

# **CFO update for the fourth quarter of fiscal year 2016**

JULY 1 – SEPTEMBER 30, 2016

Issued: December 12, 2016

## **Bureau Fund**

As of September 30, 2016, the end of the fourth quarter of FY 2016, the CFPB had executed<sup>1</sup> approximately \$575.6 million in FY 2016 funds to carry out the authorities of the Bureau under Federal financial consumer law. Approximately \$290.3 million was spent on employee compensation and benefits for the 1,591 CFPB employees who were on-board by the end of the fourth quarter.

In addition to payroll expenses, the largest obligations made during the fourth quarter were related to contractual services. Some of the Bureau's significant obligations that occurred during the fourth quarter of FY 2016 included:

- \$5.2 million for exercising a one-year option period on an occupancy agreement with the Federal Housing Finance Agency;
- \$2.9 million for cyber-security program management support services;
- \$2.8 million to the General Services Administration for rental payment for CFPB headquarters office space;
- \$2.7 million for costs related to the 1700G headquarters renovation;
- \$2.2 million for program management and management consulting services in support of the bureau's consumer response function;
- \$1.8 million for financial education and empowerment initiatives;
- \$1.6 million for expert witnesses in support of enforcement cases;
- \$1.5 million for enterprise IT hardware and software licenses;
- \$1.4 million for technology data platform development and support;
- \$1.3 million for IT servers, network and data storage;
- \$1.3 million with the Federal Housing and Finance Administration for the continued development and maintenance of the National Mortgage Database and the administration of the National Survey of Mortgage Originations (NSMO) and the American Survey of Mortgage Borrowers (ASMB);
- \$1.2 million related to the building occupancy agreement with the General Services Administration for CFPB's temporary headquarters office space;
- \$1.0 million for the ongoing enterprise development of the customer relationship management system.

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<sup>1</sup> This amount includes obligations and expenditures. 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 CFPB spending through the fourth quarter by expense category and division/program area:

Table 1: Fiscal Year 2016 spending by expense category through Q4:

<b>Expense Category</b>	<b>Fiscal Year 2016</b>
Personnel Compensation	214,005,000
Benefit Compensation	76,336,000
Travel	18,305,000
Transportation of Things	78,000
Rents, Communications, Utilities & Misc.	22,492,000
Printing and Reproduction	4,434,000
Other Contractual Services	215,770,000
Supplies & Materials	5,782,000
Equipment	18,157,000
Land and Structures	200,000
Interest and Dividends	–
<b>Total (as of September 30, 2016)</b>	<b>575,559,000</b>

Table 2: Fiscal Year 2016 spending by division/program area through Q4:

<b>Division/Program Area</b>	<b>Fiscal Year 2016</b>
Office of the Director	8,801,000
Operations	120,173,000
Consumer Education & Engagement	42,037,000
Research, Markets & Regulations	39,038,000
Supervision, Enforcement, Fair Lending	147,820,000
Legal Division	15,662,000
External Affairs	8,414,000
Other Programs <sup>2</sup>	2,892,000
Centralized Services <sup>3</sup>	190,722,000
<b>Total (as of September 30, 2016)</b>	<b>575,559,000</b>

<sup>2</sup> Other Programs includes the costs of the Office of Ombudsman, Administrative Law Judges, and other CFPB programs.

<sup>3</sup> 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 2016 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 2016 is capped at \$631.7 million. As of September 30, 2016, the CFPB had received the following transfers for FY 2016. The amounts and dates of the transfers are shown below.

\$214.8M	October 14, 2015
\$159.9M	February 5, 2016
\$128.1M	April 13, 2016
\$62.1M	July 18, 2016
<b>\$564.9M</b>	<b>Total</b>

## **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 2016

In the first quarter of FY 2016, the CFPB collected civil penalties from 11 defendants totaling \$33.1 million. In the second quarter of FY 2016, the CFPB collected \$8.1 million from seven defendants. In the third quarter of FY 2016, the CFPB collected \$2.7 million from five defendants. In the fourth quarter of FY 2016, the CFPB collected a total of \$138.2 million from ten defendants. In total, the CFPB collected \$182.1 million in civil penalties in FY 2016.

