2015
Portfolio Recovery Associates, LLC	September 9, 2015
Student Financial Aid Services, Inc.	September 11, 2015
Fifth Third Bank	September 28, 2015
Westlake Services, LLC	September 30, 2015

During Period 6, final orders in Bureau enforcement actions imposed civil penalties in 22 cases. The table above lists the date that the order in each of those cases became a “final order” within the meaning of the Civil Penalty Fund rule. Under the Civil Penalty Fund rule, the victims of the violations for which the civil penalties were imposed in these cases are 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 allocations from the Civil Penalty Fund. The 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 \$107.9 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:

Victim Compensation: \$20,374,842.02

- The Hoffman Law 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: \$15,432,809.00

Total Allocation: \$35,807,651.02

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).

TABLE 19: PERIOD 7: CASES IN WHICH A CIVIL PENALTY WAS IMPOSED

Defendant name	Date of Final Order
Walter J. Ledda (Morgan Drexen, Inc.) ¹⁵	October 19, 2015
All Financial Services, LLC	October 21, 2015
Affinion Group Holdings, Inc.	October 27, 2015

¹⁵ A stipulated final judgment and order as to Defendant Walter J. Ledda was entered on October 19, 2015. A final judgment against Defendant Morgan Drexen, Inc., the corporate Defendant, was entered on March 16, 2016 and became a “final order” pursuant to the Civil Penalty Fund rule in period 8.

Defendant name	Date of Final Order
Security National Automotive Acceptance Company, LLC	October 28, 2015
General Information Services, Inc., and e-Backgroundchecks.com, Inc.	October 29, 2015
Hudson City Savings Bank, F.S.B.	November 4, 2015
Clarity Services, Inc., and Timothy Ranney	December 1, 2015
Collecto, Inc. d/b/a EOS CCA	December 8, 2015
EZCORP, Inc.	December 15, 2015
Interstate Auto Group, Inc., aka "CarHop," and Universal Acceptance Corporation	December 17, 2015
Fredrick J. Hanna & Associates, P.C.	January 6, 2016
Y King S Corp. d/b/a Herbies Auto Sales	January 21, 2016
Solomon & Solomon, P.C	February 23, 2016
Citibank, N.A.	February 23, 2016
Faloni & Associates, LLC	February 23, 2016
Dwolla, Inc.	March 2, 2016
IrvineWebWorks, Inc. d/b/a Student Loan Processing.US	March 15, 2016
Student Aid Institute, Inc., Steven Lamont	March 30, 2016

During Period 7, final orders in Bureau enforcement actions imposed civil penalties in 18 cases. The table above lists the date that the order in each of those cases became a “final order” within the meaning of the Civil Penalty Fund rule. Under the Civil Penalty Fund rule, the victims of the violations for which the civil penalties were imposed in these cases are 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), IrvineWebWorks, Inc. d/b/a Student Loan Processing.US, and Student Aid Institute, received allocations 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 \$107.9 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. The remaining unallocated Civil Penalty Fund balance is available for future allocations.

Period 7 Allocation Summary:

Victim Compensation: \$110,321,563.75

- Walter J. Ledda (Morgan Drexen, Inc.)
 - 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, Inc., Steven Lamont
 - Victim Class Allocation: \$3,508,900.27

Consumer Education and Financial Literacy Programs: \$0

Total Allocation: \$110,321,563.75

Fiscal year 2016 cases eligible for allocation in fiscal year 2017

On or before November 29, 2016, the Bureau will make its eighth allocation from the Civil Penalty Fund. As of September 30, 2016, the Civil Penalty Fund had an unallocated balance of \$170.1 million. This amount is available for allocation pursuant to 12 C.F.R. § 1075.105(c).

Civil Penalty Fund distributions

Civil penalty fund distributions have begun for ten Civil Penalty Fund allocations made in Periods 1 through 5.

TABLE 20: CIVIL PENALTY FUND DISTRIBUTIONS

Defendant	Period	Amount Allocated	Amount Distributed	Percentage of Funds Cashed	Number of Checks Mailed	Year & Quarter of Initial Distribution
Payday Loan Debt Solution, Inc.	1	\$488,815	\$458,526	86%	1,174	FY14 Q1
Gordon, et. al	1	\$10,000,000	\$9,977,166	90%	3,782	FY15 Q3
American Debt Settlement Solutions, Inc.	2	\$499,248	\$499,246	97%	339	FY14 Q3
National Legal Help Center, Inc.	2	\$2,057,983	\$1,408,421	93%	530	FY15 Q1
Meracord LLC	3	\$11,542,229	\$10,997,212	91%	9,428	FY15 Q2
3D Resorts-Bluegrass	3	\$6,704,100	\$2,765,563	94%	219	FY16 Q3
Culver Capital, LLC	4, 5	\$3,821,915	\$3,723,953	71%	3,372	FY16 Q1
Amerisave Mortgage Corporation	4	\$1,380,470	\$1,366,268	62%	50,061	FY16 Q2
Union Workers Credit Services	5	\$18,908,744	\$18,902,446	61%	463,745	FY16 Q3

Defendant	Period	Amount Allocated	Amount Distributed	Percentage of Funds Cashed	Number of Checks Mailed	Year & Quarter of Initial Distribution
National Corrective Group	5	\$23,262,067	\$23,258,445	79%	110,969	FY16 Q1
TOTALS		\$78,665,571	\$73,357,246		643,619	

The table above identifies cases for which Civil Penalty monies have been disbursed to harmed consumers. It reflects the case-specific allocation period, total amount allocated, total dollar amount that has been mailed to harmed consumers, the percentage of funds distributed that has been cashed, the number of consumers to whom checks were mailed, and when distributions began. As of the end of fiscal year 2016, a total of \$73.4 million has been distributed to harmed consumers using the Civil Penalty Fund.

Three Civil Penalty Fund distributions concluded in fiscal year 2016. The Payday Loan Debt Solution, Inc. distribution concluded in the first quarter of fiscal year 2016. The American Debt Settlement Solutions, Inc. distribution concluded in the third quarter of fiscal year 2016. The National Legal Help Center, Inc. distribution concluded in the fourth quarter of fiscal year 2016.

The remaining distributions in the table above are still active and in each of these cases checks continue to be cashed by consumers.

Distributions are expected to begin in fiscal year 2017 for the Hoffman Law Group, P.A.; Student Financial Aid Services, Inc.; Student Loan Processing; Student Aid Institute, Inc.; Walter J. Ledda (Morgan Drexen, Inc.); Global Client Solutions, LLC; and College Education Services cases.

1.4 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. CFPB refers to these collections as Bureau-Administered Redress.

TABLE 21: COLLECTIONS IN FISCAL YEAR 2015

Defendant	Amount Collected	Date of Collection
Flagstar Bank, F.S.B.	\$27,500,000	October 9, 2014
Franklin Loan Corporation	\$730,000	December 3, 2014
Global Client Solutions, LLC	\$2,099,000 ¹⁶	December 3, 2014
Freedom Stores, Inc.	\$386,280	January 28, 2015
JPMorgan Chase Bank, N.A. (Genuine Title Matter)	\$300,753	February 12, 2015
S/W Tax Loans, Inc.	\$254,267 ¹⁷	April 21, 2015 April 22, 2015
Fort Knox National Company	\$3,065,150	April 28, 2015
Green Tree Servicing LLC	\$48,000,000	April 30, 2015
Genuine Title, et al.	\$562,500 ¹⁸	May 15, 2015 June 23, 2015
The Hoffman Law Group, P.A.	\$655,737	June 2, 2015
RPM Mortgage, Inc.	\$18,000,000 ¹⁹	June 15, 2015 September 30, 2015

¹⁶ Global Client Solutions, LLC paid in fiscal year 2015 the \$2.1 million in accounts receivable associated with the judgement ordered in fiscal year 2014.

¹⁷ S/W Tax Loans, Inc. paid redress in two installments of \$254,000 on April 21, 2015, and \$267 on April 22, 2015.

¹⁸ Genuine Title, et al. paid redress in five separate amounts on dates ranging from May 15, 2015 through June 23, 2015.

¹⁹ RPM Mortgage, Inc. paid Bureau-administered redress in two installments, \$2 million on June 15, 2015, and \$16 million on September 30, 2015.

Defendant	Amount Collected	Date of Collection
Residential Credit Solutions, Inc.	\$1,500,000	August 7, 2015
Student Financial Aid Services, Inc.	\$5,200,000	September 17, 2015

In fiscal year 2015, the Bureau collected \$108.3 million in Bureau-Administered Redress funds from ten defendants. Funds are distributed in accordance with the terms of the final order for each case.

TABLE 22: COLLECTIONS IN FISCAL YEAR 2016

Defendant	Amount Collected	Date of Collection
Walter J. Ledda (Morgan Drexen, Inc.)	\$500,000	October 23, 2015
IrvineWebWorks, Inc. d/b/a Student Loan Processing.US	\$326,000	March 23, 2016
World Law Debt Services, LLC	\$121,387 ²⁰	August 11, 2016 August 12, 2016
Corinthian Colleges, Inc.	\$35,347 ²¹	August 18, 2016

In Fiscal Year 2016, the Bureau collected \$982,734 in Bureau-Administered Redress funds from four defendants. Funds are distributed in accordance with the terms of the final order for each case.

²⁰ Orion Processing, LLC, d/b/a World Law Processing paid a total of \$121,387 in redress in seven installments on August 11, 2016 and August 12, 2016.

²¹ Corinthian Colleges, Inc. paid \$35,347 in redress in two installments on August 18, 2016.

Bureau-administered redress distributions

TABLE 23: BUREAU-ADMINISTERED REDRESS DISBURSEMENTS

Defendant	Year & Quarter of Initial Distribution	Amount Distributed	Percentage of Funds Cashed	Number of Checks Mailed
Payday Loan Debt Solution, Inc. ²²	FY14 Q1	\$76,442	83%	310
Castle and Cooke Mortgage, LLC	FY14 Q3	\$9,171,085	99%	8,837
Pessar (Gordon <i>et al.</i>) ²³	FY15 Q2	\$22,803	74%	36
Flagstar Bank, F.S.B.	FY16 Q1	\$27,429,594	84%	6,712
JPMorgan Chase	FY16 Q2	\$266,241	99%	183
Freedom Stores, Inc.	FY16 Q2	\$348,178	56%	722
Franklin Loan Corporation	FY16 Q2	\$688,400	89%	821
Amerisave Mortgage Corporation ²⁴	FY16 Q2	\$14,487,551	87%	96,780
S/W Tax Loans, Inc.	FY16 Q2	\$203,115	80%	1,549
Fort Knox National Company & Military Assistance Company, LLC	FY16 Q2	\$2,784,333	43%	41,922

²² The final order in the Payday Loan Debt Solution, Inc. case included two classes of victims. One class was compensated in accordance with the final order using Bureau-Administered Redress funds. The other class was compensated with an allocation and subsequent distribution from the Civil Penalty Fund.

²³ The final order against defendant Pessar in the Gordon, *et al.* case included one class of victims. The class was compensated using both the Civil Penalty Fund and Bureau-Administered Redress funds.

²⁴ The final order in the Amerisave Mortgage Corporation case included multiple classes of victims. Several classes were compensated in accordance with the final order using Bureau-Administered Redress funds. One class was compensated with an allocation and subsequent distribution from the Civil Penalty Fund.

Defendant	Year & Quarter of Initial Distribution	Amount Distributed	Percentage of Funds Cashed	Number of Checks Mailed
3D Resorts-Bluegrass ²⁵	FY16 Q3	\$50,000	100%	2
Green Tree Servicing LLC	FY16 Q4	\$47,144,103	61%	482,173
Residential Credit Solutions, Inc.	FY16 Q4	\$1,460,279	59%	372
TOTALS		\$104,132,124		640,419

The table above reflects matters for which redress funds were collected, the time period when distributions began, the total dollar amount that has been mailed to harmed consumers, the percentage of funds distributed that has been cashed, and the number of consumers to whom checks were mailed. As of the end of fiscal year 2016, the Bureau distributed a total of \$104 million to 640,419 consumers.

Two Bureau-Administered Redress distributions concluded in fiscal year 2016. The Payday Loan Debt Solution, Inc. distribution concluded in the first quarter of fiscal year 2016. The Castle and Cooke Mortgage, LLC, distribution concluded in the fourth quarter of fiscal year 2016.

The remaining distributions in the table above are still active and in each of these cases checks continue to be cashed by consumers.

²⁵ The final order in the 3D Resorts-Bluegrass case included one class of victims. The class was compensated using both the Civil Penalty Fund and Bureau-Administered Redress funds.

1.5 Management assurances and audit results

CFPB Statement of Management Assurance

Fiscal Year 2016, November 8, 2016

The management of the Consumer Financial Protection Bureau (CFPB) is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act of 1982 (FMFIA).

Continuous monitoring and periodic evaluations provide the basis for the annual assessment and report on management's controls, as required by FMFIA. The CFPB is leveraging the established OMB Circular A-123 and the FMFIA assessment methodologies to assist in assessing the applicable entity-wide controls, documenting the applicable processes, and identifying and testing the key controls. Based on the results of these ongoing evaluations, the CFPB can provide reasonable assurance that internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations meet the objectives of FMFIA, and no material weaknesses were found in the design or operation of the internal controls as of September 30, 2016.

As required by the Dodd-Frank Act, the CFPB is to provide a management assertion as to the effectiveness of the CFPB's internal control over financial reporting. The CFPB management is responsible for establishing and maintaining effective internal control over financial reporting. The CFPB conducted its assessment of the effectiveness of internal control over financial reporting based on the criteria established under 31 U.S.C. Sec. 3512(c) and applicable sections of OMB Circular A-123. Based on the results of this evaluation, the CFPB can provide reasonable assurance that its internal control over financial reporting as of September 30, 2016 was operating effectively and no material weaknesses were found in the design or operation of the internal control over financial reporting.

Under the Dodd-Frank Act, the CFPB is required to maintain financial management systems that comply substantially with Federal financial management systems requirements and applicable Federal accounting standards. The CFPB utilizes financial management systems that substantially comply with the requirements for Federal financial management systems and applicable Federal accounting standards.

A handwritten signature in blue ink that reads "Richard Cordray".

Richard Cordray
Director of the Consumer Financial Protection Bureau

Federal Managers' Financial Integrity Act

The CFPB was established as an independent bureau in the Federal Reserve System under the Dodd-Frank Act Section 1011 (a). As an independent, non-appropriated bureau, CFPB recognizes the importance of Federal laws associated with implementing effective risk management, including the Federal Managers' Financial Integrity Act. This includes ensuring that CFPB operations and programs are effective and efficient and that internal controls are sufficient to minimize exposure to waste and mismanagement.

In fiscal year 2016, CFPB performed an evaluation of its risks and systems of internal controls. Based on the results of those evaluations, the CFPB is able to provide a reasonable statement of assurance that the internal control over the effectiveness and efficiency of operations, and compliance with applicable laws and regulations meet the objectives of FMFIA, and no material weaknesses were found in the design or operation of the internal controls as of September 30, 2016. While there was no material weaknesses identified, the CFPB identified two (2) significant deficiencies that are listed below. The CFPB is committed to continuously enhancing and improving its systems of internal control and realizing more effective and efficient ways to accomplish its mission; as well as taking appropriate steps to implement timely corrective actions.

Accounting for Property and Equipment (*Significant Deficiency*)

In fiscal year 2014, CFPB identified a significant deficiency in the accounting for property and equipment. During fiscal years 2015 and 2016, the Bureau implemented corrective actions to mitigate the risks of this deficiency. The corrective actions implemented did not fully mitigate the risks and therefore this significant deficiency is still identified in fiscal year 2016. During fiscal year 2017, the Bureau will continue to implement and improve processes to more systematically gather and disseminate information on fixed asset acquisitions to ensure capitalized costs are accurately captured and recorded.

