

FOR IMMEDIATE RELEASE:
April 15, 2014

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CONSUMER FINANCIAL PROTECTION BUREAU PROPOSES REVISION TO RULE PROTECTING CONSUMERS SENDING MONEY INTERNATIONALLY
Revisions Would Help Facilitate Compliance With New Consumer Protections

WASHINGTON, D.C. – The Consumer Financial Protection Bureau (CFPB) today proposed revisions to its international money transfer rule. The revisions are intended to preserve the rule’s new consumer protections while providing federally insured institutions, such as banks and credit unions, with additional time to provide exact disclosures in certain cases.

“It is critical that we are able to protect consumers who send money abroad and that we preserve access to such services,” said CFPB Director Richard Cordray. “Today’s proposal would allow banks and credit unions to have more time to resolve certain implementation challenges while maintaining these important, new consumer protections.”

Consumers transfer tens of billions of dollars from the United States to foreign countries each year. The CFPB remittance rule created a comprehensive consumer protection regime for international money transfers. Under the rule, remittance transfer providers are required to disclose certain third-party fees, as well as any exchange rate that will apply to the transfer. The rule also provides consumers with error resolution and cancellation rights.

The Dodd-Frank Wall Street Reform and Consumer Protection Act contains an exception that explicitly allows federally insured financial institutions, like banks and credit unions, to estimate third-party fees and exchange rates when providing remittance transfers to their accountholders for which they cannot determine exact amounts until July 21, 2015. Insured institutions can only use this exception when they cannot determine the exact amounts for reasons beyond their control.

Today’s proposal, if finalized, would extend that temporary exception by five years, until July 21, 2020, as expressly authorized by the Dodd-Frank Act. If the temporary exception expired in July 2015, some insured institutions have reported that current market conditions would make it impossible to know the exact fees and exchange rates associated with a minority of their remittance transfers. Without the exemption, these insured institutions report that they would be unable to send some transfers to certain parts of the world that they currently serve. The Bureau believes that this exception is limited, and is not used for most remittances by insured institutions.

To a large degree, these problems are unique to insured institutions sending open-network transfers, like wire transfers. In an open network, the provider typically does not have control over, or a relationship with, all of the participants in the remittance transfer. This lack of control can make it difficult to learn all of the potential fees and, in some cases, the exchange rate. By contrast, closed-network providers send cash to recipients through agents, so they are typically able to control or know the transfer terms in advance. This allows them to disclose exact amounts to their customers. Closed-network providers are mostly nonbanks.

The CFPB is issuing this proposal because an extension would give insured institutions that offer remittance services to their account holders additional time to develop reasonable ways to provide consumers with exact fees and exchange rates for all remittance disclosures. If this proposal is finalized, the CFPB intends to work with these providers for a more sustainable solution to this problem before the extension’s proposed 2020 expiration.

Prior to the passage of the Dodd-Frank Act, international money transfers were generally not covered by existing federal consumer protection regulations. To remedy this, the Dodd-Frank Act expanded the scope of the Electronic Fund Transfer Act to provide protections for remittance transfer senders, and directed that rules implementing certain provisions of the new protections be issued by January 21, 2012. Authority to implement the new requirements transferred from the Federal Reserve Board to the CFPB in July 2011. In January 2012, the CFPB issued a final rule outlining how covered providers of remittance transfers should treat consumers who send money abroad. After two additional revisions, the rule took effect on October 28, 2013.

The proposed revisions are available here: http://files.consumerfinance.gov/f/201404_cfpb_remittances-proposal.pdf