CFO update for the third quarter of fiscal year 2018

APRIL 1 – JUNE 30, 2018

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Bureau Fund

As of June 30, 2018, the end of the third quarter of FY 2018, the Bureau had spent[1] approximately $453.7 million in FY 2018 funds to carry out the authorities of the Bureau under Federal financial consumer law. Approximately $251.8 million was spent on employee compensation and benefits for the 1,574 Bureau employees who were on-board by the end of the third quarter.

In addition to payroll expenses, the largest obligations made during the third quarter were related to contractual services. Some of the Bureau's significant obligations that occurred during the third quarter of FY 2018 included:

- $11.4 million to the Board of Governors of the Federal Reserve System for services provided by the Inspector General of the Board of Governors of the Federal Reserve System and the Consumer Financial Protection Bureau;
- $1.8 million for cyber-security program management support services;
- $1.5 million for expert witnesses in support of enforcement cases;
- $1.1 million for CFPB headquarters building operation and maintenance; and
- $1.1 million for technical litigation support services and products provided through an interagency agreement with the Department of Justice.

[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.

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

Table 1: Fiscal Year 2018 spending by expense category through Q3:

Expense Category	**Fiscal Year 2018**
Personnel Compensation	177,878,000
Benefit Compensation	73,910,000
Travel	12,396,000
Transportation of Things	110,000
Rents, Communications, Utilities & Misc.	10,620,000
Printing and Reproduction	3,752,000
Other Contractual Services	152,167,000
Supplies & Materials	4,943,000
Equipment	17,825,000
Land and Structures	50,000
Total (as of June 30, 2018)	**453,651,000**

Table 2: Fiscal Year 2018 spending by division/program area through Q3:

Division/Program Area	**Fiscal Year 2018**
Office of the Director	6,539,000
Operations	48,579,000
Consumer Education & Engagement	65,971,000
Research, Markets & Regulations	28,276,000
Supervision, Enforcement, Fair Lending	127,584,000
Legal Division	12,701,000
External Affairs	6,765,000
Other Programs[2]	2,308,000
Centralized Services[3]	154,928,000
Total (as of June 30, 2018)	**$ 453,651,000**

[2] Other Programs includes the costs of the Office of Ombudsman, Administrative Law Judges, and other Bureau 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 2018 Funds Transfers Received from the Federal Reserve

The Bureau 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 2018 is capped at $663 million. Through the third quarter of 2018, the Bureau had received the following transfers for FY 2018. The amounts and dates of the transfers are shown below.

$217.1M	October 18, 2017
$98.5M	April 2, 2018
$65.7M	July 2, 2018
$381.3M	**Total**

Civil Penalty Fund

The Dodd-Frank Act authorizes the Bureau to collect for specified purposes civil penalties it obtains in judicial and administrative actions under federal consumer financial laws. The Bureau 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 Bureau maintains a separate account for these funds at the Federal Reserve Bank of New York.

Civil Penalties Collected in FY 2018

In the first quarter of FY 2018, the Bureau collected civil penalties totaling $4.9 million from four cases. In the second quarter of FY 2018, the Bureau collected $10.3 million in civil penalties from two cases. In the third quarter of FY 2018, the Bureau collected $505 million in civil penalties from two cases. In the first three quarters of FY 2018, the Bureau collected a total of $520.2 million in civil penalties.

FY 2018 Civil Penalty Fund Collections:

Defendant name	Civil Penalty Collected	Collection date
Tempo Venture, Inc. d/b/a Culpeper Pawnbroker	$2,500	November 2, 2017
Transworld Systems, Inc.	$1,000,000[4]	November 13, 2017
Citibank, N.A.	$2,750,000	November 28, 2017
Conduent Business Services, LLC	$1,100,000	December 4, 2017
Top Notch Funding II, LLC – Defendants Donadio and Top Notch Funding II, LLC	$20,000[5]	March 6, 2018 March 14, 2018

[4] The consent order required Transworld Systems, Inc. to pay $1.5 million in civil penalties within 10 days of the effective date of the order and the remaining $1 million within 60 days. The $1.5 million was previously collected in the fourth quarter of FY 2017.

[5] The consent order required Defendants Donadio and Top Notch Funding II, LLC, jointly and severally, to pay a civil money penalty of $20,000 within 30 days of the effective date of the order and the remaining $42,500 within 120 days.

Defendant name	Civil Penalty Collected	Collection date
CashCall, Inc.	$10,283,886[6]	March 23, 2018
Wells Fargo Bank, N.A.	$500,000,000	April 20, 2018
Security Group, Inc.	$5,000,000	June 18, 2018
Total	**$520,156,386**	

Civil Penalty Fund Allocations in FY 2018

Period 10: April 1, 2017 – September 30, 2017

On November 29, 2017, the Bureau made its tenth allocation from the Civil Penalty Fund. As of September 30, 2017, the Civil Penalty Fund contained an unallocated balance of $54,283,486. That amount was available for allocation pursuant to 12 C.F.R. § 1075.105(c).