Information Security Controls (*Significant Deficiency*)

In fiscal year 2016, CFPB identified a significant deficiency in the operational effectiveness of certain information security controls. During fiscal year 2017, the Bureau will continue to implement and improve processes to enhance internal control and improve its operational effectiveness and efficiency over the management of sensitive data.

Additionally, we identified several enhancement areas to focus on during fiscal year 2017 and will continue to make progress toward: improving our internal controls and operational effectiveness in the areas of information security, ensuring compliance with policies and procedures through enhanced documentation, training and communication, monitoring and maturing our human capital program, and coordinating and managing employee workspace.

Federal financial management systems requirements

Section 1017(a)(4)(C) of the Dodd-Frank Act requires the CFPB to implement and maintain financial management systems that substantially comply with Federal financial management systems requirements and applicable Federal accounting standards. The CFPB performs or is subject to a number of other assessments in order to further support compliance with the requirement set forth within the Dodd Frank Act requiring the CFPB to implement and maintain Financial Management Systems that comply substantially with the Federal Financial Management Systems requirements and applicable accounting standards. These assessments also assist in documenting compliance with the Federal Financial Management System requirements. Assessments include but are not limited to:

- Internal Control over Financial Reporting (ICOFR)
- Federal Information Security Management Act (FISMA)
- Improper Payments
- Federal Manager's Financial Integrity Act Reporting of 1982 (FMFIA)

Based on the results of these assessments, the CFPB provided reasonable assurance that as of September 30, 2016. The CFPB financial management systems substantially comply with the requirements for Federal financial management systems and applicable Federal accounting standards.

Additionally, as discussed in the section on Financial Management System Strategy below, the CFPB has entered into an agreement with the Bureau of Fiscal Service, Administrative Resource Center (BFS/ARC) for the cross-servicing of the CFPB's core financial management system needs. As such, BFS/ARC has provided assurances to the CFPB that BFS/ARC's system is in compliance with the Federal Financial Management Improvement Act (FFMIA) whereby the system is substantially compliant with:

- Federal financial management system requirements,
- Applicable federal accounting standards, and
- The United States Standard General Ledger at the transaction level.

BFS/ARC has reported that its system substantially complies with these three requirements of FFMIA and recently completed a Statement on Standards for Attestation Engagement (SSAE) No. 16, Reporting on Controls at a Service Organization. The independent auditors opined in the SSAE-16 report that BFS/ARC's controls were suitably designed and operating effectively to provide reasonable assurance that control objectives would be achieved if customer agencies applied the complementary customer agency controls.

The CFPB evaluated its internal controls over the processing of transactions between the CFPB and BFS/ARC. The CFPB has determined it has adequate complementary customer controls in place.

Financial statement audit and audit of internal control over financial reporting

Sections 1017(a)(4)(B) and (D) of the Dodd-Frank Act require the CFPB to prepare and submit to GAO annual financial statements and an assertion of the effectiveness of the internal control over financial reporting. Section 1017(a)(5)(A) and (B) of the Dodd-Frank Act also require GAO to audit those financial statements and report their results to the Bureau, Congress and the President. The CFPB prepared comparative financial statements for fiscal years 2016 and 2015.

GAO issued an unmodified audit opinion on the CFPB's fiscal years 2016 and 2015 financial statements. GAO opined that CFPB maintained, in all material respects, effective internal control over financial reporting as of September 30, 2016. Also, GAO reported that its tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for fiscal year 2016 that would be reported under U.S. generally accepted government auditing standards.

Financial management systems strategy

The CFPB recognized during its initial years of operation that it needed to leverage from other federal agencies existing financial management resources, systems and information technology

platforms. Initially, all of the CFPB's financial management transactions were processed through the Department of the Treasury's Departmental Offices. The Bureau also relied on Treasury for much of its information technology infrastructure. In August 2015, the Bureau successfully migrated away from the Department of the Treasury and assumed sole responsibility for operating and maintaining its information technology enterprise. However, CFPB financial management systems continue to be provided by a federal third party service provider. The CFPB continues to maintain an agreement with the Bureau of the Fiscal Service, Administrative Resource Center (BFS/ARC) for the cross-servicing of a commercial off-the-shelf core financial management system designed and configured to meet generally accepted accounting principles for Federal entities. In addition to the core financial management system, BFS/ARC provides services that include transactional processing, financial reporting, human resource services, procurement services, and travel services. The CFPB's goal is to continue providing an effective strategy that supports our financial management systems.

The CFPB recognizes the importance of financial management systems and oversight as a part of the capital planning and investment control process. Accordingly, the CFPB relies on its Investment Review Board (IRB) as the executive advisory body responsible for ensuring that all business and technology investments are aligned to the CFPB's mission, vision, strategic goals and initiatives, and utilize program management best practices to achieve the maximum return on investments. The IRB is chaired by the Chief Financial Officer (CFO). Investments over \$0.5 million are reviewed by the IRB, unless waived by the Chair in consultation with IRB members. The Chair may require IRB review of investments less than \$0.5 million if the investment is deemed significant.

Federal Information Security Management Act

The Federal Information Security Management Act (FISMA) requires Federal agencies to develop, document, and implement an agency-wide program to provide security for the information and information systems that support the operations and assets of the agency. The CFPB has developed a Cyber Security Program in accordance with FISMA that is grounded in a foundation of well-documented policies, standards and processes. The Bureau relies on the soundness of this program to conduct reviews of its third-party service organizations including other federal entities with whom we have cross servicing agreements that enable us to leverage their existing information technology and platforms. As the CFPB continues to mature and grow, the security program will adjust as well to ensure the safety and protection of the Bureau's data and assets.

Improper payments

The Improper Payments Elimination and Recovery Act of 2011 (IPERA) requires agencies to review their programs and activities annually to identify those susceptible to significant improper payments. While the CFPB's Bureau Fund is not subject to the Act, it was determined that the Bureau's Civil Penalty Fund is subject to the Act. The Office of the Chief Financial Officer conducted a review and risk assessment of the Civil Penalty Fund for fiscal year 2015 and determined that the program is low risk and not susceptible to significant improper payments. The Office of Management and Budget's (OMB) guidance only requires an agency to conduct a program risk assessment once every three years if a prior risk assessment determined the program to be low risk. The Civil Penalty Fund was determined to be low risk in FY 2015 and as a result, a program risk assessment was not required in FY 2016. Additionally, the Office of the Chief Financial Officer determined that the Civil Penalty Fund did not meet the reporting threshold for fiscal years 2016 and 2015.

Limitations of the Financial Statements

The principal financial statements contained in this report have been prepared to present the financial position and results of operations of the CFPB pursuant to the requirements of the Dodd-Frank Act Section 1017(a)(4)(B). While the statements have been prepared from the books and records of the Consumer Financial Protection Bureau, in accordance with generally accepted accounting principles for the Federal government, and follow the general presentation guidance provided by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared using the same books and records. The statements should be read with the understanding that they are for a component of the U.S. Government, a sovereign entity.

1.6 Financial analysis

Analysis of FY 2016 Financial Condition and Results

Since its inception in 2011 the Bureau has experienced considerable growth in the number of its employees, in the maturity of its processes and activities, and in the consumption of requested

resources to conduct its activities. This is reflected in the data provided in Table 28 below that reports on significant changes between fiscal years 2016 and 2015.

TABLE 24: SUMMARY OF FINANCIAL INFORMATION

(In Dollars)	Percentage Change	FY 2016	FY 2015
Total Assets	19%	\$1,004,877,594	\$847,016,383
Total Liabilities	31%	\$381,116,653	\$290,647,354
Total Net Position	12%	\$623,760,941	\$556,369,029
Total Net Cost of Operations	6%	\$678,894,875	\$640,773,291
Total Budgetary Resources	21%	\$1,205,051,818	\$995,007,723
Total New Obligations and Upward Adjustments	16%	\$647,240,925	\$559,003,285
Total Outlays	27%	\$642,577,690	\$507,037,398

Total Assets are \$1,004.9 million as of September 30, 2016, an increase of \$157.9 million (or 19 percent) over fiscal year 2015. The main factor contributing to the net increase was a \$111.9 million increase (a 35 percent increase) in the Civil Penalty Fund cash and other monetary asset balance. Additionally, property and equipment increased substantially from \$42.6 million to \$93 million (an increase of 118 percent), resulting primarily from the agency's leasehold improvement project.

Total Liabilities are \$381.1 million as of September 30, 2016, an increase of \$90.5 million (or 31 percent) over fiscal year 2015. The Bureau's liabilities generally represent the resources due to others such as benefits owed to employees and payments owed to vendors and Federal agencies for goods and services provided. Liabilities also include victim compensation amounts allocated from the Civil Penalty Fund (net of distributions to date), which increased from \$166.8 million as of September 30, 2015 to \$247.5 million (an increase of \$80.7 million or 48 percent) as of September 30, 2016.

Total Net Position at the end of fiscal year 2016 increased by \$67.4 million (an increase of 12 percent) from fiscal year 2015. While both the financing sources and cost of operations increased in 2016 due to the general growth of the agency, the rise in net position is primarily due to a relatively greater increase in transfers to the Bureau Fund from the Board of Governors of the Federal Reserve System.

Total Net Cost of Operations increased from \$640.8 million in fiscal year 2015 to \$678.9 million in fiscal year 2016 (an increase of \$38.1 million or 6 percent) due to the overall growth of the agency and the continued activity in each of its four strategic goals: (1) Prevent Financial Harm to Consumers While Promoting Good Practices That Benefit Them; (2) Empower Consumers to Live Better Financial Lives; (3) Inform the Public, Policy Makers, and the CFPB's own Policy-Making with Data-Driven Analysis of Consumer Finance Markets and Consumer Behavior; and, (4) Advance the CFPB's Performance by Maximizing Resources Productivity and Enhancing Impact. The largest increase in program cost in fiscal year 2016 supported the strategic goal of preventing financial harm to consumers while promoting good practices that benefit them.

How the CFPB is funded and other sources of revenue and collections

Bureau fund

Under the Dodd-Frank Act, the CFPB is funded principally by transfers from the Board of Governors of the Federal Reserve System up to a limit set forth in the statute. The CFPB requests transfers from the Board of Governors in amounts that are reasonably necessary to carry out its mission. Funding is capped at a pre-set percentage of the total 2009 operating expenses of the Federal Reserve System, subject to an annual adjustment. Specifically, the CFPB fund transfers are capped as follows:

- In fiscal year 2011, up to 10 percent of these Federal Reserve System expenses (or approximately \$498 million),
- In fiscal year 2012, up to 11 percent of these expenses (or approximately \$547.8 million),
- In fiscal year 2013, up to 12 percent of these expenses (or approximately \$597.6 million), and

- In fiscal year 2014 and beyond, the cap remains at 12 percent but will be adjusted annually based on the percentage increase in the employment cost index for total compensation for State and local government workers published by the Federal Government.

The Dodd-Frank Act requires the CFPB to maintain an account with the Federal Reserve – “Bureau of Consumer Financial Protection Fund” (Bureau Fund). Funds requested from the Board of Governors are transferred into the Bureau Fund. Bureau funds determined not to be needed to meet the current needs of the CFPB are invested in Treasury securities on the open market. Earnings from the investments are also deposited into this fund. During fiscal year 2016 four transfers totaling \$565 million were received from the Board of Governors. The amount transferred from the Board of Governors to the CFPB was \$67 million less than the funding cap of \$632 million, and \$41 million less than the \$606 million budget for fiscal year 2016.

The Dodd-Frank Act explicitly provides that Bureau funds obtained by or transferred to the CFPB are not Government funds or appropriated funds.

Civil Penalty Fund

As discussed previously in Section 1.3 of this report entitled, “Civil Penalty Fund Annual Report,” the CFPB collected civil penalties from judicial or administrative actions in the amount of \$182.1 million for fiscal year 2016 and \$183.1 million for fiscal year 2015.

Other collections

During fiscal year 2016, the CFPB collected \$118,200 in filing fees pursuant to the Interstate Land Sales Full Disclosure Act of 1968. The fees were deposited into an account maintained by the Department of the Treasury, and are retained and available until expended for the purpose of covering all or part of the costs that the Bureau incurs to operate the Interstate Land Sales program.

Fiduciary activity and custodial revenue

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. Fiduciary assets are not assets of the CFPB and are not recognized on the balance sheet. During fiscal year 2016, the CFPB collected \$1 million in redress to be administered by the CFPB. Further information is contained in our financial statements at Note 20 entitled, “Fiduciary Activities.”

Further, section 1055 of the Act provides that the CFPB may obtain the remedy of disgorgement for a violation of Federal consumer law. Disgorgement paid by the defendant is treated by CFPB as custodial revenue and maintained in the Miscellaneous Receipts Fund of the U.S. Treasury. CFPB reported the fiscal year 2016 disgorged deposits of \$14.6 million and any other miscellaneous funds collected or receivable on the Statement of Custodial Activity – a statement that displays all custodial revenue for fiscal years 2016 and 2015.

TABLE 25: OVERALL SUMMARY OF CFPB REVENUE AND RECEIPTS BY TYPE AND FISCAL YEAR

Fiscal Year	Transfers requested	Civil Penalty Fund receipts	Fiduciary revenue	Custodial revenue
2016	\$564,900,000	\$182,138,760	\$982,735	\$14,565,083
2015	\$485,100,000	\$183,120,079	\$78,654,687	\$8,278,011

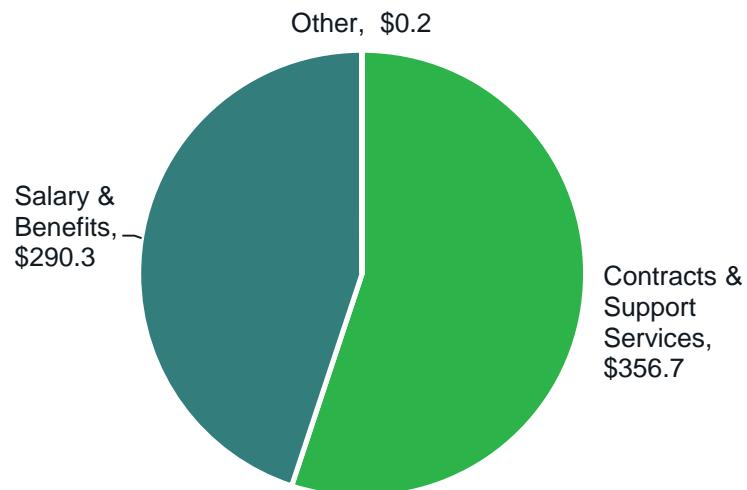
What the CFPB has funded

The CFPB’s fiscal year 2016 obligations related to resources essential to operations and activities such as personnel, information technology, mission-specific and human capital support, and other general support service activities. The CFPB incurred \$647.2 million in obligations²⁶ –

²⁶ New obligations and upward adjustments amount of \$647.2 million that is reported here and on the Statement of Budgetary Resources, includes \$2.1 million in upward adjustments to prior year obligations, and \$ 645.1 million associated with the fiscal year 2016 budget.

\$356.7 million in Contracts & Support Services²⁷, \$290.3 million in Salary & Benefits, and \$0.2 million in All Other.

