CFPB BUDGET REVIEW

HEARING

BEFORE THE

SUBCOMMITTEE ON OVERSIGHT
AND INVESTIGATIONS

OF THE

COMMITTEE ON FINANCIAL SERVICES

U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED THIRTEENTH CONGRESS

FIRST SESSION

JUNE 18, 2013

Printed for the use of the Committee on Financial Services

Serial No. 113–33

U.S. GOVERNMENT PRINTING OFFICE

81–768 PDF WASHINGTON : 2014

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512–1800; DC area (202) 512–1800
Fax: (202) 512–2104 Mail: Stop IDCC, Washington, DC 20402–0001

HOUSE COMMITTEE ON FINANCIAL SERVICES

JEB HENSARLING, Texas, *Chairman*

GARY G. MILLER, California, *Vice Chairman*
SPENCER BACHUS, Alabama, *Chairman Emeritus*
PETER T. KING, New York
EDWARD R. ROYCE, California
FRANK D. LUCAS, Oklahoma
SHELLEY MOORE CAPITO, West Virginia
SCOTT GARRETT, New Jersey
RANDY NEUGEBAUER, Texas
PATRICK T. MCHENRY, North Carolina
JOHN CAMPBELL, California
MICHELE BACHMANN, Minnesota
KEVIN McCARTHY, California
STEVAN PEARCE, New Mexico
BILL POSEY, Florida
MICHAEL G. FITZPATRICK, Pennsylvania
LYNN A. WESTMORELAND, Georgia
BLAINE LUETKEMEYER, Missouri
BILL HUIZENGA, Michigan
SEAN P. DUFFY, Wisconsin
ROBERT HURT, Virginia
MICHAEL G. GRIMM, New York
STEVE STIVERS, Ohio
STEPHEN LEE FINCHER, Tennessee
MARLIN A. STUTZMAN, Indiana
MICK MULVANEY, South Carolina
RANDY HULTGREN, Illinois
DENNIS A. ROSS, Florida
ROBERT PITTENGER, North Carolina
ANN WAGNER, Missouri
ANDY BARR, Kentucky
TOM COTTON, Arkansas
KEITH J. ROTHFUS, Pennsylvania

MAXINE WATERS, California, *Ranking Member*
CAROLYN B. MALONEY, New York
NYDIA M. VELÁZQUEZ, New York
MELVIN L. WATT, North Carolina
BRAD SHERMAN, California
GREGORY W. MEEKS, New York
MICHAEL E. CAPUANO, Massachusetts
RUBÉN HINOJOSA, Texas
WM. LACY CLAY, Missouri
CAROLYN MCCARTHY, New York
STEPHEN F. LYNCH, Massachusetts
DAVID SCOTT, Georgia
AL GREEN, Texas
EMANUEL CLEAVER, Missouri
GWEN MOORE, Wisconsin
KEITH ELLISON, Minnesota
ED PERLMUTTER, Colorado
JAMES A. HIMES, Connecticut
GARY C. PETERS, Michigan
JOHN C. CARNEY, JR., Delaware
TERRI A. SEWELL, Alabama
BILL FOSTER, Illinois
DANIEL T. KILDEE, Michigan
PATRICK MURPHY, Florida
JOHN K. DELANEY, Maryland
KYRSTEN SINEMA, Arizona
JOYCE BEATTY, Ohio
DENNY HECK, Washington

SHANNON MCGAHN, *Staff Director*
JAMES H. CLINGER, *Chief Counsel*

SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS

PATRICK T. MCHENRY, North Carolina, *Chairman*

MICHAEL G. FITZPATRICK, Pennsylvania, *Vice Chairman*
PETER T. KING, New York
MICHELE BACHMANN, Minnesota
SEAN P. DUFFY, Wisconsin
MICHAEL G. GRIMM, New York
STEPHEN LEE FINCHER, Tennessee
RANDY HULTGREN, Illinois
DENNIS A. ROSS, Florida
ANN WAGNER, Missouri
ANDY BARR, Kentucky

AL GREEN, Texas, *Ranking Member*
EMANUEL CLEAVER, Missouri
KEITH ELLISON, Minnesota
ED PERLMUTTER, Colorado
CAROLYN B. MALONEY, New York
JOHN K. DELANEY, Maryland
KYRSTEN SINEMA, Arizona
JOYCE BEATTY, Ohio
DENNY HECK, Washington

CONTENTS

CFPB BUDGET REVIEW

Tuesday, June 18, 2013

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON OVERSIGHT
AND INVESTIGATIONS,
COMMITTEE ON FINANCIAL SERVICES,
Washington, D.C.

The subcommittee met, pursuant to notice, at 2:05 p.m., in room 2128, Rayburn House Office Building, Hon. Patrick T. McHenry [chairman of the subcommittee] presiding.

Members present: Representatives McHenry, Fitzpatrick, Duffy, Fincher, Hultgren, Wagner, Barr, Rothfus; Green, Cleaver, Ellison, Maloney, Sinema, Beatty, and Heck.

Ex officio present: Representatives Hensarling and Waters.

Also present: Representative Garrett.

Chairman MCHENRY. The Subcommittee on Oversight and Investigations will come to order. Without objection, members of the full Financial Services Committee who are not members of the Oversight Subcommittee may sit on the dais and participate in today's hearing.

And without objection, the Chair is authorized to declare a recess of the subcommittee at any time.

Our hearing today is a CFPB budget review. And I yield myself 5 minutes for an opening statement.

Almost 3 years ago, under the enactment of the Dodd-Frank Act, the Consumer Financial Protection Bureau (CFPB) was created. Its stated purpose is to regulate and supervise the offering and provision of consumer financial products or services under the Federal consumer financial laws.

However, prior to its inception, when it was still but an idea of one Harvard academic, the proposed Bureau was already compared to an existing agency known as the Consumer Product Safety Commission, or the CPSC. As the original architect of the Bureau, Elizabeth Warren, stated, "Just as the Consumer Product Safety Commission protects buyers of goods and supports a competitive market, we need the same for consumers of financial products, a new regulatory regime, and even a new regulatory body to protect consumers who use credit cards, home mortgages, car loans, and a host of other products."

However, the vision proposed was for an agency very different than the CPSC. While the CPSC has three Commissioners, the Bureau has a single-Director structure. And while the CPSC is subject to the congressional appropriations process and the OMB budget process, which our witness today is very familiar with, the Bureau is not.

In the end, this single Director can disregard advice and manage as he or she wishes. He has or she has little accountability to the Administration and even less to Congress. His or her budget is secure. As a result, it should come as no surprise that the Bureau has operated with less transparency and less concern for fiscal discipline than is appropriate for a steward of taxpayer funds.

The Bureau need not listen to basic advice from the Office of Management and Budget. For example, on May 31st of this year, the OMB issued a controller alert related to conference spending by agencies over which the OMB has jurisdiction. Given the waste and abuse at GSA and IRS conferences, this was the least we could hope for. However, based on Dodd-Frank, the Bureau can simply ignore this controller alert.

As a result of this lack of accountability, certain expenditures have been called into question, such as the $55 million that has been set aside for renovating the CFPB headquarters building just steps from the White House. Incidentally that number, $55 million, is more than the entire annual construction and acquisition budget for GSA for the totality of Federal buildings.

The Bureau has also refused to participate in the Office of Personnel Management's Employee Viewpoint Survey. Despite its auditor's specific recommendations that the Bureau join the OPM survey in which 98 percent of Executive Branch agencies participate, the Bureau has instead decided to do its own. By taking this action, the Bureau avoided being ranked alongside the other 98 percent of Federal agencies that do participate.

Nevertheless, the Bureau's in-house employee survey revealed significant concerns regarding the management of the Bureau's staff. The survey provided that only 35.6 percent of employees agree that the Bureau takes steps to deal with a poor performer who cannot or will not improve. So, only one-third of the staff of the Bureau believe that the Bureau's staff is providing real employee accountability. That is a major concern.

Furthermore, the Bureau claims that it invests in world class training for its employees. However, its own survey says only 38.8 percent of employees agree that the training they received was sufficient. That sounds like anything but world class.

Last week, a news story reported that the Bureau is losing senior staff faster than it can replace them. The report goes on to say the Bureau imposed management techniques which put an emphasis on ensuring all employees were considered equal stakeholders. A former Bureau official expressed concern that, "While it is good policy to get some people with no exposure, you don't want them to drive policy decisions because they don't understand the risk or cost involved." So thus, those with little training and experience are seated alongside those with greater training and experience and are considered equals.

These weaknesses may reflect broader management problems. Last week, the CFPB employees voted to join the National Treasury Employees Union, the same union that is noted for representing the IRS employees as well.

When considering all this, coupled with the total lack of accountability to the American people, I am deeply concerned that the CFPB presents a substantial risk to the taxpayers. And as the Chief Financial Officer of the CFPB, I welcome our witness today and look forward to his testimony.

Now, I will yield to the ranking member of the full Financial Services Committee, Ms. Waters, for 3 minutes.

Ms. WATERS. Thank you very much, Mr. McHenry and Mr. Green, for this hearing.

I must first begin by expressing my ongoing concern with the Majority's refusal to allow Director Cordray to appear before the Financial Services Committee. No court has addressed the legitimacy of President Obama's appointment of Richard Cordray. And the mere notion that some legal scholars dispute the legitimacy of Director Cordray's appointment does not make it legally invalid.

Contrary to what some of my colleagues view as a lack of accountability and oversight, the CFPB has been transparent and forthcoming about their budget and operations. CFPB officials have testified before Congress at 36 hearings. Director Cordray himself has testified before Congress 13 times. The CFPB's operations and budgets are subject to independent private audits. The Government Accountability Office is also required to audit the CFPB. The Comptroller General is required to annually audit the financial transactions at the CFPB. And the agency is also held accountable by the Inspector General of the Federal Reserve Board.

Current law requires the Director of the CFPB to appear before Congress to testify biannually on the CFPB's budget and rulemaking. And although Director Cordray is not statutorily required to present testimony at today's hearing, he testified on the CFPB's budget in this subcommittee last February. Whether or not Republican Members support the mission of the CFPB, the decisions to bar Director Cordray from testifying and deny his confirmation in the Senate are the very actions that impede congressional oversight of the Bureau and create regulatory uncertainty for consumers and the industry.

I conveyed many of these concerns in a letter I sent to Chairman Hensarling on April 23rd requesting that he reconsider his position and schedule a hearing to allow Director Cordray to deliver the CFPB's semiannual testimony to the committee as required by statute. I ask unanimous consent that this letter be entered into the record of today's subcommittee hearing.

Chairman MCHENRY. Without objection, it is so ordered.

Ms. WATERS. In the aftermath of this crisis, we worked to pass the Wall Street Reform Act, and now we are conducting robust oversight of the agency's task to implement that law. I would like to commend Director Cordray and his colleagues at the CFPB, in particular for their transparency and willingness to be forthcoming with the Congress about how they are fulfilling their responsibility to implement the Act. The CFPB has accomplished a great deal under extraordinary scrutiny and the Bureau will continue to have my support for as long as it continues to fulfill its statutory obligations to American consumers.

I yield back the balance of my time.

Chairman MCHENRY. The ranking member of the subcommittee, Mr. Green, is recognized for 3 minutes.

Mr. GREEN. Thank you, Mr. Chairman. I thank the witness for appearing as well. It is regrettable that Mr. Cordray is not with us today.

When it comes to the CFPB there are, generally speaking, two competing schools of thought. Should the CFPB be an independent agency that is independent of politics and accountable or should it be dependent upon politics and accountable? Should it be independent similar to the FHFA and the OCC with an executive officer and no board or should it be dependent on politics, similar to the NLRB, which has a board and cannot function efficaciously because of appointment politics? Should it be independent similar to the FED, the OCC, the FDIC, and the NCUA? They are funded, but they are funded without congressional approval? Or should it be dependent upon politics, similar to the SEC and the CFTC, which are funded through Congress and consistently contend that they are being underfunded?

I think that consumers merit and deserve an independent agency, a watchdog if you will, that is independent of politics to the extent that we can have it such. The CFPB should be and is accountable. It is accountable, and this is why the Director can be removed for cause, this is why the CFPB has to consult with other Federal regulatory agencies during rulemaking, this is why it must do a cost-benefit analysis, why testimony before Congress twice a year is required, and thus far we have had 36 appearances. This is why the rules are subject to judicial review. This is why it has to reassess its existing rules every 5 years. This is why it can have its rules vetoed by other Federal regulators. This is why the rules are subject to external review by the SBA and the OMB. This is why it can be audited by the GAO, the IG, as well as an independent audit mandated by Congress.

Consumers deserve an independent and accountable consumer protection bureau. This is what we have now. The challenge is, will we keep it this way?

I yield back the balance of my time.

Chairman MCHENRY. The ranking member yields back, and we will now recognize our witness. Mr. Stephen Agostini has been the Chief Financial Officer of the Consumer Financial Protection Bureau since 2011. Previously, Mr. Agostini served as the Chief Financial Officer of the U.S. Office of Personnel Management, a role he started in September of 2010. He also served as the Budget Director for the City of Philadelphia for 2½ years, and prior to that as Chief Financial Officer for the Economics and Statistics Administration at the Commerce Department.

Mr. Agostini, thanks so much for being here today. We will recognize you for the purposes of summarizing your written statement. We have a lighting system that I am sure you are well aware of, and we will give you 5 minutes to summarize. You are now recognized for 5 minutes.

STATEMENT OF STEPHEN AGOSTINI, CHIEF FINANCIAL OFFICER, CONSUMER FINANCIAL PROTECTION BUREAU (CFPB)

Mr. AGOSTINI. Thank you, Chairman McHenry, Ranking Member Waters, Ranking Member Green, and distinguished members of the subcommittee for the opportunity to participate in today's oversight hearing about the Consumer Financial Protection Bureau's budget and workforce. The Bureau welcomes rigorous congressional oversight, and we appreciate the opportunity to testify before Congress for a 36th time today. My name is Stephen Agostini and I am the Chief Financial Officer of the Bureau.

