Testimony of Stephen Agostini
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Subcommittee on Oversight and Investigation

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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 9th, 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.

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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.