A civil penalty was imposed in 10 cases with final orders from Period 10. 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 10 cases, 6 cases had classes of eligible victims with no uncompensated harm that is compensable from the Civil Penalty Fund, and four cases had classes of eligible victims with uncompensated harm that is compensable from the Civil Penalty Fund. Three of the four cases with eligible uncompensated harm, The Mortgage Law Group, Commercial Credit Consultants, *et al.*, and Prime Marketing Holdings, LLC received an allocation from the Civil Penalty Fund. The fourth case, Clausen & Cobb did not receive an allocation. As of the time of this allocation, the Fund Administrator did not have sufficient information to determine whether funds should be allocated specifically to the class of victims made eligible by the Default Judgment against Clausen & Cobb Management Company, Inc. and Joshua Cobb.[7] As a result, 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 victims in this matter until additional information becomes available.

In The Mortgage Law Group, LLP case, the class of eligible victims – consumers who purchased mortgage assistance relief products from TMLG between May 2011 and January 2013 – had $18,331,737 in uncompensated harm. In the Commercial Credit Consultants case, the class of eligible victims – all consumers who paid fees to the

[6] This amount was collected pursuant to an order that, as of 6/30/2018, was under appeal. Therefore, according to the Civil Penalty Fund rule, these amounts are not currently available for allocation.

[7] The majority of the class of eligible victims in this matter overlaps with the class of victims that received an allocation in Period 9 under the final judgment with Siringoringo. As of the time of the Period 10 allocation, the Fund Administrator lacked sufficient information about the uncompensated harm of the remaining victims in the class to make an allocation.

defendants for credit repair services from August 1, 2009 to September 30, 2014 – had $30,650,002 in uncompensated harm. In the Prime Marketing Holdings, LLC case, the class of eligible victims – all consumers who paid fees to the defendants for credit repair services from October 1, 2014 to August 31, 2017 – had $20,600,440 in uncompensated harm. During this allocation period, total eligible uncompensated harm exceeded available funds. As a result, a review of case factors including quality and availability of victim data was completed, and a determination was made to provide full compensation in The Mortgage Law Group matter, and partial compensation in the Commercial Credit Consultants, and Prime Marketing Holdings, LLC matters. For The Mortgage Law Group class, $18,331,737 was allocated. For the Commercial Credit Consultants, and Prime Marketing Holdings, LLC matters, amounts of $21,500,716, and $14,451,033 were allocated respectively— enough to compensate 70% of those victims' uncompensated harm. In accordance with the Civil Penalty Fund Rule, if sufficient funds are available in future periods, these victim classes may receive additional allocations to compensate their remaining uncompensated harm.

During Period 10, $0 were allocated for Consumer Education and Financial Literacy purposes.

The total allocation for Period 10 was $54,283,486.

Period 10 Allocation Summary:

Type	**Allocation**
Victim Compensation	$54,283,486
• The Mortgage Law Group, LLP	
Victim Class Allocation: $18,331,737	
• Commercial Credit Consultants, *et al.*	
Victim Class Allocation: $21,500,716	
• Prime Marketing Holdings, LLC	
Victim Class Allocation: $14,451,033	
Consumer Education and Financial Literacy Programs:	$0
Total Allocation	**$54,283,486**

Period 11: October 1, 2017 – March 31, 2018

On May 30, 2018, the Bureau made its eleventh allocation from the Civil Penalty Fund. From October 1, 2017 through March 31, 2018, the Bureau collected civil money penalties totaling $15,156,386 from 6 cases.[8] Additionally, $23,666,504 in undistributed funds allocated to victim classes from three cases in prior periods were made available for allocation in Period 11. As of March 31, 2018, the Civil Penalty Fund contained an unallocated balance of $38,822,890. Of this amount, $10,283,886 was collected pursuant to an order that was pending appeal and was thus not yet a "final order" as defined in 12 C.F.R. § 1075.101. Those funds collected from that case were therefore not available for allocation, leaving $28,539,004 available for allocation pursuant to 12 C.F.R. § 1075.105(c).

A civil penalty was imposed in 5 cases with final orders from Period 11. 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. No Period 11 cases had uncompensated harm that is compensable from the Civil Penalty Fund.

As $0 had been allocated to current period victims, $28,539,004 was available for allocation to prior period cases. The total eligible uncompensated harm for the Period 10 allocation exceeded available funds, resulting in allocations to classes in two cases of less than 100% of their victims' uncompensated harm. One of those cases, Commercial Credit Consultants, received a Period 10 allocation of $21,500,716, and received a Period 11 allocation of $9,149,286. The other matter, Prime Marketing Holdings, LLC received a Period 10 allocation of $14,451,033, and received a Period 11 allocation of $6,149,407. These allocations were sufficient to fully compensate all prior period victim classes' eligible uncompensated harm.

During Period 11, $0 were allocated for Consumer Education and Financial Literacy purposes.

The total allocation for Period 11 was $15,298,693.

Period 11 Allocation Summary:

Type	**Allocation**
Victim Compensation	$15,298,693
• Commercial Credit Consultants, *et al.*	
Victim Class Allocation: $9,149,286	

[8] A collection from Transworld was received in Period 11. In this case, the final order was issued in a prior period, and the matter was reviewed for allocation in that period.

Type	**Allocation**
• Prime Marketing Holdings, LLC	
Victim Class Allocation: $6,149,407	
Consumer Education and Financial Literacy Programs:	$0
Total Allocation	**$15,298,693**

The amount in the Fund as of September 30, 2018, less any amounts that were collected from cases in which the orders are not yet “final orders,” will be available for allocation following the conclusion of Period 12 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 Bureau 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 2018:

In the first three quarters of FY 2018, the Bureau did not collect any Bureau-Administered Redress.

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