The Consumer Bureau was created by the Dodd-Frank Act in the wake of the worst financial crisis since the Great Depression. We are the Nation's first Federal agency whose sole focus is protecting consumers in the financial marketplace. In the Dodd-Frank Act, Congress followed the long-established precedent in providing the Bureau with funding outside of the congressional appropriations process. This ensures full independence as the Bureau carries out its statutory responsibilities to supervise and regulate providers of consumer financial products and services.

Congress has consistently provided for independent funding for bank supervisors to allow for long-term planning, the execution of complex initiatives, and to guarantee that banks are examined regularly and thoroughly for compliance with the law. The Bureau's Fiscal Year 2013 budget totals $541 million, which supports ongoing operations and new investments in human capital, technology, and facilities, as well as consumer research and financial education activities. The Fiscal Year 2013 budget also includes a one-time expense to renovate our headquarters in Washington, D.C.

The Fiscal Year 2014 estimate of $497 million reflects continued growth in staff and new investments in technology, data, and equipment. While our budget is small relative to other banking agencies, we are committed to using our resources wisely and carefully. We rely on performance information to help inform our decisions and we will continue to do so as we grow. The budget provides additional resources for all of our programs over the next 2 fiscal years.

The Division of Supervision, Enforcement, and Fair Lending will see the largest increase over the next 2 years to support additional staff and systems development. We will also be investing in those offices that work directly with consumers, such as our Office of Consumer Response, and our offices dedicated to servicemembers, students, and older Americans.

The Bureau employs talented professionals from diverse backgrounds. They have ensured that the Bureau consistently meets its deadlines, puts in place strong rules of the road to fix the broken mortgage market, obtains millions of dollars in restitution for consumers, and handles tens of thousands of consumer complaints. The Bureau currently has approximately 1,200 employees. We continue to retain, as well as hire, accomplished staff as we build the Bureau.

So far in Fiscal Year 2013, the Bureau has hired over 300 new employees. We will continue to staff up in order to carry out our mission to make consumer financial markets work for American consumers, honest businesses, and the economy as a whole.

In order to ensure the Bureau's programs and strategies are effective, the Bureau is subject to periodic reviews of its performance, including studies and audits by the U.S. Government Accountability Office and the Office of Inspector General of the Board of Governors of the Federal Reserve System, and the Consumer Financial Protection Bureau. Additionally, as required by Congress, the Bureau orders an annual independent audit of our budget and operations. The independent audits of Fiscal Years 2012 and 2011 are available on our Web site.

The Bureau is committed to public transparency in its contract procurements and spending. We post contract opportunities publicly on FedBizOpps.gov and contract award data is reported to usaspending.gov. Our budget Web page includes additional detail about our budget, including annual budget justification and budget in brief documents and annual financial reports. And we publish quarterly budget update documents on our Web site as well.

We are committed to delivering tangible value to American consumers. Budget numbers are important, but so are results. With that in mind, I would like to share some additional numbers: $425 million represents the amount of money being refunded as a result of CFPB enforcement actions to consumers who are subjected to deceptive practices; 6 million represents the number of consumers receiving funds because of 2012 CFPB enforcement actions; more than 130,000 represents the number of complaints CFPB has handled from consumers in every State around the country since the CFPB formally opened its doors in July 2011; and 31,000 represents the number of military and veteran consumers the Bureau's Office of Servicemember Affairs communicated with in 2012 through 82 outreach events.

Chairman McHenry, Ranking Member Waters, Ranking Member Green, and members of the subcommittee, thank you again for the opportunity to testify before you today at this important oversight hearing on the Bureau's budget and workforce. I will be happy to answer your questions.

[The prepared statement of Mr. Agostini can be found on page 42 of the appendix.]

Chairman McHenry. Thank you for your statement, and thank you for testifying today.

I will now recognize myself for 5 minutes for questions.

Mr. Agostini, as I referenced, you were previously at the Office of Personnel Management as the Chief Financial Officer, correct?

Mr. Agostini. Mr. Chairman, that is correct.

Chairman McHenry. Okay. And at OPM, did the Office of Management and Budget have authority with regard to the budget process at OPM?

Mr. Agostini. Yes, they did.

Chairman McHenry. Okay. And so, you engaged with OMB through that process?

Mr. Agostini. Yes, I did as the CFO at OPM.

Chairman McHenry. Does OMB have a similar function with the CFPB?

Mr. Agostini. Mr. Chairman, as the Act has—

Chairman McHenry. So that would be a no, is that correct?

Mr. AGOSTINI. Mr. Chairman, as the Act has laid out, OMB does not have the same review.

Chairman MCHENRY. Okay. So other Executive Branch agencies have a check and a balance with the OMB process, such as the Securities and Exchange Commission does.

Section 1017 of Dodd-Frank specifically exempts the CFPB, as you were referencing, "any obligation on the part of the Director to consult with or obtain the consent or approval of the Director of the Office of Management and Budget with respect to any report, plan, forecast, or other information referred to in paragraph A," which is the additional reference, "or any jurisdiction or oversight over the affairs or operations of the Bureau." Is that correct? That was the point you were referencing?

Mr. AGOSTINI. Mr. Chairman, that is correct.

Chairman MCHENRY. Okay. So you are exempt from the Executive Branch budget process?

Mr. AGOSTINI. Mr. Chairman, as the Act states, we do not fall under the purview. We do submit, have submitted our budget as part of the Executive Branch budget in the past.

Chairman MCHENRY. So, yes, and it is submitted, but you draw down your funds from the Federal Reserve, correct?

Mr. AGOSTINI. That is correct, Mr. Chairman.

Chairman MCHENRY. Okay. And with the Federal Reserve is there a process by which they say yes or no to how you draw down those funds?

Mr. AGOSTINI. Mr. Chairman, as you may know, the Act also specifies how we are to receive funding and—

Chairman MCHENRY. Which is just a cap of how much from the Federal Reserve.

Mr. AGOSTINI. It sets out a process, Mr. Chairman, for the funding of the Bureau. It gives us a cap, and that cap we are estimating for the current fiscal year to be somewhere in the neighborhood of $600 million.

Chairman MCHENRY. Okay, $600 million. Now, with the congressional appropriations process, a lot of other agencies go through that process. Right? While I find it well and good that the CFPB has willingly submitted themselves or accepted our invitation to come before this committee for the purposes of congressional oversight, you are exempt under this Act from coming to this body for funding, correct?

Mr. AGOSTINI. Mr. Chairman, I think that the Act, while exempting us from that, does have us come before a number of oversight entities, as well as Congress, on at least three occasion: two as part of our semiannual reporting requirement; and one as a report to the Appropriations Committee as well.

Chairman MCHENRY. So, a report to the Appropriations Committee and they accept the report. And if they don't like it, if they demand changes, what can they do? Can they legislatively withhold funds or give additional funds, too? I guess they could give additional funds, too, but with a $600 million cap, that seems like a pretty large way to run in order to submit yourself to the congressional appropriations processes just sort of willingly.

Obviously, you have an Inspector General who has some oversight of your agency. Your Inspector General, who would that be?

Mr. AGOSTINI. Our Inspector General is shared with the Federal Reserve Board.

Chairman MCHENRY. Okay. Who oversees the fullness of the Federal Reserve Board, correct?

Mr. AGOSTINI. That is correct.

Chairman MCHENRY. Okay. And so in this whole process what it seems like to me, and what becomes very clear with how your agency has been spending money, as we will get to with other questions here today, is that you, while having a reputational risk for free spending, you don't have an actual risk of losing appropriations or having to submit yourself to the congressional appropriations process.

That is of deep concern and it will come to bear in this hearing, I believe, that it has led to mismanagement and overspending by your agency and not appropriate checks and balances to which other agencies have to submit themselves.

With that, we will now recognize Mr. Cleaver for 5 minutes for the purpose of questioning the witness.

Mr. CLEAVER. Thank you, Mr. Agostini, for being here. I apologize for being late. I was over in the section of our Federal Government that needs to be closed, the Senate. I am very much interested, however, in finding out the regulators who are subject to our appropriations process.

Mr. AGOSTINI. Congressman, I am not necessarily an expert on other regulatory agencies, but there are agencies that receive, like the FDIC, like the OCC, funding from specific dedicated sources that are not appropriations. So there are instances, as is the case with our Bureau, where nonappropriated sources are made available for the operations of that particular entity over the span of a year.

Mr. CLEAVER. The reason I raise the question is that there have been some suggestions that we subject your Bureau to the appropriations process. And so I am curious about regulators who are subject to this process, and I can probably get that answer after the hearing today. I am not sure that we can find any regulators who are doing that, including the FDIC, the Federal Reserve, or the OCC. Maybe there are some regulators hidden out there somewhere that should be subjected to this budget process. But if you can't, you don't know of any, and I am—

Mr. AGOSTINI. Most of our sister agencies, Congressman, are indeed outside of the appropriations agency process. The most significant, I would suggest is the Federal Reserve, since the Federal Reserve is the benchmark stipulated in the Act by which we do much of what we do in terms of organization, in terms of salary, in terms of funding. And to your point, they are clearly not in that appropriations process.

Mr. CLEAVER. The big concern, and legitimately, is dealing with our deficit and our spending. I have not heard anybody express disinterest in trying to get spending under control or that they are not interested in trying to deal with the deficit. But considering budget constraints, if you had to make a choice—you probably don't want to answer this question—on what budget items you would choose to reduce, what do you think we could make it without in the next fiscal year?

Mr. AGOSTINI. Congressman, we are still a growing agency, we are still building up our capacity to deliver the mission that Congress gave to us with respect to American consumers, as well as with our regulatory responsibilities. It is the case that we are very careful stewards of our funding and make sure that we are using those funds in a manner that is appropriate to accomplishing that mission.

If there was a desire to either reduce or in some other fashion constrain further our funding, it would require us to make some decisions about what we would and would not do moving forward. I don't have the ability to tell you exactly here today what those things would be, but we would have to go back and look at that carefully.

Mr. CLEAVER. But the Bureau is struggling right now looking at what it could reduce? You are examining the agency in terms of your budget right now, is that accurate?

Mr. AGOSTINI. Congressman, we are always looking at the budget. I am always involved in a review of how we spend our funds. I do that on a monthly and quarterly basis in order to ensure that we are effective stewards of the funds and that they are used in a manner that is appropriate with our mission. We are still building the agency; we are not in a process engaged in reducing the budget at the moment. We are still trying to staff up and build the infrastructure necessary to deliver our mission.

Mr. CLEAVER. My concern is that your responsibilities could be hurt without fulfilling them if you ended up not having the budget to carry out what were you commissioned to do.

Thank you.

Chairman MCHENRY. The gentleman's time has expired.

We will now recognize the vice chairman of the subcommittee, Mr. Fitzpatrick, for 5 minutes.

Mr. FITZPATRICK. I thank the chairman for the hearing.

And thank you, Mr. Agostini, for your testimony here today.

Sir, last year I joined with Mr. Neugebauer and Mr. Renacci, who at the time were both members of this committee, in writing a few letters to Mr. Cordray seeking additional details about the CFPB budget. And, unfortunately, while we did receive a pretty cordial reply, what we didn't receive were the details that I believe that the taxpayers deserve, especially when an agency is given a very unique ability to spend the public's money without congressional approval and without congressional authorization. And this is even more disappointing given that the CFPB is an independent agency and therefore you can release this budget information to Congress without prior or previous approval from the Office of Management and Budget. So I am going to make sure that we get copies of those letters to you, sir, and I would ask that you just take a look at them, get them to the appropriate people within your agency, and perhaps provide some additional information. Would you be willing to do that?

Mr. AGOSTINI. I will, Congressman.

Mr. FITZPATRICK. Thank you.

Now, Mr. Agostini, I am also interested in learning more about a substantial amount of money that the CFPB has spent on employee travel, which will amount to nearly $12 million by the end of this fiscal year. This is the kind of expense that requires strong procedures and controls in order to prevent waste and abuse, the kind of waste that we have seen in other agencies across the Federal Government.

I am currently working on legislation that will require our Federal agencies to consider alternatives to expensive travel, such as video conferencing, as a way to reduce spending and increase efficiency and productivity among the workforce. Do you see any reason why the CFPB would not be able to significantly reduce what you have in the line item right now as employee travel and convert to video conferencing? It is cleaner, greener, it is more efficient, it is safer, it is better for the taxpayers.

Mr. AGOSTINI. Congressman, we do take advantage of video conferencing when possible. It is a technology that we think has substantial promise, and allows us to do some things we aren't able to do.

I would point out that we, unlike many of the other regulators, are not resident, do not have offices in cities across the country. There was a conscious decision when the Bureau was stood up that we would not have bricks and mortar, if you will, in cities across the country, much like either the FDIC or the Federal Reserve does. And because of that we have a distributed workforce and our ability do the work requires to us to do a lot of traveling because of that distributed workforce. That would be the explanation for the travel and the level of travel.

Mr. FITZPATRICK. But you are willing to take a look at it?

Mr. AGOSTINI. Absolutely, sir.

Mr. FITZPATRICK. Okay. Are you aware of an audit done of the CFPB by ASR Analytics?

Mr. AGOSTINI. Congressman, yes, they actually completed two audits of the Bureau.

Mr. FITZPATRICK. ASR Analytics found that travel requests within the CFPB are approved by a supervisor without any knowledge of the estimated dollar amount to be expended on the trip. And in addition, travel vouchers are not routed for approval by the traveler's supervisor. Have you resolved this control failure yet?

