CFO update for the third quarter of fiscal year 2019

APRIL 1 – JUNE 30, 2019

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Bureau Fund

As of June 30, 2019, the end of the third quarter of FY 2019, the CFPB had incurred approximately $418.4 million in FY 2019 obligations[1] to carry out the authorities of the Bureau under Federal financial consumer law. Approximately $233.7 million had been spent on employee compensation and benefits for the 1433 CFPB employees who were on-board during the final complete pay-period of the quarter.[2]

In addition to payroll expenses, the largest obligations made during the third quarter of FY 2019 were related to contractual services, including:

- $12.4 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;
- $4.7 million for ongoing maintenance and development of enterprise platform tools;
- $3.5 million for CFPB headquarters building operations and maintenance;
- $1.4 million IT portfolio and project management support services;
- $1.1 million for CFPB headquarters building custodial services;
- $1.1 million for cyber-security program management support services;
- $1.1 million for program support to the Identity, Credential, and Access Management program;
- $1.0 million for ongoing enterprise development of the customer relationship management system; and
- $1.0 million for technical litigation support services and products provided through an interagency agreement with the Department of Justice.

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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.

[2] Reflects employees on board during pay-period 12, calendar year 2019.

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

Table 1: Fiscal Year 2019 spending by expense category through Q3:

Expense Category	**Fiscal Year 2019**
Personnel Compensation	165,303,000
Benefit Compensation	68,044,000
Benefit Compensation – former employees	387,000
Travel	11,587,000
Transportation of Things	126,000
Rents, Communications, Utilities & Misc.	10,170,000
Printing and Reproduction	4,103,000
Other Contractual Services	136,873,000
Supplies & Materials	3,104,000
Equipment	17,580,000
Land and Structures	1,124,000
Total (as of June 30, 2019)	**$ 418,401,000**

Table 2: Fiscal Year 2019 spending by division/program area through Q3:

Division/Program Area	**Fiscal Year 2019**
Office of the Director	8,360,000
Operations	45,937,000
Consumer Education & Engagement	53,376,000
Research, Markets & Regulations	25,631,000
Supervision, Enforcement, Fair Lending	111,308,000
Legal Division	11,276,000
External Affairs	5,405,000
Other Programs[3]	1,684,000
Centralized Services[4]	155,424,000
Total (as of June 30, 2019)	**$ 418,401,000**

[3] Other Programs includes the costs of the Office of Ombudsman, Administrative Law Judges, and other CFPB programs.
[4] 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 2019 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 2019 is capped at $678.9 million. As of June 30, 2019, the CFPB had received the following transfers for FY 2019:

Amount	Transfer Date
$172.9M	October 1, 2018
$122.8M	January 2, 2019
$120.5M	April 2, 2019
$416.2M	**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 2019

In the first quarter of FY 2019, the CFPB collected civil penalties from seven defendants totaling $3.1 million. In the second quarter of FY 2019, the CFPB collected civil penalties from seven defendants totaling $17.1 million. In the third quarter of FY 2019, the CFPB collected $5.9 million in civil penalties from seven defendants, bringing the total for the first three quarters of FY 2019 to $26.1 million.

FY 2019 Civil Penalty Fund Collections:

Defendant name	Civil Penalty Collected	Collection date
National Credit Adjusters, LLC and Bradley Hochstein – Defendant Hochstein	$200,000[5]	October 9, 2018 January 8, 2019
Bluestem Brands, Inc., et al.	$200,000	October 12, 2018
National Credit Adjusters, LLC and Bradley Hochstein – Defendant National Credit Adjusters, LLC	$50,000[6]	October 12, 2018 November 9, 2018
Cash Express, LLC	$200,000	October 29, 2018

[5] The consent order suspended full payment of the CMP imposed upon satisfaction of certain requirements, including that Defendant Hochstein must pay $300,000 toward the CMP in installments of $100,000 within 10 days of the order's effective date and two subsequent payments of $100,000 every 90 days thereafter for 180 days. All payments have been received.

[6] The consent order suspended full payment of the CMP imposed upon satisfaction of the requirement that Defendant National Credit Adjusters, LLC, pay $500,000 toward the CMP in installments of $400,000 within 10 days of the order's effective date and four subsequent payments of $25,000 every 30 days thereafter for 120 days. All payments have been received.