FIGURE 4: FISCAL YEAR 2016 OBLIGATIONS INCURRED (\$ IN MILLIONS)



Examples of some of the larger obligations incurred for CFPB's fiscal year 2016 activities included in the \$356.7 million for contracts and support services include:

- \$16.1 million for maintaining ongoing operations of CFPB's consumer contact center and case management database, both of which are critical front-line systems that enabled the Bureau to handle more than 283,000 complaints in fiscal year 2016.
- \$14.4 million for IT portfolio and project management support services, which assist and support the Bureau in its on-going efforts to develop, sustain and mature its IT program management and business process capabilities. These services are essential to supporting the technology and product development functions across the Bureau.

²⁷ Includes \$97.6 million of interagency agreements (IAA) CFPB entered into with other Federal agencies and other Federal payments made to Federal Agencies. IAA's are not reported in USA Spending.gov

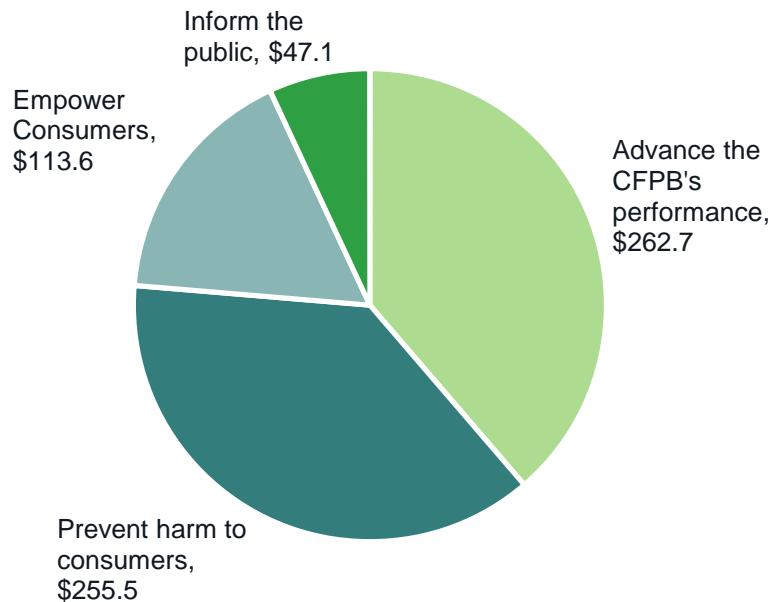
- \$14.1 million to the Board of Governors of the Federal Reserve System for services provided by the Office of the Inspector General of the Board of Governors of the Federal Reserve System and the Consumer Financial Protection Bureau.
- \$13.9 million for consumer awareness and engagement communications serving to raise awareness of the CFPB's tools and resources among consumers who need and can benefit from them the most – with the ultimate goal of meeting our mandate to empower and inform American consumers.
- \$9.1 million for continued development of a cost-effective, internally managed cloud infrastructure. These investments assure CFPB will have an infrastructure with flexibility, scalability and on-demand capacity that is adequate to support the agile and expanding environment of the Bureau.
- \$8.4 million for operation and development of the cybersecurity program that provides the Bureau a way of securing communications, data, and IT resources through a combination of policy, continuous monitoring, and leveraging best in breed technologies. Assists with creating and refining Bureau policies and processes, supporting various audits and controls assessments, performing secure code review, and providing ongoing security monitoring and incident response.
- \$8.1 million to centrally manage the Bureau's Network, manage and measure data effectiveness in order to make data-driven decisions, and improve the financial literacy of consumers, as mandated by the Dodd-Frank Act, by helping to facilitate the Bureau's Empowerment and Education programs and coordinate and amplify the Bureau's advocacy and outreach activities.
- \$5.8 million for continued development of a scalable and automated system that provides an efficient and effective method to perform analysis on the complaint data. Utilized to analyze the increased volume of complaints the Bureau receives from American consumers and to identify trends and possible consumer harm.

Net costs of the CFPB's operations

The Statement of Net Cost presents the CFPB net cost for its four strategic goals: (1) Prevent Financial Harm to Consumers While Promoting Good Practices That Benefit Them; (2) Empower Consumers to Live Better Financial Lives; (3) Inform the Public, Policy Makers, and

the CFPB's own Policy-Making with Data-Driven Analysis of Consumer Finance Markets and Consumer Behavior; and, (4) Advance the CFPB's Performance by Maximizing Resources Productivity and Enhancing Impact. Net program costs for fiscal year 2016 are displayed in the chart below.

FIGURE 5: FISCAL YEAR 2016 NET PROGRAM COSTS (\$ IN MILLIONS)



1.7 Possible future risks and uncertainties

Funding and independence

The Congress, in implementing the Dodd-Frank Act, followed a long-established precedent in providing the CFPB with sources of funding outside of the Congressional appropriations process to ensure full independence as the Bureau supervises and regulates providers of consumer financial products and services and protects financial consumers. Congress has consistently provided for independent sources of funding for Federal banking supervisors to allow for long-term planning and the execution of complex initiatives and to ensure that financial institutions are examined regularly and thoroughly for compliance with the law.

The CFPB has been tasked with supervising more entities than all other Federal bank supervisors combined, including supervising the largest, most complex banks. Effective supervision that assures a level playing field between bank and non-bank institutions requires dedicated and predictable resources and independent examiners. However, the CFPB is nonetheless the only banking supervisor with a statutory cap on its primary source of funding.

Possible future impact on financial services environment

It is anticipated that markets in both U.S. and foreign financial services sectors will evolve to address different and ever-changing implications based on their programs, unique business mixes, and organizational structures. These future external challenges must be monitored, as they will impact the work of the CFPB in protecting financial consumers and addressing a continually changing financial environment.

2. Financial statements and note disclosures

Message from Stephen Agostini

Chief Financial Officer of the CFPB



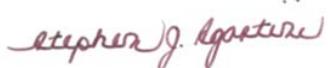
During fiscal year 2016, the Office of the Chief Financial Officer continued to support the Consumer Financial Protection Bureau (CFPB) in the overall financial management and budget planning for the Bureau. This is the CFPB's sixth Financial Report and over the years we have matured as an entity and become more experienced in our operations. Accordingly, the Bureau continues to face challenges to ensure we have the sufficient funding to perform our operations, the financial tools necessary to leverage our resources and people, and the processes in place to help ensure our programs are running effectively with minimal risks. Some of the actions taken during fiscal year 2016 to help address these challenges include:

- Continuing to administer and manage the Bureau's internal control review process which supports the Director's annual assurance letter and includes providing an alert system to the Chief Financial Officer, Senior Management Council and other officials within the Bureau, for internal control risks, obstacles, and barriers. Monitored and reported status of corrective action plans for control deficiencies identified during the internal control review process, and external reviews and audits. Provided technical advice and guidance to the Bureau on internal control.
- Coordinating the receipt, management, and disbursement of monies in the Civil Penalty Fund and the Legal or Equitable Relief Fund resulting from the actions of various defendants who violated Federal financial consumer laws. In fiscal year 2016, between the two funds the Bureau distributed \$145 million to 1.3 million harmed consumers.

- Working on an internal data analytics program to assist with travel card reviews for compliance with internal and external policies. Also utilizing additional automated tools to assist with internal travel audits and reviews.
- Continuing to provide data analytics on budget execution and financial management to inform senior management for decision making.

Provided herein are the Bureau's financial statements as an integral part of the fiscal year 2016 Financial Report. For fiscal year 2016, the Government Accountability Office rendered an unmodified audit opinion on the CFPB's financial statements and noted no material weaknesses, one significant deficiency, and no instances of non-compliance with laws and regulations.

Sincerely,

A handwritten signature in black ink that reads "Stephen J. Agostini".

Stephen J. Agostini

2.1 U.S. Government Accountability Office auditor's report



U.S. GOVERNMENT ACCOUNTABILITY OFFICE

441 G St. N.W.
Washington, DC 20548

Independent Auditor's Report

To the Director of the Bureau of Consumer Financial Protection

In our audits of the fiscal years 2016 and 2015 financial statements of the Bureau of Consumer Financial Protection, known as the Consumer Financial Protection Bureau (CFPB), we found

- the CFPB financial statements as of and for the fiscal years ended September 30, 2016, and 2015, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- although internal controls could be improved, CFPB maintained, in all material respects, effective internal control over financial reporting as of September 30, 2016; and
- no reportable noncompliance for fiscal year 2016 with provisions of applicable laws, regulations, contracts, and grant agreements we tested.

The following sections discuss in more detail (1) our report on the financial statements and on internal control over financial reporting, which includes required supplementary information (RSI)¹ and other information² included with the financial statements; (2) our report on compliance with laws, regulations, contracts, and grant agreements; and (3) agency comments.

Report on the Financial Statements and on Internal Control over Financial Reporting

In accordance with title X of the Dodd-Frank Wall Street Reform and Consumer Protection Act³ and the Full-Year Continuing Appropriations Act, 2011,⁴ we have audited CFPB's financial statements. CFPB's financial statements comprise the balance sheets as of September 30, 2016, and 2015; the related statements of net cost, changes in net position, budgetary resources, and custodial activity for the fiscal years then ended; and the related notes to the financial statements. We also have audited CFPB's internal control over financial reporting as of September 30, 2016, based on criteria established under 31 U.S.C. § 3512(c), commonly known as the Federal Managers' Financial Integrity Act (FMFIA), and applicable sections of Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Internal Control*.

We conducted our audits in accordance with U.S. generally accepted government auditing standards. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinions.

¹RSI consists of Management's Discussion and Analysis, which is included with the financial statements.

²Other information consists of information included with the financial statements, other than the RSI and the auditor's report.

³Pub. L. No. 111-203, title X, § 1017(a)(5), 124 Stat. 1376, 1976-77 (2010), *classified at* 12 U.S.C. § 5497(a)(5).

⁴Pub. L. No. 112-10, div. B, title V, § 1573(a), 125 Stat 38, 138 (2011), *classified at* 12 U.S.C. § 5496a.

Management's Responsibility

CFPB management is responsible for (1) the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; (2) preparing, measuring, and presenting the RSI in accordance with U.S. generally accepted accounting principles; (3) preparing and presenting other information included in documents containing the audited financial statements and auditor's report, and ensuring the consistency of that information with the audited financial statements and the RSI; (4) maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; (5) evaluating the effectiveness of internal control over financial reporting based on the criteria established under FMFIA and applicable sections of OMB Circular A-123; and (6) providing its assertion about the effectiveness of internal control over financial reporting as of September 30, 2016, based on its evaluation, included in the accompanying Management's Report on Internal Control over Financial Reporting in appendix I.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements and an opinion on CFPB's internal control over financial reporting based on our audits. U.S. generally accepted government auditing standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement, and whether effective internal control over financial reporting was maintained in all material respects. We are also responsible for applying certain limited procedures to the RSI and other information included with the financial statements.

An audit of financial statements involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the auditor's assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit of financial statements also involves evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, evaluating the design and operating effectiveness of internal control over financial reporting based on the assessed risk, and testing relevant internal control over financial reporting. Our audit of internal control also considered the entity's process for evaluating and reporting on internal control over financial reporting based on criteria established under FMFIA and applicable sections of OMB Circular A-123. Our audits also included performing such other procedures as we considered necessary in the circumstances.

We did not evaluate all internal controls relevant to operating objectives as broadly established under FMFIA, such as those controls relevant to preparing performance information and ensuring efficient operations. We limited our internal control testing to testing controls over financial reporting. Our internal control testing was for the purpose of expressing an opinion on whether effective internal control over financial reporting was maintained, in all material

respects. Consequently, our audit may not identify all deficiencies in internal control over financial reporting that are less severe than a material weakness.⁵

Definitions and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and (2) transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority; regulations; contracts; and grant agreements, noncompliance with which could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error. We also caution that projecting any evaluation of effectiveness to future periods is subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion on Financial Statements

In our opinion, CFPB's financial statements present fairly, in all material respects, CFPB's financial position as of September 30, 2016, and 2015, and its net cost of operations, changes in net position, budgetary resources, and custodial activity for the fiscal years then ended in accordance with U.S. generally accepted accounting principles.

Opinion on Internal Control over Financial Reporting

In our opinion, although certain internal controls could be improved, CFPB maintained, in all material respects, effective internal control over financial reporting as of September 30, 2016, based on criteria established under FMFIA and applicable sections of OMB Circular A-123. As discussed in greater detail later in this report, our fiscal year 2016 audit continued to identify deficiencies in CFPB's internal control over accounting for property, equipment, and software that collectively represent a significant deficiency⁶ in CFPB's internal control over financial reporting, which is consistent with our fiscal year 2015 assessment for this area.⁷

Although the significant deficiency in internal control did not affect our opinion on CFPB's fiscal year 2016 financial statements, misstatements may occur in other financial information reported

⁵A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

⁶A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

⁷GAO, *Financial Audit: Bureau of Consumer Financial Protection's Fiscal Years 2015 and 2014 Financial Statements*, GAO-16-96R (Washington, D.C.: Nov. 16, 2015).

by CFPB and not be prevented or detected and corrected on a timely basis because of this significant deficiency.

In addition to the significant deficiency in internal control over accounting for property, equipment, and software, we identified other deficiencies in CFPB's internal control over financial reporting that we do not consider to be material weaknesses or significant deficiencies. Nonetheless, these deficiencies warrant CFPB management's attention. We have communicated these matters to CFPB management and, where appropriate, will report on them separately.

Significant Deficiency in Internal Control over Accounting for Property, Equipment, and Software

During our fiscal year 2016 audit, we continued to find that CFPB did not effectively implement internal controls over the recording of its property, equipment, and software. Specifically, we found that CFPB did not have effective procedures to properly distinguish in a timely manner between costs that should be recorded as property, equipment, and software (i.e., capitalized) and those that should be recorded as gross costs (i.e., expensed). We also found that CFPB did not effectively maintain accurate and complete inventory records to validate the existence of its recorded assets.

CFPB's property, equipment, and software consist primarily of information technology equipment, furniture, internally developed software, and leasehold improvements. As of September 30, 2016, the property, equipment, and software balance totaled \$93.0 million, which is reported net of accumulated depreciation of \$20.3 million. Of the total \$93.0 million, the software costs represented \$14.2 million, net of accumulated depreciation. CFPB policy requires capitalizing property, equipment, and software with estimated useful lives of 2 years or more that meet or exceed specific dollar thresholds ranging from \$50,000 for leasehold improvements and equipment acquisitions, including furniture, to \$750,000 for purchased or developed internal-use software. Other property items, normal repairs, and maintenance are charged to expense as incurred. For internal-use software, federal accounting standards provide that capitalized costs include the full cost incurred during the software development stage and exclude (i.e., record as expenses) costs associated with preliminary design and postimplementation services.⁸ CFPB capitalization policy stipulates that on a monthly basis, the Office of the Chief Financial Officer (OCFO) reviews property and equipment acquisitions and goods and services transactions of \$50,000 and greater to reasonably assure that purchased items and costs associated with internal-use software are appropriately classified as capitalized assets or operating expenses. As part of this review, OCFO uses a tracking schedule to monitor the stage of each internal-use software project. The tracking schedule is completed by the program offices, based on feedback from the vendor, and contains a list of ongoing internal-use software projects with the dates at which they enter each stage, which is key in determining the capitalization of costs.

We have previously reported a significant deficiency in CFPB's controls over accounting for property, equipment, and software and made recommendations for corrective actions, most recently in June 2016.⁹ Based on our recommendations, with which it concurred, CFPB has

⁸Statement of Federal Financial Accounting Standards No. 10, *Accounting for Internal Use Software*, October 9, 1998, as amended.