**FY 2016 Civil Penalty Fund Collections:**

<b>Defendant name</b>	<b>Civil Penalty Collected</b>	<b>Collection date</b>
Fifth Third Bank	\$500,000	October 6, 2016
Westlake Services, LLC, and Wilshire Consumer Credit, LLC	\$4,250,000	October 7, 2016
Morgan Drexen, Inc., and Walter Ledda <sup>4</sup>	\$1	October 23, 2016
Security National Automotive Acceptance Company, LLC	\$1,000,000	November 2, 2016
Affinion Group Holdings, Inc.	\$1,900,000	November 13, 2016
Hudson City Savings Bank, F.S.B.	\$5,500,000	November 13, 2016
All Financial Services, LLC <sup>5</sup>	\$13,000	November 24, 2016 March 10, 2016
General Information Services, Inc., and e- Backgroundchecks.com, Inc.	\$2,500,000	November 25, 2016
Clarity Services, Inc., and Timothy Ranney	\$8,000,000	March 24, 2016
EZCORP, Inc.	\$3,000,000	March 24, 2016
Interstate Auto Group, Inc., aka "CarHop," and Universal Acceptance Corporation	\$6,465,000	March 30, 2016
Collecto, Inc. d/b/a EOS CCA	\$1,850,000	January 5, 2016
Fredrick J. Hanna & Associates, P.C.	\$3,100,000	January 7, 2016
Solomon & Solomon, P.C.	\$65,000	February 24, 2016
Citibank, N.A.	\$3,000,000	February 26, 2016
Faloni & Associates, LLC	\$15,000	March 4, 2016

<sup>4</sup> The \$1 civil penalty was collected pursuant to a final order with respect to Walter Ledda, one of two defendants in this case.

<sup>5</sup> The final order required All Financial Services, LLC, to pay a total of \$13,000 in civil penalties in two installments of \$6,500 each.

Dwolla, Inc.	\$100,000	March 9, 2016
IrvineWebWorks, Inc. d/b/a Student Loan Processing.US	\$1	March 23, 2016
Student Aid Institute, Inc., Steven Lamont	\$50,000	April 1, 2016
New Century Financial Services, Inc.	\$1,500,000	April 27, 2016
Pressler & Pressler, LLP, Sheldon H. Pressler, and Gerard J. Felt	\$1,000,000	April 28, 2016
David Eghbali <sup>6</sup>	\$65,000	June 3, 2016 July 22, 2016 September 26, 2016
The Hoffman Law Group P.A. f/k/a The Residential Litigation Group, P.A.	\$135,000	June 29, 2016
Santander Bank, N.A.	\$10,000,000	July 22, 2016
Orion Processing, LLC, d/b/a World Law Processing – Individual Defendants Derin Scott & David Klein <sup>7</sup>	\$2	August 4, 2016 September 12, 2016
BancorpSouth Bank	\$3,030,756	August 4, 2016
Wells Fargo Bank, N.A. (Educational Financial Services)	\$3,600,000	August 26, 2016
First National Bank of Omaha	\$4,500,000	August 30, 2016
Wells Fargo Bank, N.A. (Sales Practices)	\$100,000,000	September 19, 2016
Bridgepoint Education, Inc.	\$8,000,000	September 20, 2016
TMX Finance LLC	\$9,000,000	September 29, 2016
<b>Total</b>	<b>\$182,138,760</b>	

<sup>6</sup> The final order required David Eghbali to pay a total of \$85,000 in civil penalties in four installments: \$25,000 by June 5, 2016; \$20,000 by July 26, 2016; \$20,000 by September 27, 2016; and \$20,000 by November 22, 2016.

<sup>7</sup> On August 4, 2016, and September 12, 2016, defendants Derin Scott and David Klein respectively transferred \$1 each into the Civil Penalty Fund.

## Civil Penalty Fund Allocations in FY 2016

Period 6: April 1, 2015 – September 30, 2015

On November 27, 2015, the Bureau made its sixth allocation from the Civil Penalty Fund. As of September 30, 2015, the Civil Penalty Fund contained an unallocated balance of \$136.6 million. The Fund Administrator set aside \$1 million for administrative expenses, leaving \$135.6 million available for allocation pursuant to 12 C.F.R. § 1075.105(c).

During Period 6, final orders in Bureau enforcement actions imposed civil penalties in 22 cases. For two cases with final orders from Period 6, the civil penalties were received after September 30, 2015, and were not included as funds available for allocation in Period 6. Under the Civil Penalty Fund rule, the victims of the violations for which the civil penalties were imposed in these 22 cases were eligible to receive payment from the Civil Penalty Fund to compensate their uncompensated harm.

Of those 22 cases, 20 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.

The two cases with compensable uncompensated harm, Hoffman Law Group and Student Financial Aid Services, received an allocation from the Civil Penalty Fund. The Bureau allocated \$11.1 million to the Hoffman victim class and \$9.3 million to the Student Financial Aid Services class, enough to compensate fully those victim classes' uncompensated harm.

The total allocation to classes of victims from Period 6 cases was \$20.4 million, leaving \$115.2 million available for allocation to prior-period cases. Global Client Solutions, a Period 4 case, received an allocation of \$108 million in Period 4. As of the time of this allocation, there was insufficient information to determine whether additional funds should be allocated to the victims in the Global Client Solutions case.

In accordance with section 1075.106(d) of the Civil Penalty Fund rule, \$101.8 million remained available for allocation for Consumer Education and Financial Literacy purposes. During Period 6, \$15.4 million was allocated for Consumer Education and Financial Literacy purposes.