Mr. AGOSTINI. Congressman, we go through a rigorous process of reviewing both the authorization for travel, as well as the voucher expenditure. My office has a very significant role in that. I have actually spent time doing that myself. We are always looking for improvements to that. We think that there are improvements we can make moving forward. But we do subject all of those travel, both vouchers and authorizations, and that requires us most times to be talking directly with supervisors so that they can assure us that travel was relevant and purposeful.

Mr. FITZPATRICK. Does CFPB's staff continue to arrange for trips without a supervisor's knowledge as to the cost of the trip, which is an issue that was raised in the audit?

Mr. AGOSTINI. Congressman, currently supervisors do sign off on the trip itself, but we are about to make some modifications where they will look at the budget for those trips as well.

Mr. FITZPATRICK. As the CFO, do you consider the failure to demand supervisors actually have knowledge of the travel costs to be a significant failure in the financial controls of the organization?

Mr. AGOSTINI. Congressman, because of the manner in which my office does the reviews and interacts with both regional directors and supervisors, I believe that we have had a control in place to prevent abuse. But there are improvements we can make. And I think the one that you are suggesting about supervisors reviewing is one that we are about to implement. So I think it would be an improvement.

Mr. FITZPATRICK. I just want to say that I appreciate your concern as well, your willingness to look at converting to things like video conferencing in order to reduce travel expenses. And we will get those letters over to you and look forward to a reply. Thank you, sir.

I yield back.

Chairman MCHENRY. The ranking member of the full Financial Services Committee, Ms. Waters, is recognized for 5 minutes.

Ms. WATERS. Thank you very much, Mr. Chairman.

I would like to basically ask you if you are aware that Director Cordray continues to testify in the Senate and stands ready to testify before Congress at any time? On April 30, 2013, the Director wrote to Chairman Hensarling, and he said, "I personally stand ready to testify before Congress at any time and have done so already on 13 occasions, including 6 times before House committees and subcommittees, including the House Financial Services Committee." Are you aware of this?

Mr. AGOSTINI. Yes, Congresswoman, we are aware of that.

Ms. WATERS. And are you aware that he is prohibited from testifying before this committee because the chairman of the committee, Mr. Hensarling, believes that his appointment is unconstitutional?

Mr. AGOSTINI. I understand that he is not invited to testify, Congresswoman.

Ms. WATERS. Thank you very much. I just wanted to clarify that and again put that in the record because I have been asked by some of the staff and colleagues today whether or not he had been invited here, and I thought I would just clarify that.

Having said that, I would like to ask you a few questions about the budget. As I understand it, you have the smallest budget of all of the banking agencies of the Federal Government. Is that correct?

Mr. AGOSTINI. Congresswoman, we do have one of the smallest. I would need to do a little more research, but I do believe among the large regulatory agencies, we do have one of the smallest budgets.

Ms. WATERS. I also understand that your budget is capped at $598 million. Is that right?

Mr. AGOSTINI. Congresswoman, we do have a transfer cap. That transfer cap for Fiscal Year 2013 is $598 million and our estimate for the subsequent fiscal year is $608 million.

Ms. WATERS. And when I compare that with the other agencies—for example, the 2009 budgets of the OCC, the FDIC, and the Federal Reserve budgets were $775 million, $2.56 billion, and $4.98 billion, respectively, for those agencies. Are you aware of that?

Mr. AGOSTINI. Yes, I am.

Ms. WATERS. I am also made aware that you have not utilized your full budgetary authority. Is that correct?

Mr. AGOSTINI. Congresswoman, that is correct.

Ms. WATERS. Let me just ask, why has the CFPB not utilized its full budgetary authority, and do you anticipate that the Bureau will continue to operate on a budget somewhat less than your allowable transfer cap in future years?

Mr. AGOSTINI. Congresswoman, over the last 2 years, now 3 years, we have been building the agency, and as you will see, we have gone from approximately $123 million in spending in 2011 to $300 million in 2012, and we anticipate it will be something larger than that in the year coming.

While we did have the ability to transfer, request larger transfer fund amounts from the Federal Reserve, we did not think it was necessary, nor appropriate since there was no need for us to spend those funds in either of those fiscal years. So we refrained from asking for those funds.

Ms. WATERS. I don't want to ask you to repeat too much, but I was taken by some numbers that you gave in your testimony earlier. Would you just repeat what you told this committee about $25 million, 6 million, 130,000, I believe it was, and 31,000? What were you referring to in those numbers.

Mr. AGOSTINI. Congresswoman, I would be happy to do that: $425 million is the amount of money being refunded as a result of CFPB enforcement actions.

Ms. WATERS. I'm sorry, refunded?

Mr. AGOSTINI. Refunded as a result of our enforcement actions.

Ms. WATERS. Okay.

Mr. AGOSTINI. 6 million represents the number of consumers receiving refunds because of enforcement actions as well.

Ms. WATERS. All right.

Mr. AGOSTINI. 130,000 represents the number of complaints we have handled from consumers in every State around the country since July of 2011.

Ms. WATERS. Okay.

Mr. AGOSTINI. And 31,000 is the number of military and veteran consumers the Bureau's Office of Servicemember Affairs communicated with in 2012.

Ms. WATERS. Thank you very much.

Let me just say as I wrap up that I am very proud of the work that the CFPB has been able to accomplish in a relatively short period of time. I think that those numbers reflect how effective you have been. I am very proud of the way that you have managed your budget, and I hope that you continue in the fashion that you have. And please communicate to Director Cordray that he does have supporters over here.

Thank you very much.

Chairman MCHENRY. The gentlelady's time has expired.

The gentleman from Wisconsin, Mr. Duffy, is recognized for 5 minutes.

Mr. DUFFY. Thank you, Mr. Chairman.

Was that 400-and-some-million dollars returned to Treasury, is that what you said?

Mr. AGOSTINI. Congressman, it is $425 million that was refunded as a result of CFPB enforcement actions.

Mr. DUFFY. Refunded to Treasury?

Mr. AGOSTINI. These are refunds, Congressman, by private entities to consumers.

Mr. DUFFY. Okay, I just want to make sure you are not sending that money back to the Treasury. That is going to consumers. I just want to be clear on that.

In regard to your salaries at the CFPB, they are actually set by the Director. Is that correct?

Mr. AGOSTINI. That is correct, sir.

Mr. DUFFY. And is it fair to say the top salary at the CFPB is $259,000?

Mr. AGOSTINI. Congressman, I believe that the top salary is closer to $251,000, and that is as a result of the Director setting the salaries as required in Dodd-Frank, that they are comparable to the Federal Reserve.

Mr. DUFFY. That is wonderful because I looked at the Federal Reserve pay scale and the top of the Federal Reserve pay scale is $205,000 and the top of your pay scale is $259,000, $54,000 more than the Federal Reserve. How do you account for a $54,000 difference if you are trying to make them comparable?

Mr. AGOSTINI. Congressman, I am not familiar directly with the Federal Reserve.

Mr. DUFFY. You just told me that you were trying to set up a pay scale that was similar to the Federal Reserve; you just used them as your example. So I assume that you are aware of what their pay scale is and that yours is $54,000 more than the Fed.

Mr. AGOSTINI. I would like to go back and check that, sir, I am not aware of that here. So I don't feel I can answer that.

Mr. DUFFY. If you want, we can use Treasury, because Treasury has the same pay scale as Congress and they top out at $155,000, basically $100,000 less than the CFPB.

Do you have a budget for your interns, do you pay your interns at the CFPB?

Mr. AGOSTINI. For the period of time that they are actually interning with us, yes.

Mr. DUFFY. What is that budget?

Mr. AGOSTINI. It depends on each of the—

Mr. DUFFY. Not what you pay each of them, what is the budget you have for your interns?

Mr. AGOSTINI. I would have to get back to you. I know that we have a number of about 65 or 70 interns who will spend the summer with us.

Mr. DUFFY. How many?

Mr. AGOSTINI. 65 or 70.

Mr. DUFFY. I think you have eight people here with you today. Does one of them know what the budget is for the interns?

Mr. AGOSTINI. I would be happy to bring that number back to you, Congressman.

Mr. DUFFY. Wonderful. You have bonuses at the CFPB of $750,000. How are those distributed? How do you decide how they are distributed?

Mr. AGOSTINI. The Bureau gave bonuses as part of its performance plan that was implemented in 2013 to actually recognize work that was done in Fiscal Year 2012.

Mr. DUFFY. So what is the largest bonus that is given at the CFPB, how much money?

Mr. AGOSTINI. I believe that the largest bonus was $11,000 or $12,000.

Mr. DUFFY. To whom was that given?

Mr. AGOSTINI. I don't know. I could get back to you with that information.

Mr. DUFFY. That would be wonderful.

I want to take a look, if I heard you correctly—well, let's go back. How many people work at the CFPB now?

Mr. AGOSTINI. Just over 1,200, Congressman.

Mr. DUFFY. Just over 1,200. And if I am not mistaken, I believe that you at the CFPB spent $55 million on a renovation for your new office space. Is that correct?

Mr. AGOSTINI. Congressman, no, that is not correct. We have not spent $55 million. We are still in the planning stages for the headquarters renovation.

Mr. DUFFY. How much have you budgeted for the renovation?

Mr. AGOSTINI. For Fiscal Year 2013, we budgeted approximately $95 million for that renovation.

Mr. DUFFY. And how much total has been budgeted for the renovation?

Mr. AGOSTINI. I believe that $95 million has been budgeted for Fiscal Year 2013, in addition to about $15 million in, I think, Fiscal Year 2012. But again, it is budgeted; we have not spent anything near that.

Mr. DUFFY. As you deal with a lot of numbers, more than I do, 1,200 people and $95 million for renovation. Now, this isn't new construction. Do you know how much that is per person?

Mr. AGOSTINI. I could calculate it. I don't have it off the top of my head.

Mr. DUFFY. $75,000 per person, something like that?

Mr. AGOSTINI. Again, I haven't calculated it, sir.

Mr. DUFFY. Not new construction, but renovation.

Quickly, the CFPB is storing a lot of America's financial data; there is a data grab going on at the CFPB. How much money is budgeted to store the data that is being collected at the CFPB?

Mr. AGOSTINI. Congressman, that depends. We have storage that we do as part of our natural activity, it is part of the infrastructure for our Technology and Innovation section. And then, there is storage that we purchase from private providers as well.

Mr. DUFFY. So in regard to the data that you take from Americans on their financial records, how much do you spend, whether it is internally or externally, on the storage of that data?

Mr. AGOSTINI. I think, Congressman, if you are referring to purchases of data that we have done recently, I believe we have 3 contracts that total approximately $10 million for those contracts.

Chairman MCHENRY. The gentleman's time has expired.

Mr. DUFFY. I yield back.

Chairman MCHENRY. Mr. Ellison from Minnesota is recognized for 5 minutes.

Mr. ELLISON. Thank you, Mr. Chairman.

And also my thanks to the ranking member and to you, Mr. Agostini.

So how much money was refunded to the American taxpayers because of the CFPB?

Mr. AGOSTINI. $425 million, Congressman.

Mr. ELLISON. And that was distributed among, did you say, 130,000 families?

Mr. AGOSTINI. No, those are slightly different, sir. The 130,000 represents complaints from—

Mr. ELLISON. Okay.

Mr. AGOSTINI. —consumers to the CFPB.

Mr. ELLISON. But how many people got that $425,000 million?

Mr. AGOSTINI. I don't have that number in front of me. That number represents what entities, private entities who have gone through enforcement actions with CFPB are in the process or have begun paying back to consumers who have been harmed.

Mr. ELLISON. But what I want to know is, and I think you shared this, how many individuals or families are going to benefit from the enforcement action?

Mr. AGOSTINI. I believe it is 6 million.

Mr. ELLISON. 6 million people?

Mr. AGOSTINI. That is correct, sir.

Mr. ELLISON. That is pretty good. I want to commend you all for that. If the CFPB was not out there, if we didn't have any, I just wonder what would happen, particularly in this environment of high unemployment, rising tuition, and fluctuating gas prices. That money, that $425 million, comes in handy for those people, wouldn't you agree?

Mr. AGOSTINI. Yes, sir, I would agree.

Mr. ELLISON. Who were some of the market players, the firms that you had to address to make sure the money was refunded?

Mr. AGOSTINI. I will give you a brief list, sir: Capital One Bank; Discover; and American Express represent three of the largest entities. Payday Loan Debt Solution, United Guaranty, Genworth, and Mortgage Guaranty are some of the others.

Mr. ELLISON. Now, Mr. Agostini, let me ask you this. Let's just say you are not one of those firms but you are a firm that deals with commercial lending. Do you think a firm that is not in that company of the ones you named can now feel that they can offer an honest product at a fair price and not have to worry that other people are sort of cutting corners to make a profit?

Mr. AGOSTINI. Congressman, I believe that is the intent of our enforcement actions and our approach in delivering the mission to ensure consumers are protected and get sort of a fair shake, if you will, from the market.

Mr. ELLISON. But consumers are getting a fair shake in that and you have the numbers to prove it, but I am talking about other firms. Say I am an honest firm trying to loan money at a fair rate at good, fair terms, but I have competitors who are doing deceptive things. I will compete with those deceptive actors or I am going to have to start doing what they do. Do you think the work you are doing actually benefits the market? I am talking about the financial firms, not the consumers. Do you understand my point?

Mr. AGOSTINI. Yes, Congressman. I believe, and we at the Bureau believe, that our actions are ensuring that the marketplace is level and fair, level for consumers, level for businesses that are attempting to provide products in a manner that is forthright and honest and plays by the rules.

Mr. ELLISON. Yes. Now, there were some questions raised about things like pay. Do you have any idea about how much the executives at some of those firms that you took enforcement action against are paid?

Mr. AGOSTINI. No, Congressman, I don't.

Mr. ELLISON. Is it fair to say that it is more than $250,000?

Mr. AGOSTINI. If newspaper accounts are to be believed, I would say yes.

Mr. ELLISON. Yes. Maybe put a couple of zeros behind that $250,000.