⁹GAO, *Management Report: Improvements Needed in CFPB's Internal Controls and Accounting Procedures*, GAO-16-522R (Washington, D.C.: June 13, 2016). This report also includes the status of previous open recommendations related to the reporting of property, equipment, and software.

taken actions over the years to improve the reporting of property, equipment, and software. For example, in fiscal year 2016, we noted that CFPB began to update its financial records to include costs by project for some of the internal-use software transactions and hired two managers to work on asset management.

However, we identified continuing control deficiencies over CFPB's accounting for its property, equipment, and software in fiscal year 2016 that collectively represent a significant deficiency. Specifically, we found that OCFO's review was not always effective in timely detecting and correcting classification errors between costs that should be capitalized and costs that should be expensed, and as a result, CFPB continued to make adjustments after September 30, 2016. These adjustments totaled \$2.4 million of gross costs that should have been capitalized as internal-use software. We also found other immaterial adjustments made to prior year amounts as a result of changes made to the tracking schedules completed by the program offices.

In addition, we continued to find incomplete and inaccurate information in CFPB's inventory records. For example, of the 20 assets we randomly selected for testing, 5 were not included in the inventory file and 1 had the incorrect location. We also could not trace certain assets from the OCFO asset schedule to the inventory file, which resulted in further adjustments to reduce the property, equipment, and software balance.

The dollar amount and volume of adjustments affecting the property, equipment, and software balance were less significant in fiscal year 2016 than in prior years, in part, because the majority of the internal-use software projects exited the development stage in fiscal year 2016 and the inventoried assets were almost 50 percent depreciated. However, CFPB entered into contracts with four different vendors in fiscal year 2016 for the development of new internal-use software and plans to purchase additional equipment and furniture as it prepares to transition to its newly renovated office space. Therefore, these deficiencies increase the risk that CFPB's reported balances for property, equipment, and software as well as its reported expenses could be misstated, and collectively represent a significant deficiency in CFPB's internal control over its accounting for property, equipment, and software that merits attention by those charged with governance.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) require that the RSI be presented to supplement the financial statements. Although not a part of the financial statements, FASAB considers this information to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with U.S. generally accepted government auditing standards, which consisted of inquiries of management about the methods of preparing the RSI and comparing the information for consistency with management's responses to the auditor's inquiries, the financial statements, and other knowledge we obtained during the audit of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

Other Information

CFPB's other information contains information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or RSI. We read the other information included with the financial statements in order to identify material inconsistencies, if any, with the audited financial statements. Our audit was conducted for the purpose of forming an opinion on CFPB's financial statements. We did not audit and do not express an opinion or provide any assurance on the other information.

Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

In connection with our audits of CFPB's financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditor's responsibility discussed below. We caution that noncompliance may occur and not be detected by these tests. We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards.

Management's Responsibility

CFPB management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to CFPB.

Auditor's Responsibility

Our responsibility is to test compliance with selected provisions of laws, regulations, contracts, and grant agreements applicable to CFPB that have a direct effect on the determination of material amounts and disclosures in CFPB's financial statements and perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to CFPB.

Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for fiscal year 2016 that would be reportable under U.S. generally accepted government auditing standards. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to CFPB. Accordingly, we do not express such an opinion.

Intended Purpose of Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering compliance. Accordingly, this report on compliance with laws, regulations, contracts, and grant agreements is not suitable for any other purpose.

Agency Comments

We provided a draft of this report to CFPB for comment. In its written comments, reprinted in appendix II, CFPB stated that it was pleased to receive an unmodified audit opinion on its fiscal years 2016 and 2015 financial statements. CFPB also concurred with the significant deficiency over accounting for its property, equipment, and software that we reported, and added that it will continue its efforts to correctly categorize software development costs, improve physical inventories, and enhance asset management processes. CFPB stated overall that it will continue to work to enhance its system of internal control and ensure the reliability of CFPB's financial reporting.

We will evaluate CFPB's actions to address the deficiencies identified in this report as part of our fiscal year 2017 audit.



J. Lawrence Malenich
Director
Financial Management and Assurance

November 8, 2016

APPENDIX I:

Management's report on internal control over financial reporting



Consumer Financial
Protection Bureau

1700 G Street, N.W., Washington, DC 20552

November 08, 2016

Mr. Gene Dodaro
Comptroller General of the United States
441 G Street, NW Washington, DC 20548

Dear Mr. Dodaro,

As required by Section 1017 of the Dodd-Frank Act, 12 U.S.C. Section 5497(a)(4)(D), the Consumer Financial Protection Bureau (CFPB) provides this management assertion regarding the effectiveness of internal control that apply to financial reporting by the CFPB based on criteria established in Section 3512(c) of Title 31, United States Code (commonly known as the Federal Managers' Financial Integrity Act) and applicable sections of Office of Management and Budget Circular A-123.

The CFPB's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition; and (2) transactions are executed in accordance with laws governing the use of budget authority and with other applicable laws, regulations, contracts, and grant agreements that could have a direct and material effect on the financial statements.

CFPB management is responsible for maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. CFPB management evaluated the effectiveness of CFPB's internal control over financial reporting as of September 30, 2016, based on the criteria established under 31 U.S.C. 3512(c) and applicable sections of Office of Management and Budget Circular A-123.

Based on that evaluation, we conclude that, as of September 30, 2016, CFPB's internal control over financial reporting was effective.

Richard Cordray
Director
Consumer Financial Protection Bureau

Stephen J. Agostini
Chief Financial Officer
Consumer Financial Protection Bureau

consumerfinance.gov

APPENDIX II:

Management's response to the auditor's report



1700 G Street NW, Washington, DC 20552

November 10, 2016

Mr. J. Lawrence Malenich
Director, Financial Management and Assurance
Government Accountability Office
441 G Street, N.W., Room 5T45
Washington, DC 20548

Dear Mr. Malenich,

I appreciate the opportunity to respond to the Government Accountability Office's (GAO) draft audit report titled, Financial Audit: Bureau of Consumer Financial Protection's Fiscal Years 2016 and 2015 Financial Statements, and want to thank you and your staff for your dedicated efforts and collaboration to meet the audit requirements.

We are pleased that GAO's auditors rendered an unmodified or "clean" audit opinion, meaning GAO found that the Consumer Financial Protection Bureau (CFPB or Bureau) financial statements are presented fairly, in all material respects, and in conformity with U.S. generally accepted accounting principles, and that there were no instances of reportable noncompliance with laws and regulations tested by GAO. Maintaining an unmodified or "clean" audit opinion on the CFPB's comparative financial statements for fiscal years 2016 and 2015 is a significant accomplishment.

We acknowledge and concur with GAO's identification of one significant deficiency regarding the accounting for property, equipment, and software.

In fiscal year 2015, the GAO cited one repeat significant deficiency regarding property, equipment, and software. As a result of this significant deficiency the Bureau implemented corrective actions during fiscal year 2016: the OCFO worked closely with vendors and program offices to clarify the categorization of property, equipment, and software purchased or developed, the Facilities and Technology and Innovation offices hired two new asset managers to oversee the inventories and associated processes, and we implemented a system to maintain the inventory of IT assets. The corrective actions implemented did not fully mitigate the risks and therefore this significant deficiency continues to be reported by GAO. During fiscal year 2017, the Bureau will continue its existing efforts to correctly categorize software development costs, improve physical inventories, and enhance asset management processes overall.

consumerfinance.gov

The CFPB will continue to work to enhance our system of internal control and ensure the reliability of CFPB's financial reporting. The CFPB looks forward to working with GAO in future audits and truly appreciates GAO's work over the past fiscal year.

If you have any questions relating to this response, please contact Stephen J. Agostini, Chief Financial Officer.



Richard Cordray
Director
Consumer Financial Protection Bureau

2.2 Financial statements and notes

BALANCE SHEET
As of September 30, 2016 and 2015
(In Dollars)

	2016	2015
Assets:		
Intragovernmental		
Fund Balance with Treasury (Note 2)	\$ 40,502,023	\$ 35,172,929
Investments (Note 3)	431,424,157	441,493,464
Accounts Receivable (Note 5)	-	31,860
Advances and Prepayments (Note 7)	5,910,835	937,166
Total Intragovernmental	477,837,015	477,635,419
Cash, and Other Monetary Assets		
Cash in the Bureau Fund (Note 4)	268,795	273,639
Cash in the Civil Penalty Fund (Note 4)	428,255,327	316,316,452
Total Cash, and Other Monetary Assets	428,524,122	316,590,091
Accounts Receivable (Note 5)	2,164,976	5,143,842
Property, Equipment, and Software, Net (Note 6)	92,960,786	42,631,193
Advances and Prepayments (Note 7)	3,390,695	5,015,838
Total Assets	\$1,004,877,594	\$ 847,016,383
Liabilities:		
Intragovernmental		
Accounts Payable	\$ 24,103,085	\$ 18,733,478
Benefits Payable	28,428,965	18,877,743
Other (Note 8)	1,009,031	473,828
Total Intragovernmental	53,541,081	38,085,049
Accounts Payable	18,534,549	21,898,617
Employer Benefits Contributions	30,163,667	37,712,646
Accrued Funded Payroll	8,072,547	5,927,616
Civil Penalty Fund Allocation (Note 9)	247,458,846	166,792,385
Unfunded Leave	23,270,578	20,199,210
Other (Note 8)	75,385	31,831
Total Liabilities (Note 10)	\$ 381,116,653	\$ 290,647,354
Commitments and Contingencies (Note 11)		
Net Position:		
Cumulative Results of Operations - Funds from Dedicated Collections (consolidated totals) (Note 18)	\$ 623,760,941	\$ 556,369,029
Total Liabilities and Net Position	\$1,004,877,594	\$ 847,016,383

The accompanying notes are an integral part of these financial statements.

CONSUMER FINANCIAL PROTECTION BUREAU
STATEMENT OF NET COST
For the Fiscal Years Ended September 30, 2016 and 2015
(In Dollars)

	2016	2015
Program Costs:		
Prevent Financial Harm to Consumers While Promoting Good Practices That Benefit Them:		
Gross Costs	\$ 255,535,234	\$ 228,385,333
Net Prevent Financial Harm to Consumers While Promoting Good Practices That Benefit Them	\$ 255,535,234	\$ 228,385,333
Empower Consumers to Live Better Financial Lives:		
Gross Costs	\$ 113,609,439	\$ 102,410,711
Less: Earned Revenue	- (25,042)	
Net Empower Consumers to Live Better Financial Lives	\$ 113,609,439	\$ 102,385,669
Inform The Public, Policy Makers, and the CFPB's own Policy-Making with Data-Driven Analysis of Consumer Finance Markets and Consumer Behavior:		
Gross Costs	\$ 47,071,622	\$ 43,590,915
Less: Earned Revenue	- (6,818)	
Net Inform The Public, Policy Makers, and the CFPB's own Policy-Making with Data-Driven Analysis of Consumer Finance Markets and Consumer Behavior	\$ 47,071,622	\$ 43,584,097
Advance the CFPB's Performance by Maximizing Resource Productivity & Enhancing Impact:		
Gross Costs	\$ 262,735,627	\$ 266,429,744
Less: Earned Revenue	(57,047)	(11,552)
Net Advance the CFPB's Performance by Maximizing Resource Productivity & Enhancing Impact	\$ 262,678,580	\$ 266,418,192
Total Gross Program Costs	\$ 678,951,922	\$ 640,816,703
Less: Total Earned Revenues	(57,047)	(43,412)
Net Cost of Operations (Note 12)	\$ 678,894,875	\$ 640,773,291

The accompanying notes are an integral part of these financial statements.

CONSUMER FINANCIAL PROTECTION BUREAU
STATEMENT OF CHANGES IN NET POSITION
For the Fiscal Years Ended September 30, 2016 and 2015
(In Dollars)

	2016	2015
Cumulative Results of Operations:		
Beginning Balances	<u>\$ 556,369,029</u>	<u>\$ 538,060,874</u>
Budgetary Financing Sources:		
Nonexchange Revenue		
Transfers from the Board of Governors of the Federal Reserve System	564,900,000	485,100,000
Civil Penalties	179,208,760	172,670,079
Interstate Land Sales Fees	118,200	152,900
Interest from Investments	1,021,894	103,536
Total Nonexchange Revenue	<u>745,248,854</u>	<u>658,026,515</u>
Other	3,955	4,931
Other Financing Sources:		
Imputed Financing Sources	1,091,025	1,061,552
Non-Entity Collections Transferred to the General Fund	<u>(57,047)</u>	<u>(11,552)</u>
Total Financing Sources	746,286,787	659,081,446
Net Cost of Operations	<u>(678,894,875)</u>	<u>(640,773,291)</u>
Net Change	67,391,912	18,308,155
Cumulative Results of Operations - Funds from Dedicated Collections (consolidated totals) (Note 18)	<u>\$ 623,760,941</u>	<u>\$ 556,369,029</u>
Net Position	\$ 623,760,941	\$ 556,369,029

The accompanying notes are an integral part of these financial statements.

CONSUMER FINANCIAL PROTECTION BUREAU
STATEMENT OF BUDGETARY RESOURCES
For the Fiscal Years Ended September 30, 2016 and 2015
(In Dollars)

	2016	2015
Budgetary Resources:		
Unobligated Balance Brought Forward, October 1	\$ 436,004,438	\$ 296,906,439
Recoveries of Prior Year Unpaid Obligations	16,879,124	29,497,155
Other changes in unobligated balance	1,056,839	93,874
Unobligated Balance from Prior Year Budget Authority, Net	453,940,401	326,497,468
Funds Available for Obligation	747,961,417	668,478,395
Spending Authority from Offsetting Collections	3,150,000	31,860
Total Budgetary Resources	\$ 1,205,051,818	\$ 995,007,723
 Status of Budgetary Resources:		
New Obligations and Upward Adjustments (total) (Note 13)	\$ 647,240,925	\$ 559,003,285
Unobligated Balance, End of Year:		
Exempt from Apportionment , Unexpired Accounts	557,810,893	436,004,438
Total Budgetary Resources	\$ 1,205,051,818	\$ 995,007,723
 Change in Obligated Balance:		
Unpaid Obligations:		
Unpaid Obligations, Brought Forward, October 1	\$ 357,263,784	\$ 334,795,052
New Obligations and Upward Adjustments	647,240,925	559,003,285
Outlays (Gross)	(642,577,690)	(507,037,398)
Recoveries of Prior Year Unpaid Obligations	(16,879,125)	(29,497,155)
Unpaid Obligations, End of Year	\$ 345,047,894	\$ 357,263,784
Uncollected payments:		
Uncollected pmts, Fed sources, brought forward, October 1 (-)	(31,860)	-
Change in uncollected pmts, Fed sources	(2,618,140)	(31,860)
Uncollected pmts, Fed sources, end of year (-)	(2,650,000)	(31,860)
Obligated Balance, Start of Year	\$ 357,231,924	\$ 334,795,052
Obligated Balance, End of Year	\$ 342,397,894	\$ 357,231,924
 Budget Authority and Outlays, Net:		
Budget Authority, Gross	\$ 751,111,417	\$ 668,510,255
Actual Offsetting Collections	(1,588,699)	(93,874)
Change in Uncollected Payments, Federal Sources	(2,618,140)	(31,860)
Recoveries of Prior Year Paid Obligations	1,056,839	93,874
Budget Authority, Net	\$ 747,961,417	\$ 668,478,395
 Outlays, Gross	 \$ 642,577,690	 \$ 507,037,398
Actual Offsetting Collections	(1,588,699)	(93,874)
Agency Outlays, Net	\$ 640,988,991	\$ 506,943,524

The accompanying notes are an integral part of these financial statements.