Period 6 Allocation Summary:

<b>Type</b>	<b>Allocation</b>
Victim Compensation	\$20,374,842.02
<ul style="list-style-type: none"><li>The Hoffman Law Group, P.A. f/k/a The Residential Litigation Group, P.A.</li></ul>	
Victim Class Allocation: \$11,074,842.02	

• Student Financial Aid Services, Inc.	
Victim Class Allocation: \$9,300,000.00	
Consumer Education and Financial Literacy Programs:	\$15,432,809.02
<b>Total Allocation</b>	<b>\$35,807,651.02</b>

Period 7: October 1, 2015 – March 31, 2016

On May 27, 2016, the Bureau made its seventh allocation from the Civil Penalty Fund. As of March 31, 2016, the Civil Penalty Fund contained an unallocated balance of \$141 million. The Fund Administrator set aside \$1.5 million for administrative expenses, leaving \$139.5 million available for allocation pursuant to 12 C.F.R. § 1075.105(c).

During Period 7, final orders in Bureau enforcement actions imposed civil penalties in 18 cases. For one case with a final order from Period 7, the civil penalties were received after March 31, 2016, and were not included as funds available for allocation in Period 7. Under the Civil Penalty Fund rule, the victims of the violations for which the civil penalties were imposed in these 18 cases were eligible to receive payment from the Civil Penalty Fund to compensate their uncompensated harm.

Of those 18 cases, 15 cases had classes of eligible victims with no uncompensated harm that is compensable from the Civil Penalty Fund, and three cases had classes of eligible victims with uncompensated harm that is compensable from the Civil Penalty Fund.

The three cases with compensable uncompensated harm, Walter Ledda (from the Morgan Drexen case), Irvine Web Works, Inc. d/b/a Student Loan Processing, and Student Aid Institute, received an allocation from the Civil Penalty Fund. The Bureau allocated \$98.9 million to the Morgan Drexen victim class, \$7.9 million to the Student Loan Processing victim class, and \$3.5 million to the Student Aid Institute victim class, enough to compensate fully those victim classes' uncompensated harm.

The total allocation to classes of victims from Period 7 cases was \$110.3 million, leaving \$29.2 million available for allocation to prior-period cases. Global Client Solutions, a Period 4 case, received an allocation of \$108 million in Period 4. As of the time of this allocation, there was insufficient information to determine whether additional funds should be allocated to the victims in the Global Client Solutions case.

In accordance with section 1075.106(d) of the Civil Penalty Fund rule, \$15.7 million remained available for allocation for Consumer Education and Financial Literacy purposes. During Period 7, no money was allocated for Consumer Education and Financial Literacy purposes.

Period 7 Allocation Summary:

<b>Type</b>	<b>Allocation</b>
Victim Compensation	\$110,321,563.75
• Morgan Drexen, Inc. and Walter Ledda	
Victim Class Allocation: \$98,889,115.00	
• Irvine Web Works, Inc. d/b/a Student Loan Processing	
Victim Class Allocation: \$7,923,548.48	
• Student Aid Institute, Steven Lamont	
Victim Class Allocation: \$3,508,900.27	
Consumer Education and Financial Literacy Programs:	\$0
<b>Total Allocation</b>	<b>\$110,321,563.75</b>

The remaining unallocated Civil Penalty Fund balance will be available for future allocations. The amount in the Fund as of September 30, 2016 will be available for allocation following the conclusion of Period 8 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 2016:

In the first quarter of FY 2016, the Bureau collected \$500,000 in Bureau-Administered Redress funds from Walter Ledda, one of the defendants in the Morgan Drexen matter.

In the second quarter of FY 2016, the Bureau collected \$326,000 in Bureau-Administered Redress funds from IrvineWebWorks, Inc. d/b/a Student Loan Processing.US. In the fourth quarter of FY 2016, the Bureau collected \$156,734 in

Bureau-Administered Redress funds from defendants in two matters. In all cases, funds will be distributed in accordance with the terms of the final order.

#### FY 2016 Bureau-Administered Redress Collections

<b>Defendant name</b>	<b>Amount Collected</b>	<b>Collection date</b>
Walter J. Ledda (Morgan Drexen, Inc.)	\$500,000	October 23, 2015
IrvineWebWorks, Inc. d/b/a Student Loan	\$326,000	March 23, 2016
World Law Debt Services, LLC <sup>8</sup>	\$121,387	August 11, 2016 August 12, 2016
Corinthian Colleges, Inc. <sup>9</sup>	\$35,347	August 18, 2016
<b>Total</b>	<b>\$982,734</b>	

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

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<sup>8</sup> Orion Processing, LLC, d/b/a World Law Processing paid a total of \$121,387 in redress in seven installments on August 11, 2016 and August 12, 2016.

<sup>9</sup> Corinthian Colleges, Inc. paid \$35,347 in redress in two installments on August 18, 2016.