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The CFPB issues Civil Penalty Fund rule

Rule lays out conditions and transparent process for compensating victims

WASHINGTON, D.C. – Today, the Consumer Financial Protection Bureau is issuing a rule to govern the administration of the agency’s Civil Penalty Fund. The CFPB is also releasing a notice of proposed rulemaking seeking public comment on the management of the Fund. The rule creates a transparent process for allocating money from the Bureau’s Civil Penalty Fund to compensate victims harmed by a person or company that was fined in an enforcement action brought by the Bureau.

“Congress directed the Bureau to establish the Civil Penalty Fund in order to compensate people who were harmed by illegal actions,” said CFPB Director Richard Cordray. “Today’s rule will allow us to do this in a transparent, responsible way.”

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 established a CFPB Civil Penalty Fund. If a person or company violates a federal consumer financial protection law, the Bureau can bring an enforcement action against them, which could result in the person or company having to pay a civil penalty. When the Bureau collects civil penalties, it deposits them in the Fund.

An overview of the Civil Penalty Fund is available here: <http://www.consumerfinance.gov/budget/civil-penalty-fund/>
Frequently Asked Questions on the Civil Penalty Fund can be found here: http://files.consumerfinance.gov/f/201304_cfpb_faqs_civil-penalty-fund.pdf

The rule being issued today describes the conditions under which the Bureau may make payments to victims and establishes a timetable and procedures for allocating funds for payments to victims. Under the rule, money in the Civil Penalty Fund will be used to provide compensation to victims of violations for which civil penalties have been imposed. The amount of compensation that the Bureau may provide will depend on compensation victims may have received from other sources as well as the circumstances of each case.

The rule requires the Bureau to issue regular reports on the Fund. The Bureau plans to include information on the Fund in the CFPB’s Semi-Annual Reports to Congress and will continue to include information on the Fund in its quarterly budget reports, which are found here: <http://www.consumerfinance.gov/budget/>

The rule provides that the Bureau will allocate funds for distribution to eligible victims every six months. As directed by the rule, the Bureau will post a schedule for making allocations on consumerfinance.gov. The Bureau plans to make the first allocation of funds by May 30, 2013. After funds have been allocated for payments to eligible victims, the Bureau will begin distributing payments to those victims. The length of time for distributing payments to victims will vary depending on the circumstances of each case.

If money remains in the Fund after the Bureau allocates it for victims as called for by the rule, or if it is not practical to make payments to some victims—for example, if they cannot be located—the Bureau may set aside money for consumer education and financial literacy programs or for future victims. When funds are allocated for consumer education and financial literacy programs the Bureau will apply a set of published criteria to select the particular programs to be funded. The Bureau plans to use the federal procurement process for those programs.

While the Civil Penalty Fund Rule is issued as a final rule effective immediately, the Bureau is also publishing a notice of proposed rulemaking (NPRM) to seek public input on the rule and on possible changes to it. The period for public comment on the NPRM is 60 days. Once the Bureau receives comments from the public, it intends to review those comments and may issue a revised rule.

The rule is available at: http://files.consumerfinance.gov/f/201304_cfpb_final-rule_civil-penalty-fund.pdf

The notice of proposed rulemaking is available at: http://files.consumerfinance.gov/f/201304_cfpb_proposed-rule_civil-penalty-fund.pdf

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The Consumer Financial Protection Bureau is a 21st century agency that helps consumer finance markets work by making rules more

effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives. For more information, visit www.consumerfinance.gov.



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