Defendant name	Civil Penalty Collected	Collection date
Santander Consumer USA Inc.	$2,500,000	November 30, 2018
Richard F. Moseley, Sr., et al. – Defendants Moseley, Sr., Moseley, Jr., and Corporate Defendants	$1	December 17, 2018
Hoffman Law Group f/k/a Residential Litigation	$55,156.97	December 31, 2018
USAA Federal Savings Bank	$3,500,000	January 8, 2019
Village Capital & Investment LLC	$260,000[7]	January 22, 2019 February 20, 2019
Enova International, Inc.	$3,200,000	January 31, 2019
Mark Corbett	$1	February 5, 2019
Cash Tyme	$50,000	February 13, 2019
Sterling Jewelers Inc.	$10,000,000	February 14, 2019
Vincent Howard, Lawrence Williamson, Howard Law, P.C., The Williamson Law Firm, LLC, and Williamson & Howard, LLP	$1	April 8, 2019
Cash Tyme	$50,000	April 19, 2019
Conduent Education Services, LLC	$3,900,000	May 10, 2019
D and D Marketing, Inc. d/b/a T3Leads, et al. – Defendant Grigor Demirchyan	$1	May 15, 2019
D and D Marketing, Inc. d/b/a T3Leads, et al. – Defendant Marina Demirchyan	$1	May 15, 2019
Servis One, Inc., d/b/a BSI Financial Services	$200,000	June 4, 2019

[7] The order required the defendant to pay $130,000 of the civil money penalty within 30 days of the Effective Date of the order and the remaining $130,000 within 60 days.

Defendant name	Civil Penalty Collected	Collection date
Freedom Mortgage Corporation	$1,750,000	June 12, 2019
Total	**$26,115,161.97**	

Civil Penalty Fund Allocations in FY 2019

Period 12: April 1, 2018 – September 30, 2018

On November 29, 2018, the Bureau made its twelfth allocation from the Civil Penalty Fund. As of September 30, 2018, the Civil Penalty Fund contained $524,320,685 that was available for allocation pursuant to 12 C.F.R. § 1075.105(c).[8]

A civil penalty was imposed in seven cases with final orders from Period 12. Under the Civil Penalty Fund rule, victims of the violations for which these civil penalties were imposed are eligible for compensation from the Civil Penalty Fund. Of those seven cases, four had classes of eligible victims with no uncompensated harm that is compensable from the Civil Penalty Fund. Three cases, Federal Debt Assistance Association, LLC, et al., Triton Management Group, Inc., and Richard F. Moseley, Sr., et al. ("Hydra Group"), had classes of eligible victims with uncompensated harm that is compensable from the Civil Penalty Fund.

The Federal Debt Assistance Association (FDAA) case received an allocation of $4,972,389.31 from the Civil Penalty Fund. The class of victims eligible for an allocation was all consumers who paid any money to FDAA to enroll or participate in FDAA's debt-management program including debt-relief and credit-repair services from on or about January 14, 2016 through May 22, 2018. The Triton Management Group, Inc. case received an allocation of $1,022,298. Eligible victims in this case included all Mississippi consumers who, from January 1, 2013 through May 15, 2015, received an auto title pledge from Triton that contained a 10-month payment schedule with a finance charge disclosure reflecting only a 30-day single-payment transaction or a similarly inaccurate finance charge, and who paid more than the finance charge disclosed for the 30-day single-payment transaction. The Hydra Group case received an allocation of $69,623,528 from the Civil Penalty Fund. Eligible victims in this case were (1) consumers who were subject to the Hydra Group's misrepresentations that the consumer had authorized the loan and was obligated to pay and consumers who were illegally debited without consent between July 21, 2011 and August 10, 2018 and (2) consumers who received deceptive loan documents that misrepresented the loan obligation as requiring repayment of only principal loan amount and one finance charge from January 1, 2008 until August 10, 2018. Although the Hydra Group victim classes had uncompensated harm totaling $55 million as of the last day of the most recently concluded six-month period (September 30, 2018), as of the date of this allocation, their uncompensated harm equaled $69,623,528. In accordance with section 1075.106(d)(1)

[8] The amount available for allocation does not include $10,283,886 that was collected in Period 11 pursuant to an order that was pending appeal at the time of the allocation and was thus not yet a "final order" as defined in 12 C.F.R. § 1075.101. Those funds were therefore not available for allocation under 12 C.F.R. § 1075.105(c).

of the rule, the Acting Fund Administrator exercised her discretion to depart from the allocation procedures described in § 1075.106 and allocated to the Hydra Group victim classes $69,623,528 in order to fully compensate their uncompensated harm as of November 29, 2018.

