



1700 G Street, N.W., Washington DC 20552

December 7, 2017

The Honorable Sherrod Brown
United State Senate
713 Hart Senate Office Building
Washington, DC 20510

The Honorable Elizabeth Warren
United States Senate
317 Hart Senate Office Building
Washington, DC 20510

Dear Ranking Member Brown and Senator Warren,

Thank you for your December 1, 2017 letter requesting information about the Consumer Financial Protection Bureau's Civil Penalty Fund. I am responding to your questions about the current policy in place for Civil Penalty Fund payments and the fund allocation pause.

In May 2013, through the Civil Penalty Fund rule, the Bureau established a regulation to provide transparency about how money in the Civil Penalty Fund would be used to compensate victims and the circumstances in which funds may be allocated for consumer education and financial literacy programs.

Pursuant to the Civil Penalty Fund rule, every six months, the Civil Penalty Fund Administrator determines which classes of victims will receive payments from the Fund. To make that determination, the Fund Administrator assesses how much money is available in the Fund and reviews closed cases to determine which victims are eligible to receive payments. Under the Civil Penalty Fund rule, the Bureau may make Civil Penalty Fund payments to consumers who were harmed by a violation for which civil penalties were imposed and who are not otherwise expected to receive full compensation for their compensable harm. The Fund Administrator will determine the victim's total compensable harm by looking to the terms of the relevant court or administrative order. If the amount of a victim's compensable harm cannot be determined based on the terms of the relevant order, the victim's compensable harm will generally be his or her out-of-pocket losses that resulted from the violation. Under the rule, victims may receive up to the amount of their uncompensated harm from the Fund. To determine the amount of a victim's uncompensated harm, the Fund Administrator will take the victim's total compensable harm, and subtract out any compensation that the victim has received or is reasonably expected to receive for that harm.

The Fund Administrator follows the procedures established in the rule to decide how much money victims will receive. If there is enough money available, the Fund Administrator generally will allocate funds so as to give all eligible victims full compensation for their uncompensated harm, as described above and in the rule. The rule also establishes procedures for the Fund Administrator to follow if there is not enough money available in the Fund to compensate everyone fully. To date, \$536 million has been allocated to eligible consumers in 22 cases.¹

¹ This amount includes \$54 million allocated to harmed consumers in three matters on November 29, 2017.

If funds remain after allocating enough money to provide full compensation to all eligible victims who can practicably be paid, the Fund Administrator may allocate some or all of the remaining funds for consumer education and financial literacy programs. To date, the Bureau has made two allocations from the Civil Penalty Fund for consumer education and financial literacy purposes, totaling \$29 million, and the Bureau has funded one consumer education and financial literacy program through these allocations. The program provides financial coaching services to transitioning veterans and economically vulnerable consumers.

The Bureau is maintaining operation of the Civil Penalty Fund. On November 29, 2017, the Fund Administrator completed the 10th allocation from the Civil Penalty Fund to harmed consumers in three cases. I reviewed and authorized the allocation to proceed as scheduled.

Of the \$536 million allocated, to date, the Bureau has distributed \$334 million to harmed consumers. I am aware of pending payments from the fund, and while I do not intend to delay their release, I do intend to carefully review the distributions before they are made.

Thank you for your patience as we work through this time of transition and for your ongoing interest in the Bureau's work. Should you have any additional questions, please do not hesitate to contact me, or have your staff contact Matt Pippin in the Bureau's Office of Legislative Affairs. Mr. Pippin can be reached at 202-435-7552. I look forward to working with you on this and other matters of importance to you and your constituents.

Sincerely,



Mick Mulvaney
Acting Director