Do you have to try to attract the best talent you can in order to be able to go toe to toe with some of these market players?

Mr. AGOSTINI. Absolutely, Congressman. I think that has been a hallmark of the agency, that we have attempted to bring on the best people possible in order to provide us with the capacity to do our work and do it very well. And I think it is instructive that in many instances we are competing with some of these other regulatory agencies which have some of the same tools, but in many instances other tools that we don't have in order to bring that talent on board.

Mr. ELLISON. I just want to wrap up, because I see my yellow light is on, but I just want to ask you, these fines that you have had to levy against some of these big firms which have engaged in some poor practices, put it like that, do you think that they have a shot at reforming themselves given that they cannot operate with impunity anymore?

Chairman MCHENRY. The gentleman's time has expired. The witness can answer.

Mr. ELLISON. Thank you, Mr. Chairman.

Mr. AGOSTINI. Congressman, I am not sure about the motivations of those entities. I would offer that I expect they are watching what we are doing and watching what the other entities are engaging us with and hopefully paying attention to that.

Mr. ELLISON. Thank you, Mr. Chairman.

Chairman MCHENRY. The gentlemen's time has expired.

And the committee will stand in recess due to House Floor votes. We certainly expect that the witness will still be here when we return, as congressional votes do occasionally interrupt committee hearings. And so with that, we stand in recess.

[recess]

Chairman MCHENRY. The hearing will come to order. We will continue with the line of questioning, and we will now recognize Ms. Wagner from Missouri for 5 minutes.

Mrs. WAGNER. Thank you very much, Mr. Chairman.

Mr. Agostini, the mean per capita income in the United States of America is around $43,000. What percentage of CFPB employees would you estimate make more than that amount?

Mr. AGOSTINI. Congresswoman, I don't have that number off the top of my head. I am happy to bring that back to you.

Mrs. WAGNER. You don't have that number? I can tell you that 98 percent of the CFPB employees make more than that amount, according to FedScope data. You are not aware of that?

Mr. AGOSTINI. Congresswoman, again, I don't have that number off the top of my head.

Mrs. WAGNER. Let me ask, you are the CFO, is that correct, Mr. Agostini, of the CFPB?

Mr. AGOSTINI. Yes, I am, Congresswoman.

Mrs. WAGNER. And this was a hearing on the budget.

Chairman MCHENRY. If the witness will turn the microphone on and pull it closer.

Mr. AGOSTINI. My apologies.

Chairman MCHENRY. Thank you.

Mrs. WAGNER. And this is a hearing on budgetary matters, correct?

Mr. AGOSTINI. Yes, Congresswoman.

Mrs. WAGNER. And can any of the eight employees that you brought with you discuss any of these budgetary matters at all, sir?

Mr. AGOSTINI. Congresswoman, again, I don't have that number off the top of my head. I would be remiss if I gave you an incorrect number—

Mrs. WAGNER. An approximation perhaps, Mr. Agostini? Are you aware how many CFPB employees make more than $100,000 per year?

Mr. AGOSTINI. Congresswoman, yes, I am.

Mrs. WAGNER. And what would that be, sir?

Mr. AGOSTINI. That is 700.

Mrs. WAGNER. 700 employees, around 61 percent or more, make more than $100,000 per year. Are you aware of how many CFPB employees make more than a Cabinet Secretary, who makes $199,700 per year?

Mr. AGOSTINI. Congresswoman, I believe that number is about 58.

Mrs. WAGNER. That would be an accurate number. So the CFPB, which by my count is a controversial agency with, in my estimation, a Director who has been unconstitutionally appointed, is paying its employees more than almost every other Federal agency. Why should Congress allow the CFPB to keep paying its employees these very high salaries, especially when millions of Americans are out of work and we are at nearly $17 trillion in debt?

Mr. AGOSTINI. Congresswoman, we are paying people as was anticipated in the Dodd-Frank Act. We are maintaining comparability with the Federal Reserve, as was designated in the Act. Actually, the Federal Reserve's top salary, I believe, is $260,000 for its—

Mrs. WAGNER. At the discretion of whom? Who has the discretionary authority to set such high, high salaries when, again, the annual mean per capita income in the United States of America is $43,000? Whose discretion?

Mr. AGOSTINI. Congresswoman, I think the Act speaks specifically to comparability with the Federal Reserve.

Mrs. WAGNER. Is it the Director?

Mr. AGOSTINI. Congresswoman, the Director has set salaries, again, comparable to the Federal Reserve and—

Mrs. WAGNER. The Director has set salaries. Mr. Agostini, according to FedScope data collected by the Office of Personnel Management, the CFPB employs, as I understand it, two psychologists who both make a six-figure salary. The CFPB Web site offers a possible explanation for employing these psychologists. And let me just state the Web site, "We are also developing and testing new financial education strategies to build on insights from the field of behavioral psychology. We are working on an initiative to help consumers overcome common financial challenges they face on a regular basis. For example, people who start a new job may feel overwhelmed and fail to sign up for their employer-sponsored retirement account. Behavioral psychology research has shown that if new employees are automatically signed up but have the option to opt out at any time, enrollment rates are much higher, and those employees who are automatically signed up are pleased about their participation. We will take a close look at what other problems like these exist, what behavioral issues might be swaying the decision and prototype solutions based on well-researched hypotheses. We will then evaluate the effectiveness of these solutions. As with other projects, we will share our research with financial educators, policymakers, and the public." This is all from the CFPB Web site.

Mr. Agostini, why does the CFPB need psychologists and what exactly do they do?

Mr. AGOSTINI. Congresswoman, I believe that at least one of the psychologists works in our human capital area. One of the items that I believe they are working on is the employee survey, but I am happy to bring back the actual descriptions and work of those individuals for you to review.

Mrs. WAGNER. Please do. I have one more question.

Chairman MCHENRY. The gentlelady's time has expired.

Mrs. WAGNER. Thank you.

Chairman MCHENRY. And so, the employee survey that would have otherwise been done for free if you just had complied with the OPM survey, just to note for the record.

We now recognize Ms. Maloney from New York for 5 minutes.

Mrs. MALONEY. Thank you. Thank you so much, Chairman McHenry. I thank you and Ranking Member Green for calling this hearing.

And welcome to you, Mr. Agostini.

The creation of the CFPB, the Consumer Financial Protection Bureau, was a major victory for consumers. We saw during the financial crisis that often the concerns of the consumers were not considered. The agencies had other primary goals, and consumers were either a secondary thought, a third thought, a fourth thought, or not thought about at all. So the creation of an agency that focused on consumers and protecting them with an independent source of funding and an independent bureau was a priority of many Democrats, including myself, and many of us believed that if we had had an agency focusing on protecting consumers, then possibly we could have presented the subprime crisis, as the abuses would have been pointed out and hopefully stopped.

One of the first actions of the CFPB was to come out with a simplified mortgage statement that consumers could understand, that they could compare between financial institutions. And I think that is an important step forward. Also, the help for our men and women in the military, help for young people with their credit. They have had a number of initiatives.

But one of the goals that I read about, Mr. Agostini, is that you want to be very much a goal-driven agency and that you want to use data-driven analysis of consumer finance markets and consumer behavior to inform policymakers and the CFPB in their own oversight and their own actions that they take.

Just last week, your agency came out with an overdraft fees report which found that some financial institutions, not all, but some financial institutions were not following best practices and were following abusive overdraft practices to maximize their overall fees, at the pain of consumers to the point, I believe, of $30 billion, if I remember correctly. And you used data-driven analysis to inform yourselves on that. I would like you to comment about some of the items that you learned in this report. It came out, I believe, on Monday. And do you believe that the CFPB has the authority to address these practices, to correct them on its own through rulemaking?

Mr. AGOSTINI. Congresswoman, thank you for the question. I believe there are others in the Bureau much more adept and expert in answering questions like that on specific programmatic aspects, and I would be happy to take your question back and have them put together a response for you.

Mrs. MALONEY. I would also say that the fact that you are here today shows that you are accountable to Congress. Some of my colleagues say the CFPB is not accountable to Congress, but I would say your testimony and your presence here today shows that you are responding and are accountable to Congress.

They also say that this is unusual, to have a financial agency that is so independent, but as I understand it, all of the agencies that deal with finance are independent. Is that not correct, with independent funding sources, often fees?

Mr. AGOSTINI. Congresswoman, many of the agencies that you are referencing, like the Federal Reserve, like the FDIC, have independent sources of funding and are not subject to the appropriations process.

And with respect to accountability, I would say that we have a great deal of accountability, ranging from reports of a congressional arm, GAO, on our finances, independent audits that are mandated by the Act, along with the reviews and work of the IG, coupled with reports that are established on a frequency to Congress for our semiannual reporting, as well as for our annual report to the Appropriations Committee.

Mrs. MALONEY. And there is a debate sometimes about what the structure of it should be, but I believe you are the only agency where the FSOC can overrule your actions, which is an unprecedented power for the FSOC. Is that correct?

Mr. AGOSTINI. It is the case that the FSOC can overrule. I don't know, I don't believe that there are others that fall under that review. Again, I would be happy to have others bring that back to you.

Mrs. MALONEY. Could you give us some of the accomplishments of the CFPB?

Mr. AGOSTINI. Congresswoman, I will speak from the sort of financial controls and financial review aspect. We are very proud of our ability to stand up an agency rather quickly, one that has a very important mission with respect to consumers. We are very proud of our internal controls review and the checks and balances that we have set internally in order to be sure that we are spending funds in an expeditious and appropriate manner for our mission. I believe that the policies and procedures that we have set in place, that even GAO has noted, as well as the independent auditor has noted, speak to those controls and the effectiveness and success we have had with—

Chairman MCHENRY. And the gentlelady's time has well expired.

We will now go to Mr. Barr of Kentucky.

Mr. BARR. Thank you, Mr. Chairman.

As you know, Mr. Agostini, ASR Analytics, in its independent performance audit results reported on November 12th of last year, recommended that the CFPB should participate in an OPM-led annual Employee Viewpoint Survey to provide a mechanism for anonymous employee feedback. Despite this very specific recommendation, and despite the fact that I am told that 98 percent of all Executive Branch agencies participate in these OPM annual Employee Viewpoint Surveys, the CFPB instead decided to pick and choose 44 questions out of the 84 questions required by this OPM Employee Viewpoint Survey.

So my first question is, why did your agency design its own survey, selectively identify questions it chose to ask, instead of participating in the OPM survey in which 98 percent of all other Executive Branch agencies participate?

Mr. AGOSTINI. Congressman, I believe that the reason we did not participate in the FedView Survey is that as a brand-new agency with an infrastructure that we were putting in place, we had a sense that the OPM product, which I am familiar with, having been at OPM, was not necessarily appropriate for us. You referenced the 98 percent—

Mr. BARR. I am sorry to interrupt, but do other Executive Branch agencies that are subject to more direct congressional oversight, subject to the appropriations process, do they get to tailor their own self-evaluations the way that the CFPB did?

Mr. AGOSTINI. I believe, Congressman, if they decide to participate with the OPM program, that they use that particular survey instrument, but there are—I think you referenced that 98 percent—there are, I believe, a couple of agencies that don't participate in the Fed Viewpoint Survey.

Mr. BARR. By designing your own survey, isn't it true the CFPB was able to avoid being ranked alongside all of the other agencies that are subject to this more standardized, uniform OPM product, survey product that now makes us as congressional oversight investigators have a more difficult time comparing your performance to other Executive Branch agencies?

Mr. AGOSTINI. Congressman, because we do not participate, we are not ranked with other agencies.

Mr. BARR. Okay. In avoiding participation in the OPM survey, the CFPB avoided asking at least 40 questions of their staff that OPM asks of 98 percent of Federal agencies. Are you aware why your agency sought to avoid those specific 40 questions required of virtually all other Federal agencies?

Mr. AGOSTINI. Congressman, I think at the time when we were doing our survey, we had done a number of surveys internally already. We arguably had done a sizeable set of surveys in advance. And our view was that putting the workforce through another fairly sizeable survey that soon after some of the internal surveys we had done was going to be burdensome and—

Mr. BARR. You say it is burdensome. You just testified that your agency is, in fact, accountable. And one of the arguments that you just made about why you are accountable to Congress is that you subject yourselves to a variety of independent audits. There was an independent audit. It was the ASR Analytics. And that independent audit said that you all should submit to the OPM survey. You didn't do that. So why on earth would we believe you that you are accountable when you don't even follow the recommendations of the independent auditor which you say holds you accountable?

Mr. AGOSTINI. Congressman, I believe the ASR audit came out in November of 2012. I believe that we had done our AES survey prior to that. We still have a survey which needs to be done for this year. And as with all of the recommendations from auditors, we will take those recommendations seriously to heart and proceed with that information.

Mr. BARR. I would encourage you—obviously, you can tell my position on this—to follow the recommendations of independent auditors that you say are critical to holding you accountable.

Now, one final question. My time is expiring. I want to know, of the 1,200 employees of your agency, what percentage, approximately, of those employees have any experience in the private sector working for either a bank or a credit union or a financial institution which is subject to your regulatory oversight? And I am not talking about attorneys or former prosecutors; I am talking about bankers or credit union employees.

Mr. AGOSTINI. Congressman, I am happy to get back to you and find out where, what the backgrounds are for those individuals.

Mr. BARR. Would you say that less than 50 percent have private sector backgrounds?

Mr. AGOSTINI. Congressman, I don't know the answer to that question.

Mr. BARR. Okay.

Chairman MCHENRY. The gentleman's time has expired. We will now go to—

Mr. BARR. Thank you.

Chairman MCHENRY. —the ranking member of the subcommittee, Mr. Green.

Mr. GREEN. Thank you, Mr. Chairman.

I didn't come prepared to deal with a course in comparative salary analysis, however, I would like to make a few points. Let us consider that the highest paid hedge fund manager in the year 2007 made $3 billion. It would take a minimum wage worker at that time 198,000 years to make $3 billion. This hedge fund manager was making what a minimum wage worker makes in about 37 or 38 seconds.

