

Civil Penalty Fund

Summary

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act) establishes a Civil Penalty Fund for civil penalties obtained by the Bureau in judicial or administrative actions under the Federal consumer financial laws.

- (1) ESTABLISHMENT OF VICTIMS RELIEF FUND.--There is established in the Federal Reserve a separate fund, to be known as the "Consumer Financial Civil Penalty Fund" (referred to in this section as the "Civil Penalty Fund"). The Civil Penalty Fund shall be maintained and established at a Federal reserve bank, in accordance with such requirements as the Board of Governors may impose. If the Bureau obtains a civil penalty against any person in any judicial or administrative action under Federal consumer financial laws, the Bureau shall deposit into the Civil Penalty Fund, the amount of the penalty collected.
- (2) PAYMENT TO VICTIMS.--Amounts in the Civil Penalty Fund shall be available to the Bureau, without fiscal year limitation, for payments to the victims of activities for which civil penalties have been imposed under the Federal consumer financial laws. To the extent that such victims cannot be located or such payments are otherwise not practicable, the Bureau may use such funds for the purpose of consumer education and financial literacy programs.

The Bureau has established the Civil Penalty Fund at the Federal Reserve Bank of New York. As provided by statute, Civil Penalty Fund monies will be used for payments to victims and, as appropriate, consumer education and financial literacy programs.

To the extent funds are utilized for consumer education and financial literacy programs, the Bureau plans to hire outside contractors to perform those programs. The contracting process will be subject to federal contracting requirements, as well as criteria developed by the Bureau to implement the statutory purpose. The criteria require that programs further the Bureau's mission and strategic goals; promote or enhance the economic security of consumers; promote or enhance financial literacy; and include specific outcome targets to ensure the effectiveness of the programs. The Bureau will post information about the process and contract requirements as Civil Penalty Fund amounts become available for consumer education and financial literacy programs.

Frequently Asked Questions

Q: What is the Civil Penalty Fund?

A: When someone violates the federal consumer financial laws, the Bureau can bring an enforcement action against them. If that person or company is found to have violated the law, they may have to pay a civil penalty. When the Bureau obtains civil penalties, it deposits them in the Civil Penalty Fund. Congress authorized the Bureau to use the money in that Fund to benefit consumers in two ways: First, the Bureau is to use the Fund to make payments to the victims of activities for which civil penalties have been imposed. Second, when victims cannot be located or it is otherwise not practicable to make payments to victims, the Bureau may use the money for consumer education and financial literacy programs.

Q: What will you do with civil penalties you receive?

By law, there are two ways that the Bureau may use civil penalties to serve consumers. First, it can use the money to make payments to victims of activities for which civil penalties have been imposed. Second, to the extent that victims cannot be located or it is otherwise not practicable to pay victims, the Bureau may use the funds for consumer education and financial literacy programs. The Bureau expects that it will use money in the Civil Penalty Fund for both of these purposes.

Q: How will the Bureau make decisions about how to use funds in the Civil Penalty Fund?

A: The Bureau created a Civil Penalty Fund Governance Board, which is responsible for ensuring that the Civil Penalty Fund is administered in a manner that is consistent with the Dodd-Frank Wall Street Reform and Consumer Protection Act. The Board is responsible for making recommendations to the Director on the use of any funds in Civil Penalty Fund. In addition, the Civil Penalty Fund Governance Board is responsible for developing policies and procedures, including appropriate internal controls, to ensure that money deposited in the Civil Penalty Fund is distributed in a manner that:

- Supports the Bureau's mission, responsibilities, policies, and priorities;
- Complies with the Dodd-Frank Act and all other applicable laws and regulations, as well as internal CFPB policies and procedures and legal opinions of the CFPB's Office of General Counsel;
- Protects against waste, fraud, and abuse;
- Provides appropriate transparency regarding the use of CPF monies, including the manner of distribution, any associated administrative expenses, and, where applicable, the mechanism for identifying individual victims;
- Ensures appropriate and robust oversight of contractors;

- Enhances program efficiency through regular operational analyses and development of appropriate performance metrics.

Q: Who sits on the Civil Penalty Fund Governance Board?

A: The Civil Penalty Fund Board is an executive advisory board chaired by the Bureau’s Chief of Staff and including the Associate Director for Supervision, Enforcement, Fair Lending & Equal Opportunity, the Associate Director for Consumer Engagement & Education, the Chief Operating Officer, and the General Counsel.

Q: What consumer education and financial literacy programs will the Bureau fund with Civil Penalty Fund money?

A: The Bureau will apply a set of [criteria](#) to decide on what types of programs will serve consumers and improve consumer education and financial literacy. The Bureau plans to use the federal procurement process for these programs.

Q: Do any other agencies have similar funds for civil penalties they receive?

A: Yes. Congress has similarly directed other agencies to use the civil penalties they take in for specified purposes. For example, the Securities and Exchange Commission has the authority to distribute civil penalties it collects to defrauded investors. The Commodities Futures Trading Commission uses penalties to pay whistleblowers who helped uncover violations and to engage in education initiatives. The Department of Health and Human Services uses civil penalties that it collects from nursing homes that don’t comply with safety standards to fund projects that benefit nursing home residents.