CONSUMER FINANCIAL PROTECTION BUREAU
STATEMENT OF CUSTODIAL ACTIVITY
For the Fiscal Years Ended September 30, 2016 and 2015
(In Dollars)

	2016	2015
Revenue Activity:		
Sources of Cash Collections:		
Disgorgement	\$ 14,563,727	\$ 8,277,816
Miscellaneous	1,356	195
Total Cash Collections	14,565,083	8,278,011
Accrual Adjustments	(21,039)	(512)
Total Custodial Revenue	14,544,044	8,277,499
Disposition of Collections:		
Amounts Transferred to the Department of the Treasury	14,565,083	8,278,011
Increase/(Decrease) in Amounts Yet to be Transferred	(21,039)	(512)
Net Custodial Activity	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

Note 1: Summary of significant accounting policies

A. Reporting entity

The Bureau of Consumer Financial Protection, known as the Consumer Financial Protection Bureau (CFPB), was established on July 21, 2010 under Title X of the Dodd-Frank Wall Street Reform and Consumer Protection Act Public Law No. 111-203 (Dodd-Frank Act). The CFPB was established as an independent bureau within the Federal Reserve System. The Bureau is an Executive agency as defined in section 105 of Title 5, United States Code. Section 1017 of the Dodd-Frank Act provides that the CFPB financial statements are not to be consolidated with the financial statements of either the Board of Governors of the Federal Reserve or the Federal Reserve System.

The Dodd-Frank Act authorizes the CFPB to exercise its authorities to ensure that, with respect to consumer financial products and services:

- a. Consumers are provided with timely and understandable information to make responsible decisions about financial transactions;
- b. Consumers are protected from unfair, deceptive, or abusive acts and practices and from discrimination;
- c. Outdated, unnecessary, or unduly burdensome regulations are regularly identified and addressed in order to reduce unwarranted regulatory burdens;
- d. Federal consumer financial law is enforced consistently in order to promote fair competition; and
- e. Markets for consumer financial products and services operate transparently and efficiently to facilitate access and innovation.

Under the Dodd-Frank Act, on the designated transfer date, July 21, 2011, certain authorities and functions of several agencies relating to Federal consumer financial law were transferred to

the CFPB in order to accomplish the above objectives. These authorities were transferred from the Board of Governors of the Federal Reserve System (Board of Governors), Comptroller of the Currency (OCC), Office of Thrift Supervision (OTS), Federal Deposit Insurance Corporation (FDIC), National Credit Union Administration (NCUA), and the Department of Housing and Urban Development (HUD). In addition, Congress vested the Bureau with authority to enforce in certain circumstances the Federal Trade Commission's (FTC) Telemarketing Sales Rule and its rules under the FTC Act, although the FTC retains full authority over these rules. The Dodd-Frank Act also provided the CFPB with certain other federal consumer financial regulatory authorities in addition to these transferred authorities.

To accomplish its mission, the CFPB is organized into six primary divisions/offices:

1. **Consumer Education and Engagement:** provides, through a variety of initiatives and methods, including offices on specific populations, information to consumers to allow them to make financial decisions that are best for them.
2. **Supervision, Enforcement and Fair Lending:** ensures compliance with Federal consumer financial laws by supervising market participants and bringing enforcement actions when appropriate.
3. **Research, Markets and Regulations:** conducts research to understand consumer financial markets and consumer behavior, evaluates whether there is a need for regulation, and determines the costs and benefits of potential or existing regulations.
4. **Legal Division:** ensures the Bureau's compliance with all applicable laws and provides advice to the Director and the Bureau's divisions.
5. **External Affairs:** manages the Bureau's relationships with external stakeholders and ensures that the Bureau maintains robust dialogue with interested stakeholders to promote understanding, transparency, and accountability.
6. **Operations:** builds and sustains the CFPB's operational infrastructure to support the entire organization and hears directly from consumers about challenges they face in the marketplaces through their complaints, questions, and feedback.

The CFPB workforce is spread across the country with its headquarters in Washington, D.C. and regional offices in Chicago, New York City, and San Francisco. The headquarters is temporarily spread across several locations within Washington, D.C., utilizing space pursuant to interagency agreements with the Department of the Treasury (Treasury), the Office of the Comptroller of the

Currency; the General Services Administration (GSA); and the Federal Housing Finance Agency (FHFA). In addition to its locations within Washington D.C., the CFPB also utilizes space pursuant to occupancy agreements with GSA for the regional offices in New York, Chicago and San Francisco.

Additional information on the organizational structure and responsibilities of CFPB is available on CFPB's website at <http://www.consumerfinance.gov/>.

B. Basis of presentation

The CFPB's principal statements were prepared from its official financial records and general ledger in conformity with U.S. generally accepted accounting principles (GAAP) and, while not required to comply with all OMB guidance such as OMB Circular A-136, CFPB generally tracks the general presentation guidance established by OMB Circular A-136, *Financial Reporting Requirements*, as revised. The financial statements are a requirement of the Dodd-Frank Act. The financial statements are in addition to the financial reports prepared by the CFPB, which are used to monitor and control budgetary resources. The financial statements have been prepared to report the financial position, net cost of operations, changes in net position, the status and availability of budgetary resources, and the custodial activities of the CFPB. Financial statements are presented on a comparative basis. During fiscal year 2013, the CFPB prepared and issued a five-year strategic plan that contains four strategic goals and associated performance metrics. The five-year strategic plan was designed to meet the objectives of the Government Performance and Results Act and help the CFPB measure its performance in fulfilling its responsibilities under the Dodd-Frank Act. The comparative statement of net cost contains four responsibility segments based on the strategic plan.

C. Basis of accounting

Transactions are recorded on both an accrual accounting basis and a budgetary basis. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal requirements and controls over the use of funds. The Statement of Custodial Activity is presented on the modified cash basis of accounting. Cash collections and amounts transferred to Treasury are reported on a cash basis. The change in receivables is reported on an accrual basis. The CFPB conforms to GAAP for federal entities as prescribed by the standards set forth by the Federal Accounting Standards Advisory Board

(FASAB). FASAB is recognized by the American Institute of Certified Public Accountants as the body designated to establish GAAP for federal government entities. Certain assets, liabilities and costs have been classified as intragovernmental throughout the financial statements and notes. Intragovernmental assets and liabilities are those due from or to other federal entities. Intragovernmental costs are payments or accruals due to other federal entities. The CFPB has rights and ownership of all assets, except for custodial or non-entity assets, reported in these financial statements. Custodial/Non-entity assets can result from CFPB enforcement actions that require the defendant to pay disgorgement as well as from the collection of Freedom of Information Act (FOIA) fees. Disgorgement is an equitable remedy that a court or the CFPB can impose in a judicial or administrative action to deprive defendants of their ill-gotten gains and to deter violations of Federal consumer financial laws. In addition, as further discussed in Note 1.R. and Note 20, the CFPB also administers certain funds in a fiduciary capacity.

D. Funding sources

The CFPB's funding is obtained primarily through transfers from the Board of Governors, interest earned on investments, and penalties and fees collected. The Dodd-Frank Act requires the CFPB to maintain an account with the Federal Reserve – the "Bureau of Consumer Financial Protection Fund" (Bureau Fund). The Director of the CFPB, or his designee, requests transfers from the Board of Governors in amounts necessary to carry out the authorities and operations of the Bureau. The Board of Governors transfers the funds into the Bureau Fund, which is maintained at the Federal Reserve Bank of New York (FRBNY). Bureau funds determined not needed to meet the current needs of the Bureau are invested in Treasury securities on the open market. Earnings from the investments are also deposited into this fund. The CFPB requests funds on a quarterly basis. The funds maintained at the FRBNY are reported in the financial statements and related notes and represent budget authority for CFPB.

The CFPB funding requests for the Bureau Fund are capped as follows:

The amount that shall be transferred to the Bureau in each fiscal year shall not exceed a fixed percentage of the total operating expenses (\$4.98 billion) of the Federal Reserve System, subject to an annual inflation adjustment, as reported in the Annual Report, 2009, of the Board of Governors, equal to:

- In fiscal year 2011, up to 10 percent of these Federal Reserve System expenses (or approximately \$498 million),

- In fiscal year 2012, up to 11 percent of these expenses (or approximately \$547.8 million),
- In fiscal year 2013, up to 12 percent of these expenses (or approximately \$597.6 million), and
- In fiscal year 2014 and beyond, the cap remains at 12 percent but will be adjusted annually based on the percentage increase in the employment cost index for total compensation for State and local government workers published by the Federal Government.

The Dodd-Frank Act explicitly provides that Bureau funds obtained by or transferred to the Bureau Fund are not Government funds or appropriated funds.

The CFPB also collects filing fees from developers under the Interstate Land Sales Full Disclosure Act (ILSA). ILSA protects consumers from fraud and abuse in the sale or lease of land. On July 21, 2011, the responsibility for administering ILSA was transferred to the CFPB from HUD pursuant to the Dodd-Frank Act. The Dodd-Frank Act requires land developers to register subdivisions of 100 or more non-exempt lots and to provide each purchaser with a disclosure document called a Property Report. Developers must pay a fee when they register such subdivisions. While the CFPB continues to administer the legislation with respect to the transfer of these functions under the ILSA, and collect the fees, the fees are currently being deposited into an account maintained by Treasury. The fees collected may be retained and are available until expended for the purpose of covering all or part of the costs that the Bureau incurs for ILSA program operations.

The CFPB also began collecting advances from the members of the Federal Financial Institutions Examination Council (FFIEC), the FFIEC members²⁸ and the U.S Department of the Housing and Urban Development (HUD) for the development of the system to collect data per authority under the Home Mortgage Disclosure Act. Through a Memoranda of Understanding (MOU) an agreement was reached on the funding needed to develop a new

²⁸ The FFIEC agencies with HMDA responsibilities and party to the MOU for the design and development of the new HMDA system are: Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Office of the Comptroller of the Currency, and the Consumer Financial Protection Bureau.

Home Mortgage Disclosure Act (HMDA) system. The amounts collected represent a liability for advances and prepayments until the system is developed. A further discussion can be found in Note 1, Q and Note 8.

Pursuant to the Dodd-Frank Act, the CFPB is also authorized to obtain civil penalties for violations of Federal consumer financial laws. The Act requires the CFPB to maintain a separate fund, known as the Consumer Financial Civil Penalty Fund (Civil Penalty Fund). Civil penalties are deposited into the Civil Penalty Fund established and maintained at the FRBNY. The Act authorizes the CFPB to use the Civil Penalty Fund for payment to the victims of activities for which civil penalties have been imposed and, in certain circumstances, for consumer education and financial literacy programs. Amounts in the Civil Penalty Fund are available “without fiscal year limitation.” The Civil Penalty Fund had its initial collections and deposits in fiscal year 2012.

The CFPB also recognizes imputed financing sources. An imputed financing source is recognized by the receiving entity for costs that are paid by other entities. The CFPB recognizes imputed costs and financing sources as prescribed by accounting standards. The CFPB recognizes as an imputed financing source the amount of pension and post-retirement benefit expenses for current employees that OCC and the Office of Personnel Management (OPM) has or will pay on the CFPB’s behalf. Further, CFPB recognizes earned revenue for reimbursable activity of CFPB staff detailed to either public or non-public entities.

E. Use of estimates

The Bureau has made certain estimates and assumptions relating to the reporting of assets, liabilities, revenues, expenses, accruals, and the disclosure of contingent liabilities to prepare these financial statements. The estimates are based on current conditions that may change in the future. Actual results could differ from these estimates. Some of the significant transactions subject to estimates include accruals, costs regarding benefit plans for the CFPB employees that are administered by OPM, OCC and the Federal Reserve System, costs regarding payments to victims from the Civil Penalty Fund, and cost allocations among the programs on the Statement of Net Cost.

F. Funds from dedicated collections

FASAB's Statement of Federal Financial Accounting Standards (SFFAS) No. 27, as amended by SFFAS 43, contains three requirements for funds to be considered funds from dedicated collection: (1) A statute committing the federal government to use specifically identified revenues and/or other financing sources that are originally provided to the federal government by a non-federal source only for designated activities, benefits or purposes; (2) Explicit authority for the fund to retain revenues and/or other financing sources not used in the current period for future use to finance the designated activities, benefits, or purposes; and (3) A requirement to account for and report on the receipt, use and retention of the revenues and/or other financing sources that distinguishes the fund from the federal government's general revenues.

Based on the standard's criteria, CFPB has determined that the Bureau Fund is a fund from dedicated collections due to its meeting the three required criteria – source of funds are from a non-federal source, explicit authority to retain funds for future use, and a requirement to account for and report on the funds receipt, use and retention separate from the federal government's general revenues. Further, the CFPB has determined based on the criteria of SFFAS 27 & 43 that the Civil Penalty Fund is also a fund from dedicated collections and has established a separate special fund to account for its activity. These funds, which also qualify as special funds, are discussed further in Note 1.H. below. See additional disclosure in Note 18 "Funds from Dedicated Collections."

G. Entity and non-entity assets

Entity assets are assets that the CFPB may use in its operations. This includes amounts where the CFPB management has the authority to decide how funds will be used. Non-Entity Assets are those assets that an agency holds on behalf of another Federal agency or on behalf of a third party and are not available for the agency's use. The CFPB's non-entity assets include cash from disgorgement payments made by defendants and other miscellaneous fees collected and recorded in the Statement of Custodial Activity. FOIA non-entity fees collected are reported on the Statement of Changes in Net Position and the Statement of Net Cost.

H. Fund balance with Treasury

The U.S. Treasury holds funds in the Treasury General Account for CFPB which are available to pay agency liabilities and to finance authorized purchase obligations. Treasury processes cash

receipts, such as fees collected from the ILSA program, and makes disbursements on CFPB's behalf. As discussed in Note 1.D. above, CFPB also maintains an account with the FRBNY known as the Bureau Fund. During the year, increases to the Bureau Fund are generally comprised of fund transfers from the Board of Governors and investment interest. These funds are available for transfer to CFPB's Fund Balance with Treasury. Also, as discussed above in Note 1.D., CFPB maintains an additional account at the FRBNY for the Civil Penalty Fund. These funds are also available for transfer to CFPB's Fund Balance with Treasury under a separate fund symbol from the Bureau Fund. CFPB's Fund Balance with Treasury for all funds described above are maintained as special funds. A special fund is established where the law requires collections to be used for a specific purpose, and the law neither authorizes the fund to conduct a cycle of business-type operations (making it a revolving fund) nor designates it as a trust fund.

CFPB also receives non-entity assets, custodial revenues and fiduciary activity that are maintained in the Miscellaneous Receipts Fund of the U.S. Treasury, and a deposit fund respectively. The Miscellaneous Receipts fund holds non-entity receipts that the CFPB cannot deposit into funds under its control. This fund includes disgorgement deposits and any other miscellaneous funds collected (e.g., FOIA fees) that will be sent to the U.S. Treasury General Fund upon collection. Enforcement activity can result in CFPB receiving redress funds that are maintained in a deposit fund. Redress funds are held in a fiduciary capacity until CFPB can make payment directly to the harmed individuals or entities.

I. Investments

CFPB has the authority to invest the funds in the Bureau Fund account that are not required to meet the current needs of the Bureau. CFPB invests solely in U.S. Treasury securities purchased at a discount on the open market, which are normally held to maturity and carried at cost. CFPB selects investments with maturities suitable to its needs, currently three-month Treasury bills. Investments are adjusted for discounts. In accordance with GAAP, CFPB records the value of its investments in U.S. Treasury securities at cost and amortizes the discount on a straight-line basis over the term of the respective issues. Results under the straight line method approximate results under the interest method. Interest is credited to the Bureau Fund.