These three allocations were sufficient to provide the victims in these classes full compensation for their uncompensated harm. The total allocation to classes of victims from Period 12 cases was therefore $75,618,215.

As of the time of this allocation, there were no prior period victim classes with uncompensated harm that is compensable from the Civil Penalty Fund.

During Period 12, $0 was allocated for Consumer Education and Financial Literacy purposes.

The total allocation for Period 12 was $75,618,215.

Period 12 Allocation Summary:

Type	**Allocation**
Victim Compensation	$75,618,215.31
• Federal Debt Assistance Association, LLC, et al.	
Victim Class Allocation: $4,972,389.31	
• Triton Management Group, Inc.	
Victim Class Allocation: $1,022,298.00	
• Richard F. Moseley, Sr., et al. ("Hydra Group")	
Victim Class Allocation: $69,623,528.00	
Consumer Education and Financial Literacy Programs:	$0
Total Allocation	**$75,618,215.31**

Period 13: October 1, 2018 – March 31, 2019

On May 29, 2019, the Bureau made its thirteenth allocation from the Civil Penalty Fund. As of March 31, 2019, the Civil Penalty Fund contained an unallocated available balance of $468,917,629.[9]

A civil penalty was imposed in ten cases with final orders from Period 13. Under the Civil Penalty Fund rule, victims of the violations for which these civil penalties were imposed are eligible for compensation from the Civil Penalty Fund. Of those ten cases, eight had classes of eligible victims with no uncompensated harm that is compensable from the Civil Penalty Fund. Two cases, Mark Corbett and Howard Law, had classes of eligible victims with uncompensated harm that is compensable from the Civil Penalty Fund.

The Mark Corbett case received an allocation of $9,027,895 from the Civil Penalty Fund. The class of victims eligible for an allocation was certain veterans of the United States Armed Forces who had Department of Veterans Affairs disability pensions or pensions administered by the Defense Finance and Accounting Service and who entered into contracts related to those pensions that were brokered by the defendant between January 1, 2011 and January 21, 2019. The Howard Law case received an allocation of $35,206,275. Eligible victims in this case included Consumers who, (a) on or after January 30, 2014, paid fees to Defendants, either directly or through Defendants' Network Attorneys, prior to Defendants' renegotiating, settling, reducing, or otherwise altering the terms of at least one debt of the consumer or who (b) on or after January 30, 2014, enrolled in a debt relief service in response to Defendants' deceptive advertisements. These two allocations were sufficient to provide the victims in these classes full compensation for their known uncompensated harm. The total allocation to classes of victims from Period 13 cases was therefore $44,234,170.

As of the time of this allocation, there were no prior period victim classes with uncompensated harm that was compensable from the Civil Penalty Fund.

During Period 13, $0 were allocated for Consumer Education and Financial Literacy purposes.

The total allocation for Period 13 was $44,234,170.

[9] The amount available for allocation does not include $10,283,886 that was collected in Period 11 pursuant to an order that was pending appeal at the time of the allocation and was thus not yet a "final order" as defined in 12 C.F.R. § 1075.101. Those funds were therefore not available for allocation under 12 C.F.R. § 1075.105(c).

Period 13 Allocation Summary:

Type	Allocation
Victim Compensation	$44,234,170
• Mark Corbett	
Victim Class Allocation: $9,027,895	
• Howard Law	
Victim Class Allocation: $35,206,275	
Consumer Education and Financial Literacy Programs:	$0
Total Allocation	**$44,234,170**

The amount in the Fund as of September 30, 2019 will be available for allocation following the conclusion of Period 14 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 2019:

The Bureau did not collect any Bureau-Administered Redress in the first and second quarters of FY 2019. In the third quarter of FY 2019, the Bureau collected $1.1 million in Bureau-Administered Redress from two defendants. Funds are distributed in accordance with the terms of the final order for each case.

FY 2019 Bureau-Administered Redress Collections:

Defendant name	Amount Collected	Collection date
Vincent Howard, Lawrence Williamson, Howard Law, P.C., The Williamson Law Firm, LLC, and Williamson &	$50,000	April 2, 2019 April 19, 2019

Defendant name	Amount Collected	Collection date
Howard, LLP		
D and D Marketing, Inc. d/b/a T3Leads, et al.	$1,000,000	April 24, 2019
Total	**$1,050,000**	

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