CFO update for the first quarter of fiscal year 2017

OCTOBER 1 – DECEMBER 31, 2017

Issued: February 22, 2017

Bureau Fund

As of December 31, 2016, the end of the first quarter of FY 2017, the CFPB had incurred approximately $209.9 million in FY 2017 obligations[1] to carry out the authorities of the Bureau under Federal financial consumer law. Approximately $82.6 million was spent on employee compensation and benefits for the 1,621 CFPB employees who were on-board by the end of the first quarter.

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

- $10.1 million for enterprise-wide cloud hosting infrastructure, system administration support and associated services;
- $10.0 million for a one-year building occupancy agreement with the General Services Administration for CFPB's temporary headquarters office space;
- $9.9 million to the Department of Treasury for various shared systems and administrative support services, such as: human resource systems support, core financial accounting, procurement, transaction processing and reporting, travel and payroll, and information technology;
- $5.3 million for maintaining ongoing operations of CFPB's consumer contact center and case management system;
- $5.0 million for development of next generation consumer response system to support the future state scalable model for complaint processing, documentation and investigation;
- $4.6 million for IT service desk and customer support services;
- $2.1 million for IT portfolio and project management support services;
- $1.9 million for e-discovery systems and support services;
- $1.9 million for ongoing development of supervisory compliance tools to automate data analysis by helping examiners to analyze specific loan files in the field;
- $1.7 million for enterprise IT hardware and software licenses;
- $1.5 million for video and audio conferencing capabilities and services;

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[1] This 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.

- $1.5 million for IT cabling and infrastructure for CFPB's headquarters office building;
- $1.5 million for wide area network services;
- $1.4 million to the Office of Employee Benefits (OEB) of the Federal Reserve for OEB assessment fees and personal choice statements;
- $1.2 million to the Office of Personnel Management for background investigative support services;
- $1.2 million for development of an examiner commissioning training program;
- $1.1 million to the General Services Administration for rental payment for CFPB's Northeast regional office space; 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 first quarter by expense category and division/program area:

Table 1: Fiscal Year 2017 spending by expense category through Q1:

Expense Category	**Fiscal Year 2017**
Personnel Compensation	53,738,000
Benefit Compensation	28,828,000
Travel	4,395,000
Transportation of Things	100,000
Rents, Communications, Utilities & Misc.	13,652,000
Printing and Reproduction	2,150,000
Other Contractual Services	95,638,000
Supplies & Materials	2,444,000
Equipment	8,933,000
Land and Structures	-
Interest and Dividends	-
Total (as of December 31, 2016)	**$209,878,000**

Table 2: Fiscal Year 2017 spending by division/program area through Q1:

Division/Program Area	**Fiscal Year 2017**
Office of the Director	2,370,000
Operations	40,416,000
Consumer Education & Engagement	23,502,000
Research, Markets & Regulations	10,042,000
Supervision, Enforcement, Fair Lending	38,301,000
Legal Division	3,753,000
External Affairs	2,373,000
Other Programs[2]	676,000
Centralized Services[3]	88,445,000
Total (as of December 31, 2016)	**$209,878,000**

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

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

FY 2017 Funds Transfers Received from the Federal Reserve

The CFPB is funded principally by transfers from the Federal Reserve System, up to the limits set forth in the Dodd-Frank Act. Funding from the Federal Reserve System for fiscal year 2017 is capped at $646.2 million. As of December 31, 2016, the CFPB had received the following transfers for FY 2017. The amounts and dates of the transfers are shown below.

$246.1M	October 24, 2016
$246.1M	**Total**

Civil Penalty Fund

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

Civil Penalties Collected in FY 2017

In the first quarter of FY 2017, the CFPB collected civil penalties from 12 defendants totaling $8.7 million.