J. Accounts receivable

Accounts receivable consists of amounts owed to CFPB. An allowance for uncollectible accounts receivable from the public is established when either (1) management determines that collection is unlikely to occur after a review of outstanding accounts and the failure of all collection efforts, or (2) an account for which no allowance has been established is submitted to Treasury for collection, which generally takes place when it becomes 120 days delinquent.

K. Property, Equipment, and Software, Net

Property, Equipment, and Software is recorded at historical cost. It consists of tangible assets and software. Under CFPB's property management policy, equipment acquisitions of \$50,000 or more are capitalized and depreciated using the straight-line method (using a half year convention for the year assets are placed into service) over the estimated useful life of the asset. Similarly, internal use software, software purchased or developed to facilitate the operation of an entity's programs, is capitalized for software of \$750,000 or more and depreciated using the straight-line method (using a half year convention) over the estimated useful life of the asset. Additionally, for bulk purchases of similar items, which individually do not meet the capitalization threshold, the acquisition is capitalized and depreciated if the depreciated basis of the bulk purchase is \$500,000²⁹ or more. Applicable standard governmental guidelines regulate the disposal and convertibility of agency property and equipment.

The useful life classifications for capitalized assets are as follows:

²⁹ The CFPB, in July 2016, increased the threshold of bulk purchases from \$250,000 to \$500,000.

TABLE 26: TABLE OF PP&E CATEGORY USEFUL LIVES

PP&E Category	Useful Lives (years)
Laptop/Desktop Computers	3
Internal Use Software	5
Mainframe Computer System	7
Servers	7
Telecommunications Equipment	7
Furniture	8
Other Equipment	10

A leasehold (capital) improvement's useful life is equal to the remaining occupancy agreement term or the estimated useful life of the improvement, whichever is shorter. CFPB has no real property holdings or stewardship or heritage assets. Once the on-going building improvements are completed at 1700 G Street, N.W., Washington, D.C. those costs will be captured as leasehold improvements and amortized over a period of time consistent with the policy above. Other property items, normal repairs, and maintenance are charged to expense as incurred.

L. Advances and Prepaid Charges

Advances and prepayments may occur as a result of reimbursable agreements, subscriptions, payments to contractors and employees, and payments to entities administering benefit programs for CFPB employees. Payments made in advance of the receipt of goods and services are recorded as advances or prepaid charges at the time of prepayment and recognized as expenses when the related goods and services are received.

M. Liabilities

Liabilities represent the amount of monies likely to be paid by CFPB as a result of transactions or events that have already occurred. Liabilities may be intragovernmental (claims against the CFPB by other Federal agencies) or with the public (claims against CFPB by an entity or person that is not a Federal agency). However, no liability can be paid if there is no funding. Liabilities

for which funds are not available are classified as not covered by budgetary resources. There is no certainty that the funding will be received. Additionally, the Government, acting in its sovereign capacity, can abrogate liabilities. Liabilities not covered by budgetary resources on the Balance Sheet are equivalent to amounts reported as components not requiring or generating resources on the Reconciliation of Net Cost of Operations to Budget in Note 15.

CIVIL PENALTY FUND

The CFPB has determined that for the funds collected and deposited into the Civil Penalty Fund (CPF), victims do not have ownership rights to those funds that the Federal government must uphold. Accordingly, until CFPB decides to allocate CPF monies to classes of victims, no liabilities exist. The estimated amount of the liabilities of the CPF will be recorded based on the results of the defined allocation process. The measurement of the liability will be based on the amount allocated by the Fund Administrator via the CPF allocation process. The amount allocated by the Fund Administrator may differ from the amount of uncompensated harm initially estimated based on the court order, settlement agreement, or documentation provided by the Office of Enforcement. The allocated amount may differ based on additional research and documentation obtained after the initial estimate was calculated.

N. Annual, Sick, and Other Leave

Annual leave, compensatory time, and credit hours earned by the Bureau's employees, but not yet used, are reported as accrued liabilities. The accrued balance is adjusted annually to current pay rates. The accrued leave, for which funding is not available, is recorded as an unfunded liability. Sick and other leave are expensed as taken.

O. Employee Benefits

CFPB employees may enroll in some benefit programs administered by OPM and also have the option to enroll in non-Title 5 benefit programs sponsored by CFPB in addition to, or in lieu of, OPM programs. For those employees participating in OPM's benefit programs, CFPB records the employer's contribution to those programs. For those employees participating in CFPB's non-Title 5 benefit programs, CFPB directly contracts with vendors to provide those services. The Bureau recognizes the employer's contributions for these benefits as the benefits are earned. All of these costs are reflected as expenses in CFPB's financial statements.

P. Pension costs and other retirement benefits

CFPB employees are enrolled in several retirement and pension programs and post-employment benefits in accordance with the Dodd-Frank Act.

EMPLOYEES TRANSFERRED FROM THE FEDERAL RESERVE, OCC, OTS, FDIC, AND HUD

The Dodd-Frank Act allowed employees transferred from OCC, OTS, FDIC, and HUD to continue participating in the pension or retirement plans in which they were enrolled at their transferring agency or to affirmatively elect, between January 21, 2012 and January 20, 2013, to join the Federal Reserve System Retirement Plan and the Federal Reserve System Thrift Plan. Many transferee employees from these agencies are in the traditional Title 5 retirement plans (Federal Employees Retirement System (FERS), Civil Service Retirement System (CSRS), or CSRS Offset); however, a few transferees from OTS are in a non-Title 5 plan (i.e., Pentegra Defined Benefit Plan). Transferees from the Federal Reserve were allowed to remain in the Federal Reserve System retirement program or to affirmatively elect into the appropriate Title 5 retirement plan during that same timeframe. For those employees who elected to enroll in an alternative retirement plan, the enrollment became effective in January 2013.

CFPB does not report on its financial statements information pertaining to the retirement plans covering its employees. Reporting amounts such as plan assets, accumulated plan benefits, and related unfunded liabilities, if any, is the responsibility of the Federal Reserve System, OCC, or OPM as the administrator of their respective plans. In all cases, CFPB pays any employer contributions required by the plans. Refer to the chart below for information on which agency administers each of the retirement plans for CFPB employees.

OCC, OTS, and FDIC also offered other agency-only savings plans to employees. Any transferees who participated in such plans are allowed to continue their participation as long as they remain enrolled in their current retirement plans. In such cases, CFPB pays any employer contributions. Employees who elect to enroll in the Federal Reserve System retirement plan will not be allowed to continue their participation in either the Title 5 Thrift Savings Plan or the OCC, OTS, and FDIC agency savings plans.

CFPB has also reimbursed the transferring agencies for administrative costs pursuant to memoranda of understanding with the transferring agencies. These costs are reflected as expenses in CFPB's financial statements.

ALL OTHER EMPLOYEES OF CFPB

Employees hired with prior Title 5 Federal Retirement System coverage who are not transferees under the Dodd Frank Act may remain enrolled in the appropriate retirement programs administered by OPM – CSRS, CSRS Offset, or FERS. These employees alternatively have the option to enroll in the Federal Reserve System retirement plans (FRSRP). CFPB began providing these new employees the opportunity to enroll in the Federal Reserve retirement system plans beginning in November 2011. For those employees electing to enroll in the Federal Reserve System's retirement plans, the enrollment becomes effective at the beginning of the pay period following receipt of their written election decision. New employees with no previous coverage under a Title 5 retirement plan are automatically enrolled in the Federal Reserve System's retirement plans. CFPB pays the employer's contribution into those plans.

TABLE 27: PENSION/RETIREMENT PLANS FOR CFPB EMPLOYEES

Name	Administering Agency
Federal Reserve System Retirement Plan (FRSRP)	Federal Reserve System
Federal Reserve System Thrift Plan	Federal Reserve System
Pension Enhancement Plan for Officers of the Board of Governors of the Federal Reserve System	Federal Reserve System
Retirement Plan for Employees of the Federal Reserve System Benefits Equalization Plan ¹	Federal Reserve System
Retirement Plan for Employees of the Federal Reserve System Benefits Equalization Plan for Section 415 Excess Benefits	Federal Reserve System
Thrift Plan for Employees of the Federal Reserve System Benefits Equalization Plan ¹	Federal Reserve System
Civil Service Retirement System (CSRS)	OPM
CSRS Offset	OPM
Federal Employees Retirement System (FERS)	OPM
Thrift Savings Plan	Federal Retirement Thrift Investment Board
FDIC Savings Plan	FDIC
OCC 401(k)	OCC

Name	Administering Agency
OTS 401(k)	OCC
OTS Deferred Compensation Plan	OCC
Pentegra Defined Benefit Plan (OTS)	OCC (administration is through Pentegra)

¹ This retirement program does not have any CFPB participants for fiscal years 2016 or 2015.

The Bureau does not have a separate pension or retirement plan distinct from the plans described above. CFPB expenses its contributions to the retirement plans of covered employees as the expenses are incurred. CFPB reported imputed costs (not paid by CFPB) with respect to retirement plans (OPM-administered), health benefits and life insurance (for employees retiring under Title 5 retirement plans; OPM-administered) pursuant to guidance received from OPM. These costs are paid by OPM. Disclosure is intended to provide information regarding the full cost of CFPB's program in conformity with GAAP. CFPB, however, records expenses for the post-retirement health benefits (i.e., health benefits also OPM-administered) for those employees retiring under the Federal Reserve System retirement plans. These costs are not imputed costs with OPM. The associated liabilities for these post-retirement health benefits are incorporated as part of the line item on the Balance Sheet for Benefits Payable.

The Bureau recognizes the employer's contributions for the retirement plans administered by the Federal Reserve. The Bureau is responsible for transferring to the Federal Reserve both the employer's contributions and the employee's contributions that the Bureau has collected from employees. Under section 1013(a)(3)(C) of the Dodd-Frank Act, CFPB is required to pay an employer contribution to the FRSRP in an amount established by the employer contribution under the Federal Employees Retirement System – for fiscal year 2016 it was 13.7 percent of salary. For fiscal years 2016 and 2015 those amounts were \$27.3 million and \$21.6 million, respectively.

Consistent with the disclosures in the financial statements of the Board of Governors of the Federal Reserve System, the FRSRP provides retirement benefits to employees of the Board, the Reserve Banks and certain employees of the CFPB. The FRBNY, on behalf of the Federal Reserve System, recognizes the net assets and costs associated with the System Plan in its financial statements. Consistent with provisions of a single-employer plan, costs associated with the System Plan are aggregated by the FRBNY on behalf of the Federal Reserve Systems and were not redistributed to individual entities (e.g., CFPB). Accordingly, the CFPB cannot report the full cost of the plan benefits applicable to CFPB employees. Please see the Federal Reserve

Banks Combined Financial Statements for the net assets and costs associated with the System Plan (www.federalreserve.gov/publications/annual-report/files/2015-annual-report.pdf).

Q. Liability for Advances and Prepayments

Through a Memoranda of Understanding (MOU) with the Federal Financial Institutions Examinations Council (FFIEC), the FFIEC members³⁰ and the U.S. Department of Housing and Urban Development (HUD) an agreement was reached on the funding needed to develop a new Home Mortgage Disclosure Act (HMDA) system. The new HMDA system design and development is expected to be a multi-year endeavor spanning over several annual financial report cycles – fiscal years 2016, 2017 and 2018. During the design and development phase of the system, the CFPB will treat the receipt of payments made by FFIEC members and HUD as advances and record the collections as a liability for advances and prepayments. When the HMDA system is operational and made available for use to the FFIEC members and HUD in FY 2018, the CFPB's liability will be liquidated to earned exchange revenue over the useful life of the asset.

R. Commitments and Contingencies

A commitment is a preliminary action that reserves available funds until an obligation is made which will result in a legal liability of the U.S. government. Examples of a commitment include purchase requisitions or unsigned contracts. All open commitments at year end are closed out and new commitments (requisitions) need to be recorded in the next fiscal year. Accordingly, no open commitments exist at year end to report in either the financial statements or notes.

Liabilities are deemed contingent when the existence or amount of the liability cannot be determined with certainty pending the outcome of future events. Contingencies are recognized on the balance sheet and statement of net cost when the liability is probable and can be reasonably estimated. Contingencies are disclosed in the notes to the financial statements when

³⁰ The FFIEC Federal agencies with HMDA responsibilities and party to the MOU for the design and development of the new HMDA system are: Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Office of the Comptroller of the Currency, and the Consumer Financial Protection Bureau.

there is a reasonable possibility of a loss from the outcome of future events or when there is a probable loss that cannot be reasonably estimated. See Note 11 for additional information.

S. Fiduciary activities

The Dodd-Frank Act, section 1055 authorizes the 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. Fiduciary assets are not assets of the CFPB and are not recognized on the balance sheet. See Note 20, Fiduciary Activities.

T. Custodial activities

Under section 1055 of the Dodd-Frank Act, the CFPB may obtain disgorgement for violations of Federal consumer law. Disgorgement paid by the defendant is treated by CFPB as a custodial activity. CFPB will report those disgorged deposits and any other miscellaneous funds collected on the Statement of Custodial Activity.

Note 2: Fund balance with Treasury

Fund Balance with Treasury account balances as of September 30, 2016 and September 30, 2015 were as follows:

	2016	2015
Fund Balances:		
Special Funds:		
Bureau Fund	\$ 26,953,202	\$ 34,713,482
Civil Penalty Fund	\$ 13,548,821	\$ 459,447
Total	\$ 40,502,023	\$ 35,172,929
Status of Fund Balance with Treasury:		
Unobligated Balance		
Available	\$ 557,810,893	\$ 436,004,438
Obligated Balance Not Yet Disbursed	345,047,894	357,263,784
Uncollected Federal Payments	(2,650,000)	(31,860)
Investments at Cost	(431,182,642)	(441,473,342)
Cash Held Outside of Treasury (See Note 4)	(428,524,122)	(316,590,091)
Total	\$ 40,502,023	\$ 35,172,929

Unobligated Balance Available represents the amount of budget authority that can be used to enter into new obligations. This amount, or a portion thereof, may be administratively dedicated for specific purposes that have not yet been obligated. The Obligated Balance Not Yet Disbursed represents amounts designated for payment of goods and services ordered but not received or goods and services received but for which payment has not yet been made.

Note 3: Investments

As discussed further in Note 4, at the direction of the CFPB, the FRBNY invests the portion of the Bureau Fund that is not required to meet the current needs of the Bureau. When directed by CFPB, the FRBNY will utilize the funds available to purchase investments on the open market. At this time, CFPB only invests in three month U.S. Treasury bills. The market value is determined by the secondary U.S. Treasury market and represents the value an individual investor is willing to pay for these securities, as of September 30, 2016 and September 30, 2015.

Investments as September 30, 2016 consist of the following:

	Cost	Amortization Method	Amortized Discount	Investments Net	Market Value Disclosure
Intragovernmental Securities:					
Marketable	431,182,642	Straight-Line	241,515	431,424,157	431,426,317
Total	\$431,182,642		\$ 241,515	\$ 431,424,157	\$ 431,426,317

Investments as of September 30, 2015 consist of the following:

	Cost	Amortization Method	Amortized Discount	Investments Net	Market Value Disclosure
Intragovernmental Securities:					
Marketable	441,473,342	Straight-Line	20,122	441,493,464	441,502,283
Total	\$ 441,473,342		\$ 20,122	\$ 441,493,464	\$ 441,502,283

Note 4: Cash and other monetary assets

CFPB has both cash and investments held outside of Treasury. When transfers are made from the Board of Governors to CFPB, the funds are deposited into an account held within the FRBNY referred to as the Bureau Fund. The account has a required minimum balance of \$250,000 and any funds in excess of this minimum are invested in Treasury securities in increments of \$100,000 by the FRBNY utilizing an automatic investment process based on direction from CFPB. CFPB requests cash disbursement from the Bureau Fund to the CFPB's Fund Balance with Treasury based on projections of future cash outlays.