Similar circumstance in 2009, a hedge fund manager made $4 billion. That is an amount which would require 265,252 years for a minimum wage worker. It took the hedge fund manager about 28 seconds to make what a minimum wage worker makes in a year.

Numbers can be fascinating and they can be intriguing, but they can also point out some things that are important. The cost of the financial crisis is said to be $12.8 trillion. The Consumer Financial Protection Bureau costs each taxpayer about $2 per year. That is less than 17 cents per day week and about a half a penny a day.

Moving on to your costs compared to the other agencies, my research shows that the top salary at the OCC is about $260,000 and the top salary at the Fed is about $260,000 as well. So you are within the range of these other agencies, and you are mandated to have salaries that are comparable to these agencies, is my understanding. As it relates to the salaries with reference to the OCC and the Fed, does that help refresh your memory to any extent, sir?

Mr. AGOSTINI. Congressman, yes. I believe that the top salaries at the Federal Reserve are up to $260,000 for their executive individuals. So, yes, that does.

Mr. GREEN. Now, let's talk about interns. Just for edification purposes, I don't believe any of the persons behind you are interns, are they?

Mr. AGOSTINI. That is correct, sir, they are not.

Mr. GREEN. Okay. If they are, while they are quite youthful, they would be a little bit out of the range that I have for most of the interns with whom I work.

But my information from our staff, which is quite good, indicates that you have about 64 paid interns, that the range of pay is from $14.72 to $20.22 per hour, and the average salary is about $18.45 per hour. If they worked full-time for 10 weeks, we would be paying the interns about $5,800 to $8,100 each, an average of about $7,380. Now, if this is incorrect, I am sure somebody will correct the record, but that is what our research indicates on the question of interns.

Do you have persons who came over to your office from some other Federal agency?

Mr. AGOSTINI. Approximately 80 percent of our employees, Congressman, are transferees from other agencies.

Mr. GREEN. And do they come with skills that they have acquired as a result of working in these other agencies?

Mr. AGOSTINI. Yes, sir.

Mr. GREEN. Okay. And quickly, tell me about your attrition rates compared to other Federal agencies, if you can.

Mr. AGOSTINI. Congressman, I believe our attrition rate is almost exactly the same as the attrition rate that you would see in other Federal agencies, roughly about 9 percent.

Mr. GREEN. And what about independent funding? How important is it for you to have independent funding?

Mr. AGOSTINI. Having the independent funding, Congressman, allows us to focus in on what we are doing. It also creates a situation where we are similar to many of the agencies that we work with shoulder to shoulder.

Mr. GREEN. Thank you. I will leave with this. I don't especially enjoy getting into salaries, because there are a good many people who think that Congresspersons are slightly overpaid. I yield back the balance of my time.

Chairman MCHENRY. We will now recognize Mr. Garrett for 5 minutes.

Mr. GARRETT. And I think the chairman for holding this very important hearing.

So I sat through for the last couple of hours that we have been here on this and listened to your answers. And the takeaway I have gotten so far is that we have an agency which lacks oversight and lacks accountability. And from your answers, I have yet to be able to pinpoint exactly who the public can go to if they are looking for accountability.

We have discussed the issue of appropriations. And as far as I understand it, there is no accountability to the Senate Appropriations Committee, because it is not appropriated through them. There is no accountability on your budget to House appropriators, because this does not go through House appropriations. Your funding comes to it through the Federal Reserve. And by your testimony today, as I understand it, the Federal Reserve is not subject to review as far as the funds coming to it there as well.

And in addition, there is something called the Consumer Financial Civil Penalty Fund, which the CFPB may use, in my understanding, to selectively compensate victims in cases brought not only by this Federal agency, but other Federal agencies, State agencies, and State attorneys general or even private plaintiffs, so there is no oversight outside of this entity as well.

Are any of those facts incorrect which I stated with regard to the funding?

Mr. AGOSTINI. Congressman, the Act itself anticipated and set forth—

Mr. GARRETT. I understand, but are any of those facts incorrect as far as oversight of your spending and your appropriations?

Mr. AGOSTINI. Congressman, we are proceeding as the Act has established we should.

Mr. GARRETT. So once again, just a simple yes or no, are any of my facts incorrect?

Mr. AGOSTINI. With respect to the funding and the transfer, they represent the facts as was dictated in Dodd-Frank.

Mr. GARRETT. Right. And I understand that is not your doing as far as creation of the law, you are just implementing what Congress in its wisdom or lack thereof did, but it seems ironic in this day and age when we are trying to rein in runaway spending that we would create an agency which would basically have no constraints on it by any elected body whatsoever or by the Federal Reserve, which is not an elected body, and then to try, as the other side has done, to say, can't we equate this to other independent agencies? We realize as well this agency is unique in the fact that it does not have a commission, like the SEC does, which has their funding coming from a different stream as what have you.

So this is a unique agency unlike any other in the Federal Reserve that is able to spend upwards of half a billion dollars without any public accountability whatsoever. Now, this may be arguably good if they were doing an extremely high amount of benefit to the public, but the number that you gave us as far as civil penalties that you have recovered was 400 and—

Mr. AGOSTINI. 25 million, Congressman.

Mr. GARRETT. $425 million. Now, how does that compare to what the track record was when we had the FDIC, the FRB, the OCC, and the OTS doing it prior to you? Do you know the answer to that?

Mr. AGOSTINI. No, Congressman, I don't.

Mr. GARRETT. No. Wouldn't that be one thing you would want to take a look at just to see how you compared to other entities prior to your existence to see whether you are doing it in a cost-efficient manner?

Mr. AGOSTINI. We have not done that, to my knowledge.

Mr. GARRETT. Let me give you the answers. It was on an upward spiral or trajectory prior to this creation of this entity. It went from 157, to 170, 170, 220, 318, and that was 2 years ago. So the $420 million that you are doing is basically on the same trajectory of all the other agencies were doing beforehand, and those agencies were doing it without the costs that we are doing it right now of over $500 million coming through the Federal Reserve, which basically means coming from the taxpayers of this country, because if the money didn't go there, it would come back to the general fund.

So I am not sure that we are getting anything, any additional benefit from the CFPB, but it is coming out of the cost of lack of accountability and also, as I say, cost of lack of efficiency at the same time. Can you disagree with that point?

Mr. AGOSTINI. Congressman, we do have the accountability that was established in Dodd-Frank.

Mr. GARRETT. Okay. Let me understand that, then. Who is it that you are actually accountable to directly?

Mr. AGOSTINI. Congressman, in the Act, we have a unique situation where the U.S. Government Accountability Office, an arm of Congress, reviews our financial statements. We also have a unique situation with an independent audit that is mandated in the Act to go over our budget and other items that are deemed—

Mr. GARRETT. And if they find something wrong, they could direct you to change the way you operate?

Mr. AGOSTINI. Congressman, we take all of our audit findings very seriously.

Mr. GARRETT. Yes or no. Can they direct you to change your operation if they find something wrong in your operation?

Mr. AGOSTINI. If they were to find, Congressman, a finding that would represent significance, we would indeed—

Mr. GARRETT. Okay. The question is—if the chairman will allow it—can they direct you to take action, or is it just you decide whether you want to follow that direction or not?

Mr. AGOSTINI. Congressman, when auditors find areas of—

Mr. GARRETT. Just a yes or no, can they direct you to take action?

Mr. AGOSTINI. If they find items of significant deficiency or material weakness, we would take action to resolve it.

Mr. GARRETT. Can they direct you to take action? It was a simple question. Can they direct you to take action?

Mr. AGOSTINI. They can recommend to us.

Mr. GARRETT. They cannot direct you to take action. So, there is no one who can direct you to take action when they find a failure by efficiency or otherwise in an audit or stream of funding?

Mr. AGOSTINI. Congressman, when the Government Accountability Office—

Mr. GARRETT. Yes or no, can anyone outside of your own agency direct you to take any action?

Mr. AGOSTINI. I believe that if the GAO were to come and make recommendations to us, we would make those—

Mr. GARRETT. Can the GAO direct you to take that action?

Mr. AGOSTINI. They can make recommendations to us.

Mr. GARRETT. Can they direct you to take that action?

Mr. AGOSTINI. I don't believe so.

Mr. GARRETT. So, is there anyone who can direct you to take action?

Chairman MCHENRY. The gentleman's time has expired.

Mr. GARRETT. Thank you.

Chairman MCHENRY. With that, we will now recognize Ms. Beatty for 5 minutes.

Mrs. BEATTY. Thank you, Mr. Chairman, and Mr. Ranking Member. And thank you to our witness today.

Before I ask my questions, I would certainly be remiss, being from Ohio, if I did not welcome you, but join my colleagues in saying I am somewhat disappointed that Director Cordray could not be here. I had the opportunity to work with him as one of the State of Ohio's co-chairs on financial literacy. I do have a financial literacy question, but since we have been asking you so many questions about your budget and finance, I will come back to that.

One of the things that I have been most impressed with is what you have been doing in the area of financial literacy and also some of your productive and successful things that you have listed. If we look at the total student loan debt, it has recently passed the $1 trillion mark. It is the second-largest type of consumer debt after home mortgages. Further, 11 percent of all student loans are seriously delinquent, compared to just 6 percent if we go back to 2003. So saddled with immense student loan debt, young people are struggling to begin their professional lives. This in turn weighs on the economy as a whole.

Can you explain how the CFPB has approached this critical issue and how tools like the Financial Aid Shopping Sheet can help young folks?

Mr. AGOSTINI. Congresswoman, I would refer that question to Rohit Chopra in our office, who handles much of our student loan initiatives. I would say it is one of the areas that we are very proud of in terms of the activities that we have proceeded with, but he is much more expert and much more adept at answering those questions. I would be happy to take that back to him.

Mrs. BEATTY. Thank you. So now, I will go back to the financial questions like some of my colleagues.

Republicans in both the House and the Senate have argued that the CFPB should be subject to the appropriations process to ensure greater accountability for the agency. This is despite the fact that Congress has consistently provided for independent funding for other bank regulators.

In your own personal view, can you tell me how likely you would explain why Congress gave all the bank regulators independent funding and to what extent is it important for a regulator with responsibility for examining large and complex financial institutions to have stable and consistent funding?

Mr. AGOSTINI. Congresswoman, I think your last point is the point, that having that stable funding allows us to focus on mission. It allows us to play an equally important role with those other entities that have other sources of funding, which allows us to be a significant actor in the markets and in the areas of consumer protection that we are tasked with doing by Congress.

Mrs. BEATTY. And lastly, let me ask you this: We have heard a lot of questions about the salaries, the size of the budget. I have also read that you have a smaller budget.

Do you have any knowledge of people not being transparent with salaries or any misappropriations within your own? I am sure in an office this size, there are internal checkpoints on if you spent the money for what it was supposed to have been spent. I have not heard of any glaring things where you have been challenged or any internal problems financially. Can you talk, as an administrator, about how you feel about how you have been spending the dollars?

Mr. AGOSTINI. Congresswoman, yes. I would point to the GAO's most recent audit of our financials, where not only were we given a clean audit opinion by GAO, we also did not receive a management letter from GAO, which is typically provided to entities when there are matters for consideration that management should take up in the opinion and given the review of GAO. So not only did we get a clean audit opinion, but we didn't have a management letter, and I think that speaks volumes to our internal controls, our reviews of our finances, and the manner in which we are spending our funds.

Mrs. BEATTY. And lastly, has that been consistent over the past 3 years? I am just looking at something and reading from the GAO where it talks about 19 of 24 major agencies where we do have some of the accountabilities in those agencies that you don't have, and the GAO is saying that they could not render clean opinions on their statements.

Mr. AGOSTINI. Congresswoman, having a clean opinion is a very important thing to us. Having it 2 years in a row has been a testament to how we are operating.

Mrs. BEATTY. Thank you.

Chairman MCHENRY. The gentlelady's time has expired.

We will now recognize Mr. Hultgren of Illinois for 5 minutes.

Mr. HULTGREN. Thank you, Mr. Chairman.

Thank you, Mr. Agostini, for being here as well. I have a quick question, just before we get started. I know you are the only witness. I wonder, are there other employees from the CFPB who are here as well today? I wonder if they could just raise their hand if there are any other employees from CFPB. Okay. So just kind of that row there behind you.

The question I would have is, I know there has been some reporting recently of loss of employees, especially high-level employees, management-level employees. That could be concerning for a lot of reasons, but I think it is important for us to discuss that for a couple of minutes. Literally, a dozen senior officials have left the agency, I know, including Chief of Staff Garry Reeder, COO Victor Prince, Raj Date, Bart Shapiro, Nicholas Rathod, Leslie Parrish, Len Kennedy, Benjamin Olson, and many others, I think, as well.

In interviews with American Banker, I know several former CFPB officials offered different reasons for the flood of departures, but many cited cultural clashes between the new agency and the regulators where they used to work. They also pointed to aggressive recruiting in the private market of agency personnel, coupled with the expected turnover after an intense early few years.

I wanted to talk about kind of the other side of this as well and something I am hearing that is concerning to me. I had a meeting with small and medium-sized banks from the Midwest area talking to them and some of their frustrations. The biggest frustration they have is uncertainty and really not knowing the regulations with which they are going to have to comply. One of the bankers there just had a line that really just struck me, and I think it ties into the fact or concern that we have with a loss of senior staff as well as people with institutional knowledge there as well. But this banker said: "I have been in banking for 30 years, I understand how to run a bank, my bank is small, has never been a threat to any financial viability of our Nation, but now I have regulators coming in and telling me how to run my bank." And he said, "A lot of these regulators were playing hacky sack on the quad 2 years ago, and now they are in my bank telling me how to run my bank. Something is wrong." And I think that has even increased when we see the huge turnover that has happened.

