CFO update for the first quarter of fiscal year 2018

OCTOBER 1 – DECEMBER 31, 2017

Issued: February 28, 2018

Bureau Fund

As of December 31, 2017, the end of the first quarter of FY 2018, the CFPB had incurred approximately $183.6 million in FY 2018 obligations[1] to carry out the authorities of the Bureau under Federal financial consumer law. Approximately $90.8 million was spent on employee compensation and benefits for the 1,635 CFPB employees who were on-board by the end of the first quarter.

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

- $9.4 million for enterprise-wide cloud hosting infrastructure, system administration and support services;
- $8.0 million to the Department of the Treasury for various shared systems and administrative support services, including: procurement services, core financial accounting and transaction processing, budget automation and reporting, and travel;
- $2.6 million for the continued development and maintenance of the consumer response system to support the scalable model for complaint handling, documentation and investigation;
- $2.3 million for 24-hour security services for CFPB locations within the National Capital Region;
- $2.2 million to the Department of the Treasury for bureau-wide hosting and coordination of conferences and events;
- $2.1 million for ongoing enterprise development of the customer relationship management system, including $0.9 million for enhancements to the Supervision Examination system and $1.2 million for ongoing support for enterprise platforms;
- $2.1 million for wide area network services, which provide high-speed/high-bandwidth network connectivity for all CFPB offices;
- $1.8 million for GPO printing, duplication and distribution of consumer education materials;
- $1.6 million for IT portfolio and project management support services;

[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 to the Office of Employee Benefits (OEB) of the Federal Reserve for OEB assessment fees and personal choice statements;
- $1.4 million for wired and wireless telephony services;
- $1.4 million to the General Services Administration for rental payment for CFPB's West regional office space;
- $1.3 million to the Office of Personnel Management for background investigative support services;
- $1.2 million for enterprise-wide IT software design and development support services;
- $1.2 million for e-discovery systems and support services;
- $1.1 million to the General Services Administration for rental payment for CFPB's Northeast regional office space; and
- $1.1 million to the Department of the Treasury for various shared systems and administrative support services, including: human resource systems support, payroll, conference and event coordination, and information technology.

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 2018 spending by expense category through Q1:

Expense Category	**Fiscal Year 2018**
Personnel Compensation	54,971,000
Benefit Compensation	35,788,000
Travel	4,122,000
Transportation of Things	110,000
Rents, Communications, Utilities & Misc.	7,518,000
Printing and Reproduction	2,770,000
Other Contractual Services	69,554,000
Supplies & Materials	2,019,000
Equipment	6,761,000
Land and Structures	1,000
Total (as of December 31, 2017)	**$ 183,614,000**

Table 2: Fiscal Year 2018 spending by division/program area through Q1:

Division/Program Area	**Fiscal Year 2018**
Office of the Director	2,391,000
Operations	26,138,000
Consumer Education & Engagement	9,357,000
Research, Markets & Regulations	9,565,000
Supervision, Enforcement, Fair Lending	37,356,000
Legal Division	4,090,000
External Affairs	2,432,000
Other Programs[2]	704,000
Centralized Services[3]	91,581,000
Total (as of December 31, 2017)	**$ 183,614,000**

FY 2018 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 2018 is capped at $663 million. As of December 31, 2017, the CFPB had received the following transfers for FY 2018. The amounts and dates of the transfers are shown below.

$217.1M	October 18, 2017
$217.1M	**Total**

[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.

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 2018

In the first quarter of FY 2018, the CFPB collected civil penalties from four defendants totaling $4.9 million.

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
Total	**$4,852,500**	

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 million. That amount was available for allocation pursuant to 12 C.F.R. § 1075.105(c).

[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.

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.[5] 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 defendants for credit repair services from August 1, 2009 and 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 and August 31, 2017 – had $20,600,440 in uncompensated harm. During this allocation period, total eligible uncompensated harm exceeded available funds. As such, 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.

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[5] 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.

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**

The amount in the Fund as of March 31, 2018 will be available for allocation following the conclusion of Period 11 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.

<u>Bureau Administered Redress Collected in FY 2018:</u>

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

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