Funds obtained by, transferred to, or credited to the Bureau Fund are immediately available to CFPB and under the control of the Director, and shall remain available until expended, to pay for the expenses of the Bureau in carrying out its duties and responsibilities. Any civil penalty obtained from any person in any judicial or administrative action under Federal consumer financial laws is deposited into the Civil Penalty Fund. Amounts in the Civil Penalty Fund are immediately available to CFPB and under the control of the Director, and shall remain available until expended, for payments to victims of activities for which civil penalties have been imposed. To the extent that such victims cannot be located or such payments are otherwise not practicable, the Bureau may use funds in the Civil Penalty Fund for the purpose of consumer education and financial literacy programs.

In enforcement actions and proceedings under Federal consumer financial laws, a court or the CFPB may order any appropriate legal or equitable relief for a violation of Federal consumer financial law. Relief provided may include certain types of monetary relief, including refunds, restitution, disgorgement, and civil penalties. The CFPB deposits civil penalties it obtains in these judicial and administrative actions into the Civil Penalty Fund. Funds obtained by or transferred to the Bureau Fund shall not be construed to be Government funds or appropriated monies. Funds in the Bureau Fund and the Civil Penalty Fund are not subject to apportionment for purposes of chapter 15 Title 31, United States Code, or under any other authority.

Account balances as of September 30, 2016 and September 30, 2015:

	2016	2015
Cash		
Cash Held in the Bureau Fund at the Federal Reserve	268,795	273,639
Cash Held in the Civil Penalty Fund at the Federal Reserve	428,255,327	316,316,452
Total Cash and Other Monetary Assets	\$ 428,524,122	\$ 316,590,091

As of September 30, 2016 and 2015, the CFPB had allocated or set-aside, but not distributed, \$271.2 million and \$181.6 million, respectively, for victim compensation, consumer education and financial literacy programs, and administrative set-asides. See Note 9 for a discussion regarding victim compensation allocation and Note 11 for a discussion regarding the amount available for future allocations.

Note 5: Accounts receivable

Accounts receivable represents amounts owed to the CFPB. Account balances as of September 30, 2016 and September 30, 2015:

	2016	2015
Accounts Receivable:		
Bureau Fund	\$ 315,618	\$ 417,383
Civil Penalty Fund	1,820,000	4,750,000
Custodial Funds	29,358	8,319
Total Accounts Receivable	\$ 2,164,976	\$ 5,175,702

Account receivable amounts disclosed above are for Federal and Non-federal transactions. As of September 30, 2016, all accounts receivable were due from the public. As of September 30, 2015 \$31,860 was an intragovernmental balance owed to the CFPB by OPM for an employee detail to the CFPB. The remaining \$5 million was due from the public, the majority of which was due to receivables associated to Civil Penalty Fund cases. There were no uncollectable accounts receivable as of September 30, 2016 and 2015 respectively.

Note 6: Property, equipment and software, net

Schedule of Property, Equipment, and Software as of September 30, 2016 consist of the following:

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Furniture & Equipment	\$ 17,830,888	\$ 7,226,987	\$ 10,603,901
Internal Use Software	22,542,036	13,092,971	9,449,065
Leasehold (Capital) Improvement-in-Development	68,115,203	N/A	68,115,203
Software-in-Development	4,792,617	N/A	4,792,617
Total	\$ 113,280,744	\$ 20,319,958	\$ 92,960,786

Schedule of Property, Equipment, and Software as of September 30, 2015 consist of the following:

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Furniture & Equipment	\$ 15,769,591	\$ 5,560,840	\$ 10,208,751
Internal Use Software	20,981,738	8,963,175	12,018,563
Leasehold (Capital) Improvement-in-Development	19,340,377	N/A	19,340,377
Software-in-Development	1,063,502	N/A	1,063,502
Total	\$ 57,155,208	\$ 14,524,015	\$ 42,631,193

Leasehold (Capital) Improvements-in-Development represent costs incurred for the building renovation at 1700 G Street N.W., Washington D.C. which began in fiscal year 2013. CFPB has obligated \$145 million with GSA for the renovation project. Upon completion of the building renovation, CFPB will begin to amortize the cost incurred over the shorter period of time of either the estimated life of the improvements or the years remaining on the occupancy agreement.

Note 7: Advances & prepayments

Advances and Prepayment balances as of September 30, 2016 and September 30, 2015 were as follows:

	2016	2015
Intragovernmental		
Advances and Prepayments	\$ 5,910,835	\$ 937,166
Total Intragovernmental Other Assets	<u>\$ 5,910,835</u>	<u>\$ 937,166</u>
With the Public		
Advances and Prepayments	\$ 3,390,695	\$ 5,015,838
Total Public Other Assets	<u>\$ 3,390,695</u>	<u>\$ 5,015,838</u>

The public advances and prepayments balance of \$3.4 million for FY 2016 is primarily a result of contracts with vendors for the software licenses, subscriptions and provision of informational messages via digital media for the financial literacy program. The intragovernmental balance of \$5.9 million is primarily a result of CFPB's payment to the Board of Governors of the Federal Reserve System to help fund the Office of the Inspector General for calendar year 2016 and a payment to the Federal Housing Finance Agency for the maintenance of the National Mortgage Database. The public advances and prepayments balance of \$5 million for FY 2015 is primarily a result of a contract with a vendor to provide informational messages, via digital media, related to CFPB's mission to inform the public on financial literacy. Other advances and prepayments include subscriptions and other miscellaneous items.

Note 8: Other liabilities

Other liabilities as of September 30, 2016 and September 30, 2015 consist of the following:

	2016	2015
Intragovernmental Liabilities		
FECA Liability	\$ 51,449	\$ 148,069
Payroll Taxes Payable	449,315	317,440
HMDA Advance	500,000	
Custodial Liability	8,267	8,319
Total Intragovernmental Liabilities	\$ 1,009,031	\$ 473,828
With the Public		
Employee Withholdings	\$ 30,071	\$ 30,658
Other	45,314	1,173
Total Public Liabilities	\$ 75,385	\$ 31,831

The CFPB is treating the receipt of all payments collected from the FFIEC (via payments made by FFIEC members and HUD) for the development phase of the new HMDA system as a liability for advances and prepayments. When the HMDA system is operational and made available for use to the FFIEC members and HUD in FY 2018, the liability will be liquidated to earned exchange revenue over the useful life of the asset.

All other liabilities are considered current liabilities, except for the HMDA advances.

Note 9: Civil penalty fund allocation

The Civil Penalty Fund (CPF) Allocation liability account is the cumulative balance of activity comprised of the beginning balance, plus new allocations to victims, less distributions made to victims. Consistent with the CPF rule, the CPF Administrator made two allocations of money to victims during FY 2016. The ending balance of the CPF Allocation as of September 30, 2016 and September 30, 2015 is calculated as the following:

	2016	2015
Civil Penalty Fund Allocation:		
Beginning Balance	\$ 166,792,385	\$ 30,334,602
Plus: New Allocations to Victims	130,696,406	158,827,933
Less: Distributions and Refunds	50,029,945	22,370,150
Ending Balance	\$ 247,458,846	\$ 166,792,385

Note 10: Liabilities not covered by budgetary resources

Liabilities not covered by budgetary resources as of September 30, 2016 and September 30, 2015 consist of the following:

	2016	2015
Intragovernmental		
FECA	\$ 51,449	\$ 148,069
Benefits Payable	25,904,639	17,932,515
With the Public		
Unfunded Leave	23,270,578	20,199,210
Actuarial FECA	575,934	683,949
Total Liabilities Not Covered by Budgetary Resources	\$ 49,802,600	\$ 38,963,743
Total Liabilities Covered by Budgetary Resources	331,314,053	251,683,611
Total Liabilities	\$ 381,116,653	\$ 290,647,354

As described in Note 1.P., benefits payable also include costs for post-retirement benefits for CFPB employees retiring under the Federal Reserve retirement plans.

Note 11: Commitments and contingencies

CFPB's General Counsel has determined there are no pending legal cases that are deemed to be reasonably possible that an unfavorable outcome may occur. The pending legal case identified in the fiscal year 2015 financial report that was previously categorized as reasonably possible has been re-categorized as remote and does not require further disclosure.

The Civil Penalty Fund Administrator made the seventh allocation from the Civil Penalty Fund on May 27, 2016. The Fund Administrator will make the eighth allocation from the Civil Penalty Fund on or before November 29, 2016. At that time, there will be 13 cases considered for allocation and the total amount available for allocation is \$170.1 million. As of September 30, 2016, no amounts were accrued in the financial statements for these cases as the future outflows of resources do not meet the definition of probable and estimable.

Note 12: Intragovernmental costs and exchange revenue

Intragovernmental costs represent goods and services provided between two reporting entities within the Federal government, and are in contrast to those with non-federal entities (the public). Earned exchange revenue with the public results from transactions between the Federal government and a non-Federal entity. Earned exchange intragovernmental revenue results from transactions between two Federal entities.

Such costs and earned revenues for fiscal years 2016 and 2015 are summarized as follows:

By Program

	2016	2015
Prevent Financial Harm to Consumers While Promoting Good Practices That Benefit Them		
Intragovernmental Costs	\$ 43,134,529	\$ 28,618,982
Public Costs	<u>212,400,705</u>	<u>199,766,351</u>
Total Program Costs	<u>255,535,234</u>	<u>228,385,333</u>
Net Prevent Financial Harm to Consumers While Promoting Good Practices That Benefit Them Cost	<u>\$ 255,535,234</u>	<u>\$ 228,385,333</u>
Empower Consumers to Live Better Financial Lives		
Intragovernmental Costs	\$ 19,177,354	\$ 12,833,093
Public Costs	<u>94,432,085</u>	<u>89,577,618</u>
Total Program Costs	<u>113,609,439</u>	<u>102,410,711</u>
Less: Intragovernmental Earned Revenue		(25,042)
Net Empower Consumers to Live Better Financial Lives Cost	<u>\$ 113,609,439</u>	<u>\$ 102,385,669</u>
Inform The Public, Policy Makers, and the CFPB's own Policy-Making with Data-Driven Analysis of Consumer Finance Markets and Consumer Behavior		
Intragovernmental Costs	\$ 7,945,723	\$ 5,462,381
Public Costs	<u>39,125,899</u>	<u>38,128,534</u>
Total Program Costs	<u>47,071,622</u>	<u>43,590,915</u>
Less: Intragovernmental Earned Revenue		(6,818)
Net Inform The Public, Policy Makers, and the CFPB's own Policy-Making with Data-Driven Analysis of Consumer Finance Markets and Consumer Behavior Cost	<u>\$ 47,071,622</u>	<u>\$ 43,584,097</u>
Advance the CFPB's Performance by Maximizing Resource Productivity & Enhancing Impact		
Intragovernmental Costs	\$ 44,349,960	\$ 33,386,330
Public Costs	<u>218,385,667</u>	<u>233,043,414</u>
Total Program Costs	<u>262,735,627</u>	<u>266,429,744</u>
Less: Public Earned Revenue	(57,047)	(11,552)
Net Advance the CFPB's Performance by Maximizing Resource Productivity & Enhancing Impact Cost	<u>\$ 262,678,580</u>	<u>\$ 266,418,192</u>
Total Intragovernmental Costs	<u>\$ 114,607,566</u>	<u>\$ 80,300,786</u>
Total Public Costs	<u>564,344,356</u>	<u>560,515,917</u>
Total Program Costs	<u>678,951,922</u>	<u>640,816,703</u>
Less: Total Intragovernmental Earned Revenue	-	(31,860)
Less: Total Public Earned Revenue	(57,047)	(11,552)
Total Program Net Cost	<u>\$ 678,894,875</u>	<u>\$ 640,773,291</u>

Note 13: Apportionment categories of new obligations and upward adjustments

All new obligations and upward adjustments are characterized as Category E, Exempt from apportionment (i.e., not apportioned), on the Statement of Budgetary Resources. New obligations and upward adjustments reported in the Statement of Budgetary Resources in fiscal years 2016 and 2015 consisted of the following:

	2016	2015
Direct Obligations, Category E	\$ 645,795,675	\$ 558,971,425
Reimbursable Obligations, Category E	1,445,250	31,860
Total New Obligations and Upward Adjustments	<u>\$ 647,240,925</u>	<u>\$ 559,003,285</u>

Note 14: Undelivered orders at the end of the period

SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, states that the amount of budgetary resources obligated for undelivered orders at the end of the period should be disclosed. CFPB's Undelivered Orders represent obligated amounts designated for future payment of goods and services ordered but not received.

Undelivered Orders as of September 30, 2016 and September 30, 2015 were as follows:

	2016	2015
Total Undelivered Orders at the End of the Period	\$ 261,726,310	\$ 272,381,338

Note 15: Reconciliation of net cost to budget

CFPB has reconciled its budgetary obligations and non-budgetary resources available to its net cost of operations for the periods ended September 30, 2016 and September 30, 2015.

CONSUMER FINANCIAL PROTECTION BUREAU
RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET
For the Fiscal Years Ended September 30, 2016 and 2015
(In Dollars)

	2016	2015
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
New Obligations and Upward Adjustments	\$ 647,240,925	\$ 559,003,285
Less: Spending Authority From Offsetting Collections and Recoveries	(21,085,963)	(29,622,889)
Net Obligations	<u>626,154,962</u>	<u>529,380,396</u>
Other Resources		
Imputed Financing From Costs Absorbed By Others	1,091,025	1,061,552
Total Resources Used to Finance Activities	<u>627,245,987</u>	<u>530,441,948</u>
Resources Used to Finance Items Not Part of the Net Cost of Operations:		
Change In Budgetary Resources Obligated For Goods, Services and Benefits Ordered But Not Yet Provided	10,459,904	(30,300,750)
Resources That Fund Expenses Recognized In Prior Periods	(134,328)	(510,440)
Resources That Finance the Acquisition of Assets	(56,843,295)	(11,660,750)
Total Resources Used to Finance Items Not Part of Net Cost of Operations	<u>(46,517,719)</u>	<u>(42,471,940)</u>
Total Resources Used to Finance the Net Cost of Operations	<u>580,728,268</u>	<u>487,970,008</u>
Components of the Net Cost of Operations That Will Not Require or Generate Resources in the Current Period:		
Components Requiring or Generating Resources in Future Periods		
Increase In Annual Leave Liability	3,071,368	3,798,255
Civil Penalty Fund Allocation	80,666,461	136,457,783
Increase In Post Retirement Health Benefits	<u>7,972,124</u>	<u>6,262,570</u>
Total Components of Net Cost of Operations That Will Require or Generate Resources In Future Periods	<u>91,709,953</u>	<u>146,518,608</u>
Components Not Requiring or Generating Resources		
Depreciation and Amortization	6,492,640	6,441,672
Revaluation of Assets or Liabilities	<u>21,061</u>	<u>84,485</u>
Other	<u>(57,047)</u>	<u>(241,482)</u>
Total Components of Net Cost of Operations That Will Not Require or Generate Resources	<u>6,456,654</u>	<u>6,284,675</u>
Total Components of Net Cost of Operations That Will Not Require or Generate Resources In The Current Period	<u>98,166,607</u>	<u>152,803,283</u>
Net Cost of Operations	\$ 678,894,875	\$ 640,773,291

Note 16: President's Budget

Statement of Federal Financial Accounting Standards 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, requires explanations of material differences between amounts reported in the Statement of Budgetary Resources and the actual balances published in the Budget of the United States Government (President's Budget). However, the President's Budget that will include fiscal year 2016 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2017 and can be found at the OMB Web site: <http://www.whitehouse.gov/omb/>. The 2017 Budget of the United States Government, with the "Actual" column completed for 2015, has been reconciled to the 2015 Statement of Budgetary Resources and there were no material differences.