FY 2017 Civil Penalty Fund Collections:

Defendant name	Civil Penalty Collected	Collection date
Flurish, Inc., d/b/a LendUp	$1,800,000	October 6, 2016
Navy Federal Credit Union	$5,500,000	October 14, 2016
Oasis Title Loans, LLC	$20,000	November 1, 2016
David Eghbali[4]	$20,000	November 21, 2016
3D Resorts-Bluegrass, LLC	$1	November 30, 2016
Aegean Financial	$65,000	December 12, 2016
Reverse Mortgage Solutions, Inc. d/b/a Security 1 Lending	$325,000	December 12, 2016
American Advisors Group	$400,000	December 21, 2016
Moneytree, Inc.	$250,000	December 22, 2016
Interstate Lending, LLC	$4,000	December 27, 2016

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

Presto Auto Loans, Inc.	$125,000	December 29, 2016
Military Credit Services, LLC	$200,000	December 30, 2016
Total	**$8,709,001**	

Civil Penalty Fund Allocations in FY 2017

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

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

A civil penalty was imposed in 13 cases with final orders from Period 8. Under the Civil Penalty Fund rule, victims of the violations for which these civil penalties were imposed were eligible for compensation from the Civil Penalty Fund. Of those 13 cases, 11 cases had classes of eligible victims with no uncompensated harm that is compensable from the Civil Penalty Fund, and two cases had classes of eligible victims with uncompensated harm that is compensable from the Civil Penalty Fund.

Of the Period 8 cases with compensable uncompensated harm, one case, the Morgan Drexen case, received an allocation of $33,993,373 from the Civil Penalty Fund. The classes of victims eligible for an allocation—consumers who from October 27, 2010 to June 18, 2015, were charged certain advance fees by Ledda or Morgan Drexen or who enrolled in a debt relief service in response to deceptive advertisements that Ledda and Morgan Drexen made between December 8, 2010 and April 11, 2014— have uncompensated harm of $33,993,373. In Period 7, an allocation was made to victims in the related Walter Ledda matter. A total of $132,382,488 in Civil Penalty Fund monies has been allocated to eligible consumers in these two matters. The other Period 8 matter with compensable uncompensated harm, the World Law case, will not receive an allocation at this time from the Civil Penalty Fund. As of the time of this allocation, the Fund Administrator did not have sufficient information to determine the amount of compensable uncompensated harm for victims in the World Law matter. As that determination has not yet been made, in accordance with section 1075.106(d)(1) of the rule, the Fund Administrator exercised her discretion to depart from the allocation procedures described in 1075.106 and did not make an allocation to classes from that case during this allocation. The Fund Administrator will revisit an allocation to this case in Period 9. The total allocation to classes of victims from Period 8 cases was therefore $33,993,373, leaving $135,064,624 available for allocation to prior-period cases.

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

Period 8 Allocation Summary:

Type	**Allocation**
Victim Compensation	$33,993,373
• Morgan Drexen, Inc. and Walter Ledda	
Victim Class Allocation: $33,993,373	
Consumer Education and Financial Literacy Programs:	$0
Total Allocation	**$33,993,373**

The remaining unallocated Civil Penalty Fund balance will be available for future allocations. The amount in the Fund as of March 31, 2017 will be available for allocation following the conclusion of Period 9 in accordance with 12 C.F.R. § 1075.105(c).

Bureau-Administered Redress

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

Bureau Administered Redress Collected in FY 2017:

In the first quarter of FY 2017, the Bureau collected a total of $323,890.80 in Bureau-Administered Redress from three defendants. In all cases, funds will be distributed in accordance with the terms of the final order.

FY 2017 Bureau-Administered Redress Collections

Defendant name	Amount Collected	Collection date
Corinthian Colleges, Inc.	$218,158.35	November 7, 2016
3D Resorts-Bluegrass, LLC	$49,999.00	November 30, 2016
Security National Automotive Acceptance Company, LLC	$55,733.45	December 27, 2016
Total	**$323,890.80**	

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