



1700 G Street NW, Washington, D.C. 20552

July 17, 2023

The Honorable Brian Maienschein
California State Assembly
1021 O St., Ste. 5640
Sacramento, CA 95814

Dear Chair Maienschein,

I write on behalf of the Consumer Financial Protection Bureau (CFPB) in support of Assembly Bill 1366 (AB1366) that establishes a new restitution fund to compensate consumers harmed by businesses that have violated California consumer protection laws.

One of the CFPB's key goals is to protect consumers from unfair, deceptive, and abusive practices. To further this goal, the CFPB enforces Federal consumer financial laws to hold violators accountable and deter misconduct and repeat offenses. While taking action against predatory companies that violate the law can stop ongoing consumer harm and prevent against future harm, it does not fully address the harm already done to the consumers wronged by these practices. Congress acknowledged the critical importance of compensating victims when they established the CFPB's victims relief fund – also known as the Civil Penalty Fund – through the Dodd-Frank Wall Street Reform and Consumer Protection Act. As of June 2023, the CFPB's victims relief fund has distributed more than \$782 million to 1.6 million consumers through 37 enforcement actions, and consumers have received an average relief payment of \$494.

The proposed Victims of Consumer Fraud Restitution Fund for the state of California would function similarly to the CFPB's victims relief fund. Civil penalty funds are collected by the CFPB through enforcement actions, and in turn, the fund aims to compensate victims of unlawful activities and make them whole. For example, the CFPB has used the Civil Penalty Fund to provide redress to consumers harmed by debt relief companies that went into bankruptcy.

The CFPB's experience has demonstrated that a victims relief fund is an effective mechanism for providing monetary relief to consumers who would otherwise be unable to obtain restitution. We support the establishment of the Victims of Consumer Fraud Restitution Fund as a tool to better protect victims of predatory businesses that have violated California's consumer protection laws. States have long been valued and critical partners in establishing and fortifying protections for consumers, and we welcome the opportunity to continue to work together in support of this and other consumer protection endeavors.

Sincerely,

A handwritten signature in black ink that reads "Julie Margetta Morgan". The script is fluid and cursive, with the first letters of each word being capitalized and prominent.

Julie Margetta Morgan
Senior Policy Advisor to the Director