	Budgetary Resources	New Obligations and Upward Adjustments	Net Outlays
Combined Statement of Budgetary Resources	\$ 995,007,723	\$ 559,003,285	\$ 506,943,524
Rounding Difference	(2,007,723)	(3,285)	56,476
Budget of U.S. Government	993,000,000	559,000,000	507,000,000
Total Unreconciled Difference	\$ -	\$ -	\$ -

Note 17: Rental payments for space

For all Interagency Agreements the CFPB enters into with another Federal Agency, the CFPB records the rental payments based on the stated monthly amount due in the occupancy agreement.

DESCRIPTION OF AGREEMENT

A. Interagency agreement (IAA) with the OCC for space to accommodate the CFPB staff assigned to its headquarters at 1700 G Street, N.W., Washington, D.C. The occupancy agreement (OA) with OCC covers use of the premises through February 17, 2032 with two optional five (5) year renewal periods expiring February 17, 2037 and 2042 respectively. The annual rent shall escalate two percent each year. Beginning in August 2016, the retail rental

rebates that offset the payments to OCC were suspended because all retailers were vacated from the premises for the building renovation.

Future Payments Due:

Fiscal Year	Buildings
2017	12,740,573
2018	12,995,384
2019	13,255,292
2020	13,520,398
2021 through February 17, 2032	174,449,601
Total Future Payments	\$ 226,961,248

DESCRIPTION OF AGREEMENT

B. Occupancy Agreement (OA) between the CFPB and the General Services Administration for supplies, services and the use of space at 1275 First Street, N.E., Washington D.C. The OA is for a period through October 31, 2017. The rent is to be adjusted annually for operating cost and real estate taxes. The CFPB entered into this OA in order to secure temporary swing space while the CFPB undergoes a full-building renovation of its primary headquarters located at 1700 G Street, N.W., Washington D.C. The space assigned in this OA will permit the CFPB to conduct a single-phase renovation. Upon completion of the renovation, the CFPB plans to vacate the space governed by this OA and return to its primary headquarters.

Future Payments Due:

Fiscal Year	Buildings
2017	\$ 10,003,187
2018 through October 31, 2017	\$ 822,412
Total Future Payments	\$ 10,825,599

DESCRIPTION OF AGREEMENT

C. Interagency agreement with the Federal Housing Finance Agency (FHFA) for supplies, services and the use of space at 1625 Eye Street, N.W., Washington D.C. The interagency agreement was modified for an extended period of time and is now through June 30, 2020. The annual rent shall escalate four percent each year. The FHFA is in negotiations with the lessor on behalf of the CFPB to terminate the lease/OA prior to the current end date of June 2020. The future liabilities associated to this OA may be reduced in subsequent years pending negotiations by the FHFA.

Future Payments Due:

Fiscal Year	Buildings
2017	5,233,467
2018	5,364,490
2019	5,498,401
2020 through June 30, 2020	4,200,455
Total Future Payments	\$ 20,296,813

DESCRIPTION OF AGREEMENT

D. OA between the CFPB and the General Services Administration for supplies, services and the use of space at 140 East 45th Street, New York, NY. The OA is for a period through September 28, 2023. The rent is to be adjusted annually for operating cost and real estate taxes.

Future Payments Due:

Fiscal Year	Buildings
2017	1,139,166
2018	1,148,974
2019	1,261,041
2020 through September 28, 2023	5,151,377
Total Future Payments	\$ 8,700,558

DESCRIPTION OF AGREEMENT

E. OA between the CFPB and the General Services Administration for supplies, services and the use of space at 301 Howard Street, San Francisco, California. The OA is for a period through December 16, 2017. The rent is to be adjusted annually for operating cost and real estate taxes.

Future Payments Due:

Fiscal Year	Buildings
2017	1,026,498
2018 through December 16, 2017	257,577
Total Future Payments	\$ 1,284,075

DESCRIPTION OF AGREEMENT

F. OA between the CFPB and the General Services Administration for supplies, services and the use of space at 230 S. Dearborn Street, Chicago, IL. The OA is for a period through June 30, 2019. The rent is to be adjusted annually for operating cost.

Future Payments Due:

Fiscal Year	Buildings
2017	490,423
2018	492,598
2019 through June 30, 2019	370,740
Total Future Payments	\$ 1,353,761

DESCRIPTION OF AGREEMENT

G. OA between the CFPB and the General Services Administration for supplies, services and the use of space at 1800 F Street N.W., Washington D.C. The OA is for a period through August 31, 2017. The rent is to be adjusted annually for operating cost. The CFPB entered into this OA in order to secure temporary swing space while the CFPB undergoes a full-building renovation of its primary headquarters located at 1700 G Street, N.W., Washington D.C. The space assigned in this OA will permit the CFPB to continue to provide space for the Small Savers Childcare Development Center.

Future Payments Due:

Fiscal Year	Buildings
2017 through August 31, 2017	\$ 309,601
Total Future Payments	\$ 309,601

DESCRIPTION OF AGREEMENT

H. OA between the CFPB and the General Services Administration for supplies, services and the use of space at 1990 K Street N.W., Washington D.C. The OA is for a period through August 11, 2017. The rent is to be adjusted annually for operating cost and real estate taxes. The CFPB is working with GSA on an OA to extend the time period to ultimately house the SEFL Division, Legal Division and the Ombudsman. Upon completion of the OA for an extended time period, it may result in an early termination of the leased space at 1625 Eye Street, N.W., Washington D.C., and at that time may result in a reduction of the future liability of that space.

See Note 17 C.

Future Payments Due:

Fiscal Year	Buildings
2017 through August 11, 2017	\$ 2,010,669
Total Future Payments	\$ 2,010,669

Note 18: Funds from dedicated collections

Provided below is summary consolidated component entity information for CFPB's two primary funds from dedicated collections -- the Bureau Fund and the Civil Penalty Fund. Custodial collections (disgorgement paid and other fees collected) reside in non-budgetary FBWT accounts and are excluded from this presentation.

	Bureau Fund	Civil Penalty Fund	FY 2016
A. Fund Balances & Status of Funds:			
Fund Balances:			
Special Fund	\$ 26,953,202	\$ 13,548,821	\$ 40,502,023
Total	\$ 26,953,202	\$ 13,548,821	\$ 40,502,023
Status of Fund Balance with Treasury:			
Unobligated Balance			
Available	\$ 141,745,669	\$ 416,065,224	\$ 557,810,893
Obligated Balance Not Yet Disbursed	319,308,970	25,738,924	345,047,894
Uncollected Federal Payments	(2,650,000)	-	(2,650,000)
Investments at Cost	(431,182,642)	-	(431,182,642)
Cash Held Outside of Treasury	(268,795)	(428,255,327)	(428,524,122)
Total	\$ 26,953,202	\$ 13,548,821	\$ 40,502,023
B. Summary Assets, Liabilities, and Net Position:			
Assets:			
Total Intragovernmental	\$ 464,288,194	\$ 13,548,821	\$ 477,837,015
Cash and Other Monetary Assets	268,795	428,255,327	428,524,122
Property, Equipment, and Software, Net	92,960,786	-	92,960,786
Other	3,735,671	1,820,000	5,555,671
Total Summary Assets	\$ 561,253,446	\$ 443,624,148	\$ 1,004,877,594
Liabilities and Net Position:			
Total Liabilities	\$ 133,115,715	\$ 248,000,938	\$ 381,116,653
Cumulative Results of Operations	428,137,731	195,623,210	623,760,941
Total Liabilities & Net Position	\$ 561,253,446	\$ 443,624,148	\$ 1,004,877,594
C. Summary Statement of Net Cost:			
Total Gross Program Costs	\$ 543,253,977	\$ 135,697,945	\$ 678,951,922
Less: Total Earned Revenues	(57,047)	-	(57,047)
Net Cost of Operations	\$ 543,196,930	\$ 135,697,945	\$ 678,894,875
D. Summary Statement of Changes in Net Position:			
Net Position Beginning of Period	\$ 404,256,633	\$ 152,112,396	\$ 556,369,029
Total Financing Sources	567,078,028	179,208,759	746,286,787
Net Cost of Operations	(543,196,930)	(135,697,945)	(678,894,875)
Change in Net Position	23,881,098	43,510,814	67,391,912
Net Position End of Period	\$ 428,137,731	\$ 195,623,210	\$ 623,760,941

	Bureau Fund	Civil Penalty Fund	FY 2015
A. Fund Balances & Status of Funds:			
Fund Balances:			
Special Fund	\$ 34,713,482	\$ 459,447	\$ 35,172,929
Total	\$ 34,713,482	\$ 459,447	\$ 35,172,929
Status of Fund Balance with Treasury:			
Unobligated Balance			
Available	\$ 130,396,526	\$ 305,607,912	\$ 436,004,438
Obligated Balance Not Yet Disbursed	346,095,797	11,167,987	357,263,784
Uncollected Federal Payments	(31,860)	-	(31,860)
Investments at Cost	(441,473,342)	-	(441,473,342)
Cash Held Outside of Treasury	(273,639)	(316,316,452)	(316,590,091)
Total	\$ 34,713,482	\$ 459,447	\$ 35,172,929
B. Summary Assets, Liabilities, and Net Position:			
Assets:			
Total Intragovernmental	\$ 477,175,972	\$ 459,447	\$ 477,635,419
Cash and Other Monetary Assets	273,639	316,316,452	316,590,091
Property, Equipment, and Software, Net	42,631,193	-	42,631,193
Other	5,409,680	4,750,000	10,159,680
Total Summary Assets	\$ 525,490,484	\$ 321,525,899	\$ 847,016,383
Liabilities and Net Position:			
Total Liabilities	\$ 121,233,851	\$ 169,413,503	\$ 290,647,354
Cumulative Results of Operations	404,256,633	152,112,396	556,369,029
Total Liabilities & Net Position	\$ 525,490,484	\$ 321,525,899	\$ 847,016,383
C. Summary Statement of Net Cost:			
Total Gross Program Costs	\$ 477,722,298	\$ 163,094,405	\$ 640,816,703
Less: Total Earned Revenues	(43,412)		(43,412)
Net Cost of Operations	\$ 477,678,886	\$ 163,094,405	\$ 640,773,291
D. Summary Statement of Changes in Net Position:			
Net Position Beginning of Period	\$ 395,524,152	\$ 142,536,722	\$ 538,060,874
Total Financing Sources	486,411,367	172,670,079	659,081,446
Net Cost of Operations	(477,678,886)	(163,094,405)	(640,773,291)
Change in Net Position	8,732,481	9,575,674	18,308,155
Net Position End of Period	\$ 404,256,633	\$ 152,112,396	\$ 556,369,029

Note 19: Subsequent events

The Bureau has collected \$1.8 million in accounts receivable from fiscal year 2016 imposed penalties and \$1 in penalties from an order finalized in fiscal year 2014. Additionally, in fiscal year 2017, the Bureau collected \$2,413 of fiscal year 2016 earned interest from eight Civil Penalty Fund cases. Any interest earned in Civil Penalty Fund matters is disgorged to Treasury. In fiscal year 2017, the Bureau collected \$0.3 million in Legal or Equitable Relief funds as related to two prior year cases.

Since October 1, 2016, the CFPB has entered into two consent orders with entities for violations of Federal consumer financial law. These orders required the entities to pay \$5.5 million and \$20,000 in civil monetary penalties respectively. The amounts ordered in these matters were paid in fiscal year 2017.

During fiscal year 2017, the Bureau released \$10.6 million in Civil Penalty Fund monies and \$0.7 million in Legal or Equitable Relief Funds to compensate eligible consumers in the Hoffman matter. Payments were mailed to approximately 1,800 consumers on October 14, 2016.

Note 20: Fiduciary activities

Section 1055 of the Dodd-Frank Act authorizes the 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. Funds paid as relief that is intended to compensate victims of violations are treated as fiduciary funds and deposited into the “Legal or Equitable Relief Fund” established at the Department of the Treasury. Fiduciary assets are not assets of the CFPB. The victims have an ownership interest in the cash or other assets held by the CFPB under provision of law, regulation, or other fiduciary arrangement.

During fiscal years 2016 and 2015, the CFPB had the following fiduciary activity:

CONSUMER FINANCIAL PROTECTION BUREAU
SCHEDULE OF FIDUCIARY ACTIVITY
For the Year Ended September 30, 2016 and 2015
(In Dollars)

	2016	2015
	Consumer Financial Legal or Equitable Relief Fund	
Fiduciary Net Assets, Beginning of Year	\$ 99,779,147	\$ 48,617,801
Fiduciary Revenues Collected	982,735	\$ 78,654,687
Fiduciary Revenues Receivables	197,599	-
Administrative Expenses	(966,061)	(40,943)
Disbursements to and on behalf of beneficiaries	(67,395,126)	(27,452,398)
Increase/(Decrease) in Fiduciary Net Assets	(67,180,853)	51,161,346
Fiduciary Net Assets, End of Year	\$ 32,598,294	\$ 99,779,147

CONSUMER FINANCIAL PROTECTION BUREAU
SCHEDULE OF FIDUCIARY ACTIVITY
As of September 30, 2016 and 2015
(In Dollars)

	2016	2015
	Consumer Financial Legal or Equitable Relief Fund	
Fiduciary Assets:		
Cash	\$ 32,795,259	\$ 99,779,657
Accounts Receivable	197,599	-
Fiduciary Liabilities:		
Less: Liabilities	394,564	510
Total Fiduciary Net Assets	\$ 32,598,294	\$ 99,779,147

Other information

The following Schedule of Spending presents an overview of the funds available for the CFPB to spend and how the CFPB spent these funds as of and for the fiscal years ended September 30, 2016 and 2015. The financial data used to populate this schedule is the same underlying data used to populate the CFPB's Statement of Budgetary Resources. Similar data can be found on www.USAspending.gov for goods and services purchased via contracts with non-Federal vendors.

CONSUMER FINANCIAL PROTECTION BUREAU
OTHER INFORMATION
SCHEDULE OF SPENDING
For The Periods Ended SEPTEMBER 30, 2016 and 2015
(In Dollars)

	2016	2015
What Money is Available to Spend?		
Total Resources	\$ 1,205,051,818	\$ 995,007,723
Less Amount Not Agreed to be Spent	(557,810,893)	(436,004,438)
Total Amounts Agreed to be Spent	\$ 647,240,925	\$ 559,003,285
 How was the Money Spent?		
Personnel Compensation	\$ 214,005,072	\$ 192,274,231
Personnel Benefits	76,148,465	73,398,069
Benefits for Former Personnel	186,935	256,215
Travel and transportation of persons	18,304,826	17,809,240
Transportation of things	77,933	115,312
Rent, Communications, and utilities	22,491,478	16,874,578
Printing and reproduction	4,433,903	2,478,238
Other contractual services	287,451,829	226,336,149
Supplies and materials	5,782,371	5,512,995
Equipment	18,157,353	21,414,763
Land and structures	200,370	2,533,495
Interest and dividends	390	0
 Total Spending	 647,240,925	 559,003,285
Total Amounts Agreed to be Spent	\$ 647,240,925	\$ 559,003,285
 Who did the Money go to?		
Federal	\$ 130,678,805	\$ 134,142,534
Non-Federal	516,562,120	424,860,751
Total Amounts Agreed to be Spent	\$ 647,240,925	\$ 559,003,285