So, just a question: Management clearly should accept some responsibility or accept at least a share of the blame for the recent large exodus of senior CFPB staff over the recent months. Wouldn't you agree, wouldn't there be some questioning there?

Mr. AGOSTINI. Congressman, I believe that many of those people have left for a variety of reasons, representing either new opportunities, or a desire to do something different. The first 2-plus years at the Bureau have been very intense periods of time in standing up a Federal agency, and I think for many folks it was time to do something different. I think that there is just a range of reasons why folks—

Mr. HULTGREN. No, I understand. I understand people make decisions, but there seems to be more than just random departures. There seems to be a pattern here that I think would be wise for you all to address.

And then tied into that, when new employees in their own survey are saying they are not receiving proper training to do their job and yet our banks, my small and medium-sized banks especially, just west of Chicago, are dealing with the consequences of new people who are regulators who are saying themselves that they haven't received adequate training to be doing this and yet have significant authority. This is a problem, and I think we have to address it.

Another problem that I think we have to address, and many others today have discussed it, is this place and other departments, so Congress and Washington really was set up by our Founders to have checks and balances. And I would say most places have those checks and balances. The one that doesn't have checks and balances right now is the CFPB. It seems completely unaccountable, and that is a very real concern I have. And even as I see small and medium-sized banks who feel like they have had adverse decisions or regulation or reports placed on them, there is no place for them to go to have a check on that—was this proper, did the person have the training to be able to make this decision, how can we go back and question that?

I think we do have to clear this up. And it is a real problem, on top of the fact when people are saying themselves they don't have adequate training to be doing the job that they have been given to do, a lot of senior management has been leaving, and yet the consequences falling back on small and medium-sized banks are real. They are feeling it. They are being crushed by this.

Just in the last couple of seconds I have, I know that we also have some real questions about the number of contributions. The CFPB is supposed to be an independent agency, and yet 95 percent of CFPB employees who contributed to the Presidential race in the last election cycle contributed to President Obama. Given the IRS scandal, such a politically imbalanced organization as the CFPB truly is at risk of acting with similar political biases as the IRS, potentially exercising its powerful regulatory authority to abuse.

My time has expired, but I think these are important questions for us to ask with an independent agency that doesn't have anybody to keep it in check and balance. With that, I yield back.

Chairman MCHENRY. Those are indeed important questions.

We will now enter into a second round of questions. The Chair will now recognize Mr. Duffy for 5 minutes.

Mr. DUFFY. Thank you, Mr. Chairman.

I want to move back to our salary conversation, not to beat a dead horse, but I believe the last salary update list we had from the CFPB was from late last summer. Would you provide the committee an updated salary breakdown from the CFPB?

Mr. AGOSTINI. Congressman, yes, we will do that.

Mr. DUFFY. Wonderful. We had a conversation earlier about comparing the CFPB pay scale to that of the Federal Reserve and also looking at the CFPB pay scale as it relates to the GS pay scale, and the GS pay scale is one that the DOD uses, the FBI uses, the Executive Branch uses. Would you have any objection to the CFPB moving to the GS scale that most other government entities are on?

Mr. AGOSTINI. Congressman, if Congress deems that they wish to change our salary scale so that the Act, which currently speaks to comparability with the Federal Reserve, is altered or modified in some fashion, we would of course follow the laws that are set for us.

Mr. DUFFY. Wonderful. I have dropped a bill to that effect, so maybe we will see how much support we get from the CFPB. I think it was yesterday we dropped it.

I want to move to the issue of how much is spent on the renovation of the Office of Thrift Supervision building that you are in right now. I think you indicated it was $15 million in 2012, and $95 million in 2013, for a total of $110 million so far in dollars budgeted for the renovation of that building. Is that about correct?

Mr. AGOSTINI. Actually, Congressman, it is $95 million. We changed that number. Originally, it was $15 million and $40 million, for a total of $55 million. That number has now been changed to $95 million.

Mr. DUFFY. And do you anticipate any more budgeting necessary in 2014 or is $95 million going to do the job?

Mr. AGOSTINI. Congressman, we are at the early stages of understanding what it would cost to renovate a building that is 30 years old and needs major system improvements, elevators, HVAC. We are working with the General Services Administration to understand that.

Mr. DUFFY. Are you aware that we have $17 trillion in national debt?

Mr. AGOSTINI. Yes, Congressman, I am.

Mr. DUFFY. And the OTS building was built in the 1970s, right?

Mr. AGOSTINI. I believe that is correct, sir.

Mr. DUFFY. You may be surprised to learn that the Rayburn Building in which we sit today hasn't had a major renovation since it was built in 1965. On top of that, the building right across the street, the Longworth Building, was built in 1933 and hasn't had a major renovation since 1933.

But here for the CFPB, a building that is newer than the one we sit in today, deserves a $95 million renovation to the tune of $90,000 for every single employee at the CFPB? How do you justify that, when we owe $17 trillion in debt?

Mr. AGOSTINI. Congressman, we have floors at 1700 G Street where we cannot run telephone lines, run electrical lines, run computer lines, because when the building was built, it was not anticipated they would use those things. So we actually have parts of at least two floors that cannot be occupied in a sort of standard office configuration.

Mr. DUFFY. $90,000 per employee. $17 trillion in debt.

I want to move to how much you are spending on the storage of data collection. How much do you budget for the storage of data collection?

Mr. AGOSTINI. Congressman, what we budget is embedded in what we purchase in service from Treasury currently for purposes of running our network infrastructure. I can ask that the number be broken out and given to you. I don't have that number in front of me currently.

Mr. DUFFY. So are you actually setting money aside to build your own storage network or are you using another agency's storage network? Because you are grabbing a lot of American financial data. Are you storing it internally, at another agency, or are you paying someone offsite to store the data?

Mr. AGOSTINI. Congressman, we are doing a couple of things. We are currently utilizing another Federal agency, Treasury, to provide us with network services. We are in the process of moving off of that network so that we can run our own network and not be dependent on another Federal agency. We are also purchasing services and information from private entities as well, and part of that is storage on our network—

Mr. DUFFY. So if you would do this for me, if you would break down, and I am going to be very clear, how much you are spending to store data, whether it is internally, at another agency, or offsite, give me that number, and also how much the Bureau is spending to secure that data.

My time has expired. I yield back.

Chairman MCHENRY. We will now recognize Ms. Beatty for 5 minutes.

Mrs. BEATTY. Thank you, Mr. Chairman, and Mr. Ranking Member.

And, again, to our witness, thank you. I have a great appreciation for your answers to some of these very technical questions, so I took the liberty of looking at the table of organization to see where you would fall within it. Probably another reason for the questions and answer would be a good reason to have our Director there, taking nothing away from you, I think you are doing a fine job, but it gives me pause when I hear people asking some of the questions that typically I think a Director should answer. So I want you to relax. You are doing a great job. You are not the Director. And he should be here.

But with that, let me ask you this question. When I hear a lot of the questions that are talking about the funding and the finances and then I look at the outcomes of what you have done, the number of consumers who have been affected, the number of things that you have been doing with those dollars, so then my question comes back to you, if you are working with any of the other Federal regulators, like the Attorney General's Office or State regulators to avoid any duplication effort? So, that is the first part of the question.

Mr. AGOSTINI. Congresswoman, we are constantly working with all of the agencies that have a role to play. In some cases that may be Justice, in some cases that may be some of the other regulatory agencies. I believe there was a recent GAO review on duplication that we are looking at very carefully to be sure that we are not duplicating.

But I think it is the case that we work closely, we try not to duplicate, and we do that in a range of areas, from purchasing services from other Federal agencies so as not to create a larger workforce than necessary, to working carefully on things like our civil monetary penalty fund with other agencies to be sure that we understand their comments and concerns.

Mrs. BEATTY. Let me go back to the question that I started with in the beginning, because unlike the FDIC or the Federal Reserve, and certainly we have heard this, your budget is statutorily capped and it is much smaller than the other budgets. But yet when we look at, I am going to call it cost savings or what you have done in 2012, I was very pleased when I was able to read, despite your limitations, smaller budget going into 2014 than 2013, that with those limitations, however, 6 million consumers are receiving refunds because of your 2012 enforcement actions, and that you have also handled more than 150,000 consumer complaints since you opened, all of which I think is in part why you are there, to be able to serve consumers.

So how would one of your core missions be affected if your budget were to be severely capped, in light of maybe you did a little renovation so you could be able to use IT and be able to communicate and probably increase those 150,000 consumer complaints? How would this affect the consumers?

Mr. AGOSTINI. Congresswoman, I believe that changes in our funding that would lower our funding would have the effect that we would have to go back and rethink how we deliver the value that we feel we have been able to deliver to American consumers. I can't tell you what that would look like today, but we would have to go back and carefully look at that.

Mrs. BEATTY. You have also been hit very hard on people, whether they resigned or they left. Can you also, in my seconds left, tell me if you have hired people to fulfill the vacancies, who brought on maybe even experience that would help you in this field, or is it just that these people left and now we don't have anyone there?

Mr. AGOSTINI. Congresswoman, we have a very deep bench. We have a very strong set of skills throughout the agency. And I think it is the case that for all of those positions, as we recruit to replace them, there have been individuals who have been able to step in and act in capacities in such a seamless manner that we are still focused and can still deliver on our mission.

Mrs. BEATTY. Thank you.

Chairman MCHENRY. The gentlelady's time has expired.

I will now recognize myself for 5 minutes.

According to the CFPB's annual employee survey, only 35.6 percent of employees agree or strongly agree that the CFPB takes steps to deal with a poor performer who cannot or will not improve. So, therefore, 64.4 percent are not satisfied at the CFPB that managers will deal with a poor performer who cannot or will not improve. Is this of concern?

Mr. AGOSTINI. Mr. Chairman, we are still a new agency. We are still getting, if you will, our legs. There are areas where I think we can show some improvement. It is one of the reasons that we do the surveys. And that is an area that we will be working on and have started working on in terms of training for managers. We are about to engage in a mandatory training for all of our managers using the resources of both OPM and—

Chairman MCHENRY. Okay. And that goes right into my next question. I understand the claim that the CFPB invests in world class training, but the survey also asked employees, how satisfied are you with the training you received for your present job? Only 38.8 percent of your employees agreed that the training they received was sufficient. A failure to train employees reflects poor management, does it not?

Mr. AGOSTINI. Mr. Chairman, again, I would say that at the time of the survey, we were—

Chairman MCHENRY. When was the survey?

Mr. AGOSTINI. I believe it was, Mr. Chairman, in the spring or early summer of 2012.

Chairman MCHENRY. Okay. So a year later you are telling me that you are just getting around to the idea of perhaps training some people, since 38.8 percent are satisfied with the training they received. Let me ask again: Does this reflect poor management?

Mr. AGOSTINI. Mr. Chairman, I don't think it reflects poor management. I think it reflects—

Chairman MCHENRY. Does it reflect good management, then?

Mr. AGOSTINI. I think, Mr. Chairman, what it reflects is that we are learning how to be a Federal agency and learning how to do our job.

Chairman MCHENRY. Okay. And how long has your agency existed?

Mr. AGOSTINI. I believe it is a little over 2½ years, Mr. Chairman.

Chairman MCHENRY. Okay. And so, you asked this survey question about 20 months into your agency's creation, and a year later you are still talking about getting around to implementing some of the things you found in your own survey.

Last month, the CFPB employees voted to join the National Treasury Employees Union. Any understanding that we could have from the Hill, does this show troubles within the agency, because of employee dissatisfaction with their training and the fact that managers won't deal with poor performers who cannot or will not improve?

Mr. AGOSTINI. Mr. Chairman, I believe that the vote to establish a union simply demonstrates that our employees have exercised their right to be represented.

Chairman MCHENRY. Right. And why do people institute unions, because things are going great at their agency or because they have grave concerns that are not being addressed?

Mr. AGOSTINI. Mr. Chairman, I can't speak to the motivation.

Chairman MCHENRY. Okay. Let me reference a Politico article from May 15th of this year regarding the National Treasury Employees Union, the CFPB employees agreeing to do this, it says, "The push to organize was driven in large part by news that many employees in Washington would be forced to give up their private offices while the Bureau renovates its headquarters, according to several people familiar with the situation." Some staffers were "absolutely livid" about their current office space...with very, very thin walls."

Do you understand that to be the case?

Mr. AGOSTINI. Mr. Chairman, I have an office with very thin walls. There are only two private offices in my area that seats 32 people. We get along well and do well.

Chairman MCHENRY. I understand your personal office. And you have your full staff here or are these others?

Mr. AGOSTINI. No, Mr. Chairman.

Chairman MCHENRY. Okay. It is not often we see folks come before the committee, outside of well-heeled CEOs, who have a panoply of individuals behind them while testifying, so that is why some Members have been interested about that.

So the reason for unionizing is not, as you understand it, a beef with office space?

Mr. AGOSTINI. Mr. Chairman, I can't speak to the motivations of why folks voted for the union.

Chairman MCHENRY. The point is a year after the survey was taken, you are still trying to perhaps get around to implementing some of the necessary reforms. What we have a challenge with is getting the transparency so we can hold you accountable, as we hold all the other regulatory agencies accountable, and as the Founding Fathers intended with checks and balances.

With that, we will go to Mr. Cleaver for 5 minutes.

Mr. CLEAVER. Thank you. Mr. Chairman, thank you.

Look, we have different opinions on the CFPB, and that is the way our system works. And I don't think our side has any kind of unique position on always being right, nor does the other side. This is a process that we go through, and I respect it, and I respect the people who have a different view.

My wife is a psychologist, and I would be remiss if I did not follow up on the issue that was raised earlier about hiring psychologists to work with the Bureau in terms of trying to detect what people are interested in. We have 300 million Americans, and I am not sure that we have funded you enough money to do a lot of focus groups, travel around the country. You would get beat up if you had a big travel budget going around doing focus groups. Do you agree that you won't get praise for traveling around the country doing focus groups?

