

CFO update for the second quarter of fiscal year 2016

JANUARY 1 – MARCH 31, 2016

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Bureau Fund

As of March 31, 2016, the end of the second quarter of FY 2016, the CFPB had executed¹ approximately \$354 million in FY 2016 funds to carry out the authorities of the Bureau under Federal financial consumer law. Approximately \$145.5 million was spent on employee compensation and benefits for the 1,536 CFPB employees who were on-board by the end of the second quarter.

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

- \$14.0 million for consumer awareness and engagement tools and resources communications;
- \$12.5 million for a one-year building occupancy agreement with the Office of the Comptroller of the Currency;
- \$11.7 million for a one-year building occupancy agreement with the General Services Administration for CFPB's temporary headquarters office space;
- \$8.0 million for IT portfolio and project management support services;
- \$4.3 million for IT customer relationship management system tools and support;
- \$3.1 million for technical litigation support services and products provided through an interagency agreement with the Department of Justice;
- \$2.3 million for consumer complaint analytics solution (previously identified as Consumer Response risk-based targeting system);
- \$2.0 million for an interagency agreement with the General Service Administration's Federal Citizen Information Center for the storing and shipping of CFPB's financial educational materials to consumers;
- \$1.3 million to the Office of Employee Benefits (OEB) of the Federal Reserve for OEB assessment fees and personal choice statements;
- \$1.2 million related to the renovation of CFPB's Washington, DC headquarters office building;
- \$1.1 million to the General Services Administration for rental payment for CFPB's Northeast regional office space;
- \$1.0 million for video and audio conferencing capabilities and services;

¹This amount includes commitments, obligations and expenditures. A commitment is a reservation of funds in anticipation of a future obligation. An obligation is a transaction or agreement that creates a legal liability and obligates the government to pay for goods and services ordered or received. An expenditure is the authorization or outlay of payment related to a prior obligation.

- \$1.0 million to the Government Accountability Office for government financial audit services;
- \$1.0 million for IT data platform, licenses and associated services; and
- \$1.0 million to the General Services Administration for rental payment for CFPB's West regional office space.

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

Table 1: Fiscal Year 2016 spending by expense category through Q2:

Expense Category	Fiscal Year 2016
Personnel Compensation	108,346,000
Benefit Compensation	37,277,000
Travel	9,173,000
Transportation of Things	29,000
Rents, Communications, Utilities & Misc.	17,675,000
Printing and Reproduction	2,642,000
Other Contractual Services	161,001,000
Supplies & Materials	2,971,000
Equipment	14,913,000
Land and Structures	-
Interest and Dividends	-
Total (as of March 31, 2016)	\$354,027,000

Table 2: Fiscal Year 2016 spending by division/program area through Q2:

Division/Program Area	Fiscal Year 2016
Office of the Director	3,867,000
Operations	78,374,000
Consumer Education & Engagement	31,413,000
Research, Markets & Regulations	20,465,000
Supervision, Enforcement, Fair Lending	78,055,000
Legal Division	8,036,000
External Affairs	4,371,000
Other Programs ²	1,278,000
Centralized Services ³	128,168,000
Total (as of March 31, 2016)	\$354,027,000

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

³ Centralized services include the cost of certain administrative and operational services provided centrally to other Divisions (e.g., building space, utilities, and IT-related equipment and services) in support of all strategic goals.

FY 2016 Funds Transfers Received from the Federal Reserve

The CFPB is funded principally by transfers from the Federal Reserve System, up to the limits set forth in the Dodd-Frank Act. Funding from the Federal Reserve System for fiscal year 2016 is capped at \$631.7 million. As of March 31, 2016, the CFPB had received the following transfers for FY 2016. The amounts and dates of the transfers are shown below.

\$214.8M	October 14, 2015
\$159.9M	February 5, 2016
\$374.7M	Total

Civil Penalty Fund

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

Civil Penalties Collected in FY 2016

In the first quarter of FY 2016, the CFPB collected civil penalties from 11 defendants totaling \$33.1 million. In the second quarter of FY 2016, the CFPB collected \$8,130,001 from seven defendants.

Fy 2016 Civil Penalty Fund Collections:

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

⁴ The \$1 civil penalty was collected pursuant to a final order with respect to Walter Ledda, one of two defendants in this case. The case against Morgan Drexen, Inc., the corporate defendant, remains open.

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

Dwolla, Inc.	\$100,000	March 9, 2016
IrvineWebWorks, Inc. d/b/a Student Loan Processing.US	\$1	March 23, 2016
Total	\$41,258,002	

Civil Penalty Fund Allocations in FY 2016

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

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

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

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

The two cases with compensable uncompensated harm, Hoffman Law Group and Student Financial Aid Services, received an allocation from the Civil Penalty Fund. The Bureau allocated \$11.1 million to the Hoffman victim class and \$9.3 million to the Student Financial Aid Services class, enough to compensate fully those victim classes' uncompensated harm.

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

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

Period 6 Allocation Summary:

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

The remaining unallocated Civil Penalty Fund balance will be available for future allocations. The amount in the Fund as of March 31, 2016 will be available for allocation following the conclusion of Period 7 in accordance with 12 C.F.R. § 1075.105(c).

Bureau-Administered Redress

Dodd-Frank Act section 1055 authorizes a court in a judicial action, or the CFPB in an administrative proceeding, to grant any appropriate legal or equitable relief for a violation of Federal consumer financial law. Such relief may include redress for victims of the violations, including refunds, restitution, and damages. Relief that is intended to compensate victims is treated as fiduciary funds and deposited into the “Legal or Equitable Relief Fund” established at the Department of the Treasury.

Bureau Administered Redress Collected in FY 2016:

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

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

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