CFO update for the first quarter of fiscal year 2015

OCTOBER 1 – DECEMBER 31, 2014

Issued: February 18, 2015

Bureau Fund

In the first quarter of fiscal year 2015 that ended on December 31, 2014, the Consumer Financial Protection Bureau (CFPB) had spent approximately $151 million (including commitments and obligations)[1] to carry out the authorities of the Bureau under federal consumer financial laws. Approximately $62 million was spent on employee compensation and benefits for the 1,428 CFPB employees employed by the end of the quarter.

In addition to payroll expenses, the largest obligations for the quarter were related to contractual services. Obligations of $1 million and over made during the first quarter to both non-governmental vendors and governmental agencies included:

- $10.0 million for a one-year building occupancy agreement with the General Services Administration for CFPB's temporary headquarters office space;
- $9.8 million for maintaining ongoing operations of CFPB's consumer contact center and enhancements to the case management database;
- $7.7 million to the Department of Treasury for various administrative support services, including information technology and human resource systems support;
- $6.0 million for enterprise-wide engineering and system administration contractor support;
- $4.9 million to the Department of Treasury's Bureau of Fiscal Services for cross-leveling systems support, such as core financial accounting, procurement, transaction processing and reporting, travel and payroll;
- $3.8 million for Wide Area Network infrastructure, transition and implementation services;
- $2.8 million for CFPB's Technology and Information service desk and customer support services;
- $2.1 million for security services for CFPB's temporary headquarters office space;
- $2.0 million for management and consulting services for CFPB's Office of Consumer Response;
- $1.9 million to administer an e-document review tool which allows CFPB to obtain, process and analyze electronic documents;
- $1.5 million for facility operation and maintenance costs for CFPB's temporary headquarters office space;
- $1.4 million for wireless Blackberry services;
- $1.2 million to the Office of Personnel Management for background investigative support services; and
- $1.1 million to the General Services Administration for rental payment for CFPB's Northeast regional office space.

Table 1 and Table 2 categorize first quarter CFPB spending by expense category and division/program area:

Table 1: First Quarter Fiscal Year 2015 spending by expense category through Q1 of FY 2015:

Expense Category	Fiscal Year 2015
Personnel Compensation	48,101,000
Benefit Compensation	14,270,000
Travel	4,259,000
Transportation of Things	32,000
Rents, Communications, Utilities & Misc.	15,589,000
Printing and Reproduction	458,000
Other Contractual Services	57,615,000
Supplies & Materials	1,039,000
Equipment	9,231,000
Land and Structures	0
Interest and Dividends	0
Total (as of 12/31/14)	**$150,594,000**

Table 2: First Quarter Fiscal Year 2015 spending by division/program area through Q1 of FY 2015:

Division/Program Area	Fiscal Year 2015
Office of the Director	1,776,000
Operations	35,789,000
Consumer Education & Engagement	4,194,000
Research, Markets & Regulations	7,709,000
Supervision, Enforcement, Fair Lending	38,220,000
Legal Division	3,170,000
External Affairs	1,783,000
Other Programs[2]	765,000
Centralized Services[3]	57,188,000
Total (as of 12/31/14)	**$150,594,000**

FY 2015 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 2015 is capped at $618.7 million. As of December 31 2014, the CFPB received the following transfers for FY 2015. The amounts and dates of the transfers are shown below.

$210.2M	October 15, 2014

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 Penalty Funds Collected in FY 2015:

Table: FY 2015 Q1 Civil Penalty Fund Deposits

Defendant Name	Civil Penalty Collected	Collection Date
U.S. Bank	$5,000,000	October 3, 2014
Lighthouse Title	$200,000	October 3, 2014
Flagstar Bank, F.S.B.	$10,000,000	October 9, 2014
M&T Bank	$200,000	October 17, 2014
DriveTime	$8,000,000	November 25, 2014
Premier Consulting Group, LLC et al. [4]	$23,025	December 12, 2014
Total	**$23,423,025**	

In the first quarter of FY 2015, the CFPB collected civil penalties from six defendants totaling 23.4 million.

Civil Penalty Funds Allocated in FY 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 contained an unallocated balance of $112.8 million. This amount was available for allocation pursuant to 12 C.F.R. § 1075.105(c).

During Period 4, final orders in Bureau enforcement actions imposed civil penalties in 13 cases. For three cases with final orders from Period 4, the civil penalties were received after 9/30/14 and were not included as available funds for allocation in Period 4. 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. [5]

Of those 13 cases, ten cases have classes of eligible victims with no uncompensated harm that is compensable from the Civil Penalty Fund, and three cases have classes of eligible victims with uncompensated harm. As part of the Period 4 allocation, one case from Period 3 and four cases from Period 2 have been reviewed. In these five cases, the Fund Administrator has determined that the classes of victims in these cases do not have uncompensated harm that is compensable from the Civil Penalty Fund.

The three cases with compensable uncompensated harm -- Amerisave, Culver Capital LLC, and Global Client Solutions -- received an allocation from the Civil Penalty Fund. The Bureau allocated $1.38 million to the Amerisave victim class, enough to compensate fully that victim class's uncompensated harm. The Bureau also allocated $3.4 million to the Culver Capital victim class, and $108 million to the Global Client Solutions victim class, enough to compensate 89% of those victim classes' uncompensated harm. No funds were allocated to consumer education and financial literacy programs.

There was no remaining unallocated Civil Penalty Fund balance available for future allocation. Civil penalties collected on or after September 30, 2014 were deposited in the Fund. The amount in the Fund as of September 30, 2014 will be available for allocation following the conclusion of Period 4 in accordance with 12 C.F.R. § 1075.105(c).

Period 4 Allocation Summary:

Victim Compensation: $112,776,305

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

Consumer Education and Financial Literacy Programs: $0

Total Allocation: $112,776,305

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 2015:
In the first quarter of FY 2015, the Bureau collected $28.2 million in Bureau-Administered Redress funds. A collection of $27.5 million was received from Flagstar Bank and $730,000 was received Franklin Loan Corporation. In both this cases, funds will be distributed in accordance with terms of their respective final orders.

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

---

1 Definitions. For the purpose of this update, this amount includes both obligations and commitments. 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. A *commitment* is a reservation of funds in anticipation of a future obligation.

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

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

4 Premier Consulting Group, LLC agreed to pay civil penalty of $69,075 in 3 installments of $23,025.

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