Do you think, Mr. Agostini, that you would be praised for traveling around the country doing focus groups?

Mr. AGOSTINI. Congressman, I really don't know if that would be the case.

Mr. CLEAVER. Okay. You won't be. So, I will answer my own question. Okay. You won't be.

So I guess I am trying to say that we try to figure out the best ways to help the citizens. Do you see your job as being important, that you are actually in the business of preventing businesses from engaging in fraudulent practices or unfair practices?

In my real world, I am an ordained United Methodist minister, and so we consider it a ministry to try to help people and prevent people from being ripped off and hurt. So, do you see this as a mission?

Mr. AGOSTINI. Congressman, while we don't do focus groups, and hadn't anticipated that, at least now, we have had a number of listening sessions throughout the country, and in those listening sessions what we have learned is how we might do our jobs better, because of the range of people who come to those listening sessions to provide us with feedback, both from consumers to industry participants. So I think that our ability to do that, go out and do that traveling and touch folks and hear directly from them, is important for us as we deliver our mission.

Mr. CLEAVER. Is the existence of the CFPB linked to the idea that consumers have rights?

Mr. AGOSTINI. I believe so, Congressman.

Mr. CLEAVER. If that is the case, and I think it is the case, here we are over 200 years old as a Nation and we have never had an agency protecting the consumers in the financial service industry. And so I think it is kind of remarkable that we have done it. We are tardy. And it may not be perfect; I am not suggesting at all that what we have done was perfect.

I supported it. I was on the committee, I supported it very strongly, and I still support it. But I am also respectful of people who don't think that it exists, but it is important for us to try to get as much evidence out as possible on how important it is and that it is not, I don't think, an ideological agency. I don't think that your agency is out promoting a political ideology.

Mr. AGOSTINI. No, sir, we are striving to fulfill the mission that Congress gave us in Dodd-Frank.

Mr. CLEAVER. Did you have a vote on Dodd-Frank?

Mr. AGOSTINI. Did I have a vote on Dodd-Frank?

Mr. CLEAVER. Yes, sir.

Mr. AGOSTINI. No, sir, I did not.

Mr. CLEAVER. Okay. So you had nothing to do with creating the agency as it is currently structured?

Mr. AGOSTINI. I joined the agency in November of 2011, Congressman.

Mr. CLEAVER. I was trying to find somebody to blame for creating the agency. So the ranking member is the nearest person to me, and I followed him in voting for it.

Mr. HULTGREN [presiding]. The gentleman's time has expired.

The gentlemen from Kentucky, Mr. Barr, is recognized for 5 minutes.

Mr. BARR. Thank you. Mr. Agostini, I have a question about the funding sources for your agency. Section 1017(a) of the Dodd-Frank Act provides that the Director is authorized to request amounts that he determines to "be reasonably necessary to carry out the authorities of the Bureau under the Federal consumer financial law." The Act further provides the Federal Reserve system shall—emphasis on shall—"transfer the amounts requested by the CFPB Director."

Are you aware of any other agency model in the entire administrative state and in the entire Federal Government that is structured in a manner in which the administrator or head of the agency can unilaterally determine, effectively, the budget of that particular agency?

Mr. AGOSTINI. Congressman, I am not as knowledgeable about the funding for the Federal Reserve or the Office of the Comptroller of the Currency or the FDIC. I do know that they have sources and resources that are outside of the appropriation process, and so I would look there to try and answer your question of comparability.

Mr. BARR. You testified earlier in response to a question about accountability that policy justification for receiving the agency's funding from the Federal Reserve System as opposed to congressional appropriations was that, "It allows us to focus on what we are doing." I would submit that focus comes only when the agency is actually accountable to Congress for its appropriations.

In reference to an American Banker article recently, and other articles in a variety of publications, there has been much attention given to the fact that the CFPB has been losing its senior staff and a variety of other employees since its inception. One recent article, and I am quoting here, reports that, "In recent months more than a dozen senior officials have left the agency. In interviews with American Banker, several former CFPB officials offer differing reasons for the flood of departures, but many cited cultural clashes between their new agency and the regulators where they used to work."

Question: Can you just briefly offer an explanation for the rash of departures from your agency?

Mr. AGOSTINI. Congressman, I believe that those people have left for a variety of reasons.

Mr. BARR. Okay. Let's take one particular case and maybe you can illuminate why this may be happening. The issue of Raj Date, the former number two of the agency, please explain whether the CFPB has confirmed the propriety of the consumer finance consulting work currently performed by Mr. Date so closely following his role as Deputy Director.

Mr. AGOSTINI. Congressman, I am not involved in the review that you are speaking of, but I would be happy to take that back to our Legal Division to provide you with an answer.

Mr. BARR. With respect to Mr. Date and others who have left your agency, others with high-ranking positions within your agency, what policies are in place with regard to a cooling-off period or work-related restrictions for those senior staff? Here in Congress, former Members of Congress or staff here have a cooling-off period before they can engage in consulting or lobbying activities, as you presumably understand. It is a one-year cooling-off period. Does your agency have in place a similar cooling-off period restriction?

Mr. AGOSTINI. Congressman, I believe that we follow the laws and rules with respect to ethics. But again, I would refer you to the Legal Division and have them provide you with an answer.

Mr. BARR. I would ask that your Legal Division in fact follow up with the subcommittee on that question.

And also, are you aware of what Mr. Date was making in terms of compensation at the agency? And then a second question, what is he making now as a consultant?

Mr. AGOSTINI. Congressman, I have no idea what Mr. Date is making now, and I believe his salary at the Bureau was a matter of record and I am happy to provide that to you.

Mr. BARR. I would appreciate again if you would follow up with that with the subcommittee.

Are you aware whether or not Mr. Date worked with the CFPB to ensure that his transition is in fact in compliance not only with CFPB rules but other Executive Branch ethics requirements, and could you comment on that?

Mr. AGOSTINI. Again, Congressman, I am not aware of the process by which he was off-boarded, if you will, and all of the ethics requirements associated with that. And again, I am happy to take that back to our Legal Division to provide you with an answer.

Mr. BARR. Are you aware of any departing staff having inappropriately taken advantage of information gained within their employment at the CFPB?

Mr. AGOSTINI. Congressman, I am not aware of that.

Mr. BARR. Thank you. I yield back.

Mr. HULTGREN. The gentleman's time has expired.

The gentleman from Texas, the ranking member of the subcommittee, Mr. Green, is recognized for 5 minutes.

Mr. GREEN. Thank you, Mr. Chairman.

I think that you have had a full day, but we will just take one more round and cover a few more facts. It seems to me that there is some concern about the turnover rate, and I think it is a legitimate question. What is your turnover rate? What was it said to be by the way?

Mr. AGOSTINI. Congressman, the turnover rate for our agency is slightly above 9 percent, I believe it is 9.2 or 9.3 percent. I believe that it is almost exactly the same as the Federal turnover rate for the preceding year. I think it is about roughly 9.3, 9.4 percent. So we appear to be experiencing attrition that is comparable to the rest of the Federal Government.

Mr. GREEN. The Federal Government, is that the entirety of the Federal Government? Because I have a number that differs if we are talking about the U.S. House of Representatives.

Mr. AGOSTINI. Congressman, it would be the entire Federal Government.

Mr. GREEN. All right. Because my information indicates that the House has a turnover rate of 26 percent. That would be slightly above the 9 percent that you have.

There is some concern about whether people like you or not. I hate to get into congressional approval rates, especially since I, like the rest of my colleagues, want to continue to do what we do. But as I am looking at the number, it looks like it is around 10 percent, which is pretty good for us by the way, that is an improvement over what it was at one time, as I understand it. It may have been a little bit less.

All of these things are great theater, but when you delve into the numbers you can find rationale for why things are as they are. The turnover rate in Congress has to do with the fact that young people are upwardly mobile and they want to do bigger and better things, and we hire some of the best and brightest people who want to move on to do other things and that is understandable. So I think that to be fair to you, we have to look a little bit deeper into what actually happens to cause your turnover rate to be what it is.

Now, in closing, let's do this. We talked about accountability and it appears to me that you are exceedingly accountable. Your Director can be removed for cause, you have to consult with other regulators when making rules. Is this true?

Mr. AGOSTINI. That is true.

Mr. GREEN. You have to do a cost-benefit analysis, true?

Mr. AGOSTINI. That is true.

Mr. GREEN. You have to testify before Congress twice a year. Actually, the Director is supposed to do it. We have a little bit of politics here, but the Director is supposed to do it twice a year, true?

Mr. AGOSTINI. That is true.

Mr. GREEN. I am showing that to date, someone from your agency has testified about 36 times before Congress. Is that a roundabout number, is that—

Mr. AGOSTINI. That is the number that we have to date, sir.

Mr. GREEN. Thirty-six times. Your rules are subject to judicial review, meaning if some entity is accorded a certain ruling, it can be appealed, and it can be appealed through the Judiciary, or an independent third body. Is this true?

Mr. AGOSTINI. I believe that is correct, sir.

Mr. GREEN. You have to reassess your rules periodically. Is this true?

Mr. AGOSTINI. That is correct, sir.

Mr. GREEN. Every 5 years?

Mr. AGOSTINI. I do not know the frequency, but I believe that they have to be reviewed.

Mr. GREEN. Can your regulations, your rules be vetoed by other regulators?

Mr. AGOSTINI. I believe that is correct. I believe the FSOC has that ability, sir.

Mr. GREEN. Are you subject to external review by the SBA and OMB?

Mr. AGOSTINI. I am not certain about that, sir. I would like to get back to you. But I believe that may be true.

Mr. GREEN. All right. And let's talk about your audits. GAO audit, correct.

Mr. AGOSTINI. That is correct.

Mr. GREEN. The IG associated with the Fed can audit you as well?

Mr. AGOSTINI. That is correct.

Mr. GREEN. And then Congress has mandated an independent audit. This is something that we require, an independent audit. That means that you are not audited by another Federal agency. You actually will bring in an agency or entity from outside the government. Is this a fair statement?

Mr. AGOSTINI. That is correct, sir.

Mr. GREEN. Mandated by Congress.

Mr. AGOSTINI. Yes, sir.

Mr. GREEN. Done on an annual basis.

Mr. AGOSTINI. Yes, sir.

Mr. GREEN. So, you do have accountability. The question is whether you will be able to maintain it, and that is our job.

Thank you. I yield back.

Mr. HULTGREN. The gentleman's time has expired.

I yield myself 5 minutes.

Do you believe your agency is more or less accountable to Congress than the IRS?

Mr. AGOSTINI. Mr. Chairman, I cannot speak to the IRS. I would echo many of the comments made by others with respect to the accountability, the reviews that we are subject to: the GAO; an independent audit; semiannual reporting back to Congress; and an annual report to the Appropriations Committee. So we do feel that we are accountable, and we welcome that accountability.

Mr. HULTGREN. I talked earlier about the amount of contributions. Of those who have made contributions, political contributions, 95 percent of them who made contributions in the Presidential election reported were given to President Obama. Given the IRS scandal that we just heard recently, and given the lopsided numbers, I wonder what safeguards does the CFPB have in place to ensure that there is no political bias in CFPB's decision-making.

Mr. AGOSTINI. Mr. Chairman, I would offer that the Legal Division would be better at comprehensively answering that.

Mr. HULTGREN. That would be great. If you can get us a response, then, of safeguards that are in place to make sure there is no political bias in the decision-making process, since there is a difference of opinion on the level of accountability. But I think there certainly are some questions there.

On a different subject, you had mentioned earlier that the CFPB has not spent up to its statutory cap. Would you then support a reduction in the statutory cap for the CFPB or would you seek an increase or would you seek to keep it at the same level?

Mr. AGOSTINI. Mr. Chairman, if Congress decides that it wishes to change either our funding mechanism or the level of funding, we will of course abide by those changes. It is the case that for us to proceed with the mission Congress has currently given us with something significantly less than we have would require us to make some choices as to what aspects of that mission we could actually accomplish.

Mr. HULTGREN. I hope we have that discussion, because I think there are some real questions there, again, to make sure is the mission really being done, why are so many people leaving, especially people who have regulatory experience, who had come into the agency with regulatory experience now are leaving. I think there are some real questions, if that mission could be getting done.

And the point I need to stress is that why this matters to me is because it matters to my small and medium-sized financial institutions who are afraid, they are absolutely afraid of what regulators are doing to them, and specifically the CFPB, and a question of is there going to be accountability there, how are we going to comply, are the people who are coming in and regulating us, do they have the experience or the training they need? And again, the concerns seem to be justified since your own staff are saying they don't have the training they need.

Let me wrap up with this, I think this is something that you have dealt with more directly, so hopefully you can have some answers on this.

The CFPB may use the Consumer Financial Civil Penalty Fund to selectively compensate victims in cases that are independent of the CFPB, such as by another Federal agency, State's Attorney General, or even a private plaintiff. In effect, the Chief Financial Officer, my understanding is yourself, can selectively determine whether to intervene in cases brought anywhere to compensate victims. The CFPB's Civil Penalty Governance Board and the Chief Financial Officer have discretion to intervene selectively in matters.

The question I have, Mr. Agostini, is, as the CFO, please explain your role and responsibilities with regard to the Consumer Financial Civil Penalty Fund and explain exactly how that works and what safeguards, again, are there.

Mr. AGOSTINI. Mr. Chairman, the Civil Penalty Fund was established based on statutory direction in Dodd-Frank. We have implemented a Governance Board. I sit as an advisor to that Governance Board. There is also a Fund Administrator. That Fund Administrator reports to me and I have the ability to select and remove them.

I would offer that we have a notice of rulemaking that is out currently. We are currently soliciting and have asked for comments. That period of comment is open until July 8th. It sets out rather precisely all of the expectations and rules for the Civil Penalty Fund in that—

Mr. HULTGREN. Let me wrap up with this. My time has almost expired. But given the breadth of potential cases in which the

CFPB could intervene to compensate victims, such a tool could easily be abused for political or other purposes. Wouldn't you agree?

Mr. AGOSTINI. Mr. Chairman, with the rules that we have put in place and the rules that are reflected in the public notice of rulemaking, I believe that we have a very accountable and very structured manner in which to operate that fund.

Mr. HULTGREN. My time has expired and we have had a chance to get through all of the witnesses for a second round. I would like to thank our witness for his testimony today.

The Chair notes that some Members may have additional questions for this witness, which they may wish to submit in writing. Without objection, the hearing record will remain open for 5 legislative days for Members to submit written questions to this witness and to place his responses in the record. Also, without objection, Members will have 5 legislative days to submit extraneous materials to the Chair for inclusion in the record.

Mr. HULTGREN. Without objection, this hearing is adjourned.

[Whereupon, at 4:50 p.m., the hearing was adjourned.]

APPENDIX

June 18, 2013

Testimony of Stephen Agostini
Chief Financial Officer, Consumer Financial Protection Bureau
Before the House Financial Services Committee,
Subcommittee on Oversight and Investigation

June 18, 2013

Thank you Chairman McHenry, Ranking Member Green, and distinguished members of the Subcommittee for the opportunity to participate in today's oversight hearing about the Consumer Financial Protection Bureau's (Bureau) budget and workforce. The Bureau welcomes rigorous Congressional oversight, as demonstrated by our testimony at 35 Congressional hearings since our creation. We appreciate the opportunity to testify again today.

My name is Stephen Agostini, and I serve as the Chief Financial Officer at the Bureau, which I joined in November 2011. Prior to joining the Bureau I served as the Chief Financial Officer for the Office of Personnel Management between August 2010 and November 2011. I have also served as the Chief Financial Officer for the Economics and Statistics Administration in the Department of Commerce, 2006-2008. The majority of my career has been spent working as a senior budget official for some of the largest municipalities in the US, including: the City of Philadelphia (Budget Director, 2008-2010), Milwaukee County (Fiscal and Budget Administrator, 2004-2006), the City and County of San Francisco (various positions,1988-1991 and 1996-1998), and the City of Milwaukee, (Budget Director 1994-1996). I have also served as a senior official for the State of Wisconsin, working for three Governors between 1998 and 2003. I was born and raised in New York City, received my BA from Harvard and my Masters in Public Policy from the University of California, Berkeley.

Congress created the Bureau -- an independent agency within the Federal Reserve System -- as part of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act), in the wake of the most severe financial crisis since the Great Depression. We know that American consumers are depending on our performance and stewardship as our nation continues to recover from the financial crisis.

In April of this year, the Bureau released its Strategic Plan for Fiscal Years 2013 through 2017, Budget Estimates and Annual Performance Plan for FY 2013 and FY 2014 and Annual Performance Report for FY 2012. While these documents are traditionally published separately, we combined them into a single report to increase transparency — to report in a streamlined, integrated way about the outcomes we will work to achieve, the strategies and investments we will make in achieving those outcomes, and the performance measures and targets we will use to evaluate progress. The report is accessible on our website (www.consumerfinance.gov) to all of our stakeholders, including Congress, other federal and state agencies, financial services providers, and the consumers we work for every day.

While our budget is small relative to other banking agencies, we are committed to using our resources wisely and carefully. This means that we rely on performance information to help inform decisions. With this in mind, as we have continued to grow as an agency, we have expanded the suite of measures used to monitor progress towards achieving our strategic and performance goals.

The Bureau's FY 2013 budget totals $541 million, which supports ongoing operations and new investments in human capital, technology and facilities, as well as consumer research and financial education activities. The FY 2013 budget also includes a one-time expense to renovate our headquarters building in Washington, DC. The FY 2014 estimate of $497 million reflects continued growth in staff and new investments in technology, data, and equipment.

The budget provides additional resources for all programs over the next two fiscal years. The Division of Supervision, Enforcement, and Fair Lending realizes the largest increase in funding over this two-year window to support additional staff and systems development. The Bureau also plans to make investments in Operations (including Consumer Response), Consumer Education and Engagement (including our Office of Servicemember Affairs, our Office for Older Americans, and our Office of Students, among others), and Research, Markets, and Regulations.

In order to successfully achieve our strategic goals and comply with our Congressional mandate, we expect to continue to increase the Bureau's full time staff over FY 2012 levels. More than 40% of the growth in staff over the next two fiscal years will support Supervision, Enforcement, and Fair Lending activities, including the continued build-out of a regional examination workforce. The Bureau will also ensure sufficient capacity to handle an increasing volume of consumer complaints. The budget for personnel compensation and benefits fund an expected 1,214 full time equivalent employees in FY 2013 and 1,545 in FY 2014.

Notwithstanding the challenges faced in being a start-up agency with the broad mandate to protect consumers, the Bureau has attracted and continues to attract talented professionals from diverse backgrounds, including from industry, federal and state government agencies, academia, non-profit organizations, and other sectors. Our staff shares a common mission of working to ensure that all American consumers have access to consumer financial products and services and that the markets for those products and services are fair, transparent and competitive.

For some who work at our agency, the Bureau is a career-long commitment. For others, the Bureau presents an opportunity to do great things and contribute to the Bureau's mission over shorter periods of time. We believe our work benefits from a constant flow of new perspectives combined with a strong consistent core. We continue to be a mission-driven organization and have made attracting hard-working and talented professionals a priority. The Bureau's accomplishments to date are a testament to this approach. Our dedicated staff has ensured that the Bureau put in place strong rules of the road to fix the broken mortgage market in accordance with the deadlines set by Congress, obtained millions of dollars in restitution for consumers, and handled tens of thousands of consumer complaints.

The Bureau currently has approximately 1200 employees. We continue to retain, as well as hire, talented staff as we build the Bureau. So far in FY 2013, the Bureau has hired over 300 new employees. We will continue to staff up toward a steady state in order to carry out our mission to make consumer financial markets work for American consumers, honest businesses, and the economy as a whole.

The Bureau is fortunate that there continues to be great interest from highly qualified candidates in open positions at the Bureau. The Bureau regularly generates hundreds, and in some cases thousands, of applications for its positions. Employment at the Bureau is highly competitive, with less than 1% of applicants receiving offers.

On May 9^{th}, the Federal Labor Relations Authority held an election where Bureau employees voted to join the National Treasury Employees Union (NTEU), a federal union that also represents employees at other financial regulators, including the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency and the Securities and Exchange Commission. NTEU will be the exclusive representative of bargaining unit employees and both professional and non-professional employees will be represented in the same bargaining unit.

***

In the Dodd-Frank Act, Congress followed a long-established precedent in providing the Bureau with funding outside of the congressional appropriations process to ensure full independence as the Bureau supervises and regulates providers of consumer financial products and services and protects consumers. Congress has consistently provided for independent funding for bank supervisors to allow for long-term planning and the execution of complex initiatives and to ensure that banks are examined regularly and thoroughly for compliance with the law. The Bureau supervises over 100 very large depository institutions, including the largest, most complex banks in the country. In addition, it has been charged by Congress with responsibility for supervising thousands of nonbank providers of consumer financial products and services. Effective supervision that assures a more level playing field between bank and nonbank institutions requires dedicated and predictable resources, as well as independent examiners. Funding to support the Bureau's operations is obtained primarily through transfers from the Board of Governors of the Federal Reserve System. Federal Reserve Board transfers to the Bureau in FY 2013 are capped at $597.6 million. The transfer cap for FY 2014, as adjusted by an annual inflation indicator, is estimated to be $608.4 million. The Bureau anticipates requesting less than the transfer cap to fund operations in FY 2013 and FY 2014. Quarterly funding requests are publicly available on the Bureau's website.

The Bureau also maintains the Consumer Financial Civil Penalty Fund (CPF), established pursuant to the Dodd-Frank Act. Collections of civil penalties are deposited into the CPF, and are allocated for payments to victims of activities for which civil penalties have been imposed under the Federal consumer financial laws. In accordance with the Dodd-Frank Act, if victims cannot be located or payments are not practicable, the Bureau may allocate those funds for consumer education and financial literacy programs. The Bureau has received $61.5 million in actual deposits to the Civil Penalty Fund to date.

In order to ensure the Bureau's programs and strategies are effectively achieving its goals, a variety of processes and reports are required to periodically evaluate our performance.

The U.S. Government Accountability Office (GAO) conducts studies or investigations related to the Bureau's programs every year. In FY 2012, GAO's reports included studies on the benefits and costs associated with implementing the Dodd-Frank Act; the Dodd-Frank Act's impact on community banks and credit unions, troubled mortgages and the Troubled Asset Relief Program; and the operations of the Financial Stability Oversight Council and the Office of Financial Research, among other areas. In addition, GAO performs an annual audit of the Bureau's financial statements and internal controls, as required by the Dodd-Frank Act. The Bureau received an unqualified opinion from the GAO on its FY 2011 and 2012 financial statements. These opinions confirm that the Bureau has implemented effective internal controls over the efficiency of operations, compliance with laws and regulation, and financial reporting. The Bureau will continue to maintain a robust internal control framework over operations and financial reporting.

The Office of the Inspector General (OIG) of the Board of Governors of the Federal Reserve System and the Bureau of Consumer Financial Protection is an independent oversight authority within the Board of Governors of the Federal Reserve System that conducts audits and investigations. The mission of the OIG is to detect fraud, waste and abuse, and to promote integrity, economy, efficiency and effectiveness in the Bureau's programs and operations. The OIG's audit reports on the Bureau are available on its website.

The Bureau will continue to strive to ensure that the information reported in performance documents and the processes used to develop that information is complete and reliable. As required by Congress, the Bureau orders an annual independent audit of the operations and budget of the Bureau. The purpose of this audit is to provide objective analyses to improve program performance and operations, reduce costs, facilitate decision-making, and contribute to public accountability. The independent audits for FY 2012 and FY 2011 are available on the Bureau's website.

The Bureau is committed to public transparency in its contract procurements and spending. We post contract opportunities publicly on FedBizOpps.gov, and contract award data is reported to usaspending.gov. The Bureau's budget webpage includes additional detail about our budget, including annual budget documents, quarterly spending updates, and annual financial reports.

We at the Bureau are committed to delivering tangible value to American consumers. Budget numbers are important, but so are results. With that in mind, I would like to share some additional numbers with you:

- $425 million: Amount of money being refunded as a result of CFPB enforcement actions to consumers who were subjected to deceptive practices.
- 6 million: Number of consumers receiving refunds because of 2012 CFPB enforcement actions.
- More than 130,000: Number of complaints CFPB has handled from consumers in every state around the country since the CFPB formally opened its doors in July 2011.
- 31,000: Number of military and veteran consumers the Bureau's Office of Servicemember Affairs communicated with in 2012 through 82 outreach events.

- 644: Number of colleges voluntarily adopting the Financial Aid Shopping Sheet developed by the CFPB and the U.S. Department of Education.
- 36: Number of times CFPB officials have testified before Congress to date.

Chairman McHenry, Ranking Member Green, and Members of the Subcommittee, thank you again for the opportunity to testify before you today at this important oversight hearing on the Bureau's budget and workforce. I will be happy to answer your questions.

JEB HENSARLING, TX, CHAIRMAN

United States House of Representatives
Committee on Financial Services
Washington, D.C. 20515

MAXINE WATERS, CA, RANKING MEMBER

April 23, 2013

The Honorable Jeb Hensarling
Chairman
Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Hensarling:

I write to express my concern with your letter to the Director of the Consumer Financial Protection Bureau (CFPB), Richard Cordray, dated April 22, 2013, which states your intent to prohibit him from appearing before the Committee to deliver the statutorily mandated semi-annual testimony on the activities of the Bureau.

As you conceded in correspondence with the CFPB, no court has addressed the legitimacy of the President's appointment of Director Cordray. Not only is the decision by the U.S. Court of Appeals for the District of Columbia Circuit in the *Noel Canning* v. *National Labor Relations Board* (NLRB) case limited to the NLRB, but the case is actively being litigated. The notion that some legal scholars dispute the constitutionality of Director Cordray's appointment does not in fact make it "clear," as your letter claims, that the constitutionality of Director Cordray's appointment is currently invalid or will be inevitably overturned. To the contrary, the DC Circuit's decision contradicts 150 years of precedent. It also contradicts more than 280 recess appointments made by both Republicans and Democrats since 1987. Therefore, it is inappropriate and unwarranted to prematurely and unilaterally conclude that the *Noel Canning* case warrants blocking Director Cordray from fulfilling his statutory obligation to testify before the Committee.

Whether or not Republican Members support the mission of the CFPB, the decision to bar Director Cordray from testifying will impede Congressional oversight of the Bureau. Director Cordray plays a critical role in guiding the Bureau and all Members deserve the opportunity to engage with him on the steps he is taking to implement the CFPB's mandate to make the market for consumer financial products and services as fair, transparent, and competitive as possible. Until the Supreme Court rules on the constitutionality of Director Cordray's appointment as part of the *National Bank of Big Spring et al* v. *Geithner et.al* case, or any other case that directly challenges the constitutionality of Director Cordray's appointment, he is the Director of the CFPB and must be treated as such.

The Honorable Jeb Hensarling
Page Two
April 23, 2013

I respectfully urge you to reconsider your position on this important matter, and request that you schedule a hearing in the coming weeks to allow Director Cordray to deliver the CFPB's semi-annual testimony to the Committee in accordance with his statutorily mandated duty. If you choose to continue to ignore the law, then I am prepared to use the rules of the Committee to provide the Director the opportunity to give testimony before the Committee.

Sincerely,

Maxine Waters

RANKING MEMBER
Maxine Waters

cc: The Honorable Richard Cordray

○