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National Association of Federally-Insured Credit Unions

May 22, 2017

Ms. Monica Jackson
Office of the Executive Secretary
Consumer Financial Protection Bureau
1700 G Street NW
Washington, D.C. 20552

RE: Remittance Rule Assessment (Docket No. CFPB-2017-0004)

Dear Ms. Jackson:

On behalf of the National Association of Federally-Insured Credit Unions (NAFCU), the only national trade association focusing exclusively on federal issues affecting the nation's federally-insured credit unions, I am writing in regard to the Consumer Financial Protection Bureau's (CFPB) review of the remittance transfers rule under the *Electronic Fund Transfer Act* (Regulation E). As a result of the rule, several of NAFCU's member credit unions have been forced to either stop offering international remittance services altogether or confront significant compliance hurdles and charge their members higher rates. Thus, the rule has proven to be ineffective in meeting the stated purposes of Title X of the *Dodd-Frank Wall Street Reform and Consumer Protection Act* (Dodd-Frank Act) as well as the goals stated by the CFPB. NAFCU urges the CFPB to, as a part of its assessment, reevaluate the rule's application to credit unions and ultimately exclude credit unions according to the exclusion authority provided in Section 1022 of the Dodd-Frank Act.

General Comments

On February 7, 2012, the CFPB's final rule on remittance transfers to individuals and businesses in foreign countries was published in the *Federal Register*. After publication, the CFPB amended the rule several times before the October 28, 2013 effective date. Section 1022(d) of the Dodd-Frank Act requires the CFPB to engage in an assessment of any significant rule and publish a report of the assessment. Such an assessment must occur no later than five years after the rule's effective date.

The CFPB has determined that the remittance rule is a significant rule under Section 1022(d) and now seeks to determine whether the rule has proven effective in meeting the purposes and objectives of Title X of the Dodd-Frank Act¹ as well as the specific goals outlined by the CFPB.

¹ 12 U.S.C. § 5511(a) explains that the CFPB's purpose is to "implement and, where applicable, enforce Federal consumer financial law consistently for the purpose of ensuring that all consumers have access to markets for

Therefore, in its assessment of the rule's effectiveness, the CFPB plans to focus on the following two areas: (1) whether the market for remittances has evolved after the remittance rule in ways that promote access, efficiency, and limited market disruption by considering how remittance volumes, prices, and competition in the market have changed; and (2) whether the new system created by the remittance rule has brought more information, transparency, and greater predictability to market prices. The rule's effectiveness will also be evaluated in terms of the CFPB's specific goals for the remittance rule, which include: improving the predictability of remittance transfers, providing consumers with better information for comparison shopping, and, regarding the 2012 and 2013 amendments, limiting potential market disruption as a result of implementing the February 2012 final rule as originally adopted.

Harm to Credit Unions and Their Members

Several of NAFCU's member credit unions have voiced their concerns regarding the effects of the remittance rule. The cost to consumers has increased as a result of the rule and consumers are more confused about the entire process now than they were before implementation of the rule. Numerous credit unions have been forced to stop offering remittance transfer services because the compliance burden is simply too high. Between the countless disclosure requirements and additional fees, many credit unions have come to realize that they cannot justify continuing to offer remittance services. With fewer credit unions continuing to provide such services, consumers' options and ability to shop are severely limited.

Of those credit unions that do still offer remittance services, many have expressed frustration because their members are deeply dissatisfied with the remittance process, in particular, the disclosure requirements. On a fundamental level, consumers do not use the disclosures to "shop" financial institutions, so the majority of consumers do not want a disclosure and are confused as to why they must receive one; so much so that members generally request an explanation of the disclosures and associated delays to their remittance transfer request. Often times, members are also unavailable or would rather not wait at a branch for the duration of the verification or review process required by the disclosures. Additionally, members typically do not have the requisite information to receive a disclosure upon their first visit to their credit union, so repeated trips are usually necessary.

Credit unions also struggle with the remittance rule because the disclosure requirements add more administrative duties to be handled by the wire transfer team staff, thereby increasing the time it takes to process each wire transfer. The disclosures extend the time required for the entire remittance process, affecting both the credit union and the consumer, in particular, increasing the cost of providing remittance services to consumers. As a result, one of our member credit unions now only offers remittance services online. That is, a consumer must request the remittance transfer on the credit union's website and then receive all the disclosures electronically. This is certainly an inconvenience for those consumers who would prefer to walk into a branch and request a remittance transfer, however, the credit union had no option but to outsource the

consumer financial products and services and that markets for consumer financial products and services are fair, transparent, and competitive."

service to a third-party online provider due to the significant compliance hurdles imposed by the rule. In addition, some of NAFCU's member credit unions find the actual delivery day of the wire transfer confusing as a result of the disclosure requirements.

Aside from the aforementioned frustrations, credit unions are facing complaints from their members regarding the fees associated with remittance transfers. Credit unions have no control over how much an overseas financial institution will charge in incoming wire fees, so when a charge occurs, a credit union is often contacted by the requesting member because they feel the credit union initially disclosed inaccurate information and is now adding another fee. In this context, the disclosures only seem to cause more confusion for consumers. Furthermore, providing disclosures to members exposes both the originator and the beneficiary to the risk of their account information being compromised.

Altogether, the remittance rule has not promoted access to the market, has created inefficiencies, and has caused a significant market disruption. Additionally, the remittance rule has not brought about greater transparency and predictability of market prices because the increased compliance burden has imposed unforeseen costs on consumers. These effects are the opposite of the stated goals of the remittance rule. NAFCU requests that the CFPB more closely evaluate the reality caused by the remittance rule and provide additional guidance for financial institutions. NAFCU also strongly urges the CFPB to consider excluding credit unions from the rule because it has had such a significant impact on the industry, causing credit unions to stop offering remittance services or to face substantial compliance burdens that frustrate not only the credit union, but also its members.

Conclusion

NAFCU is thankful for the opportunity to provide feedback regarding the remittance rule and hopes that in the evaluation process the CFPB reconsiders the application of the remittance rule to credit unions. Its oppressive compliance requirements have had severe consequences on the industry. If you have any questions or concerns, please do not hesitate to contact me at akossachev@nafcu.org or (703) 842-2212.

Sincerely,

A handwritten signature in black ink, appearing to read "Ann Kossachev".

Ann Kossachev
Regulatory Affairs Counsel