Consumer Financial Protection Bureau adopts rule to protect consumers sending money internationally

Rule will increase transparency and reliability of remittance transfers

WASHINGTON, D.C. – The Consumer Financial Protection Bureau (CFPB) today adopted a rule that will increase protections for consumers who transfer money internationally. Under the new rule, remittance transfer providers will generally be required to disclose the exchange rate and all fees associated with a transfer so that consumers know exactly how much money will be received on the other end. The rule also requires remittance transfer providers to investigate disputes and remedy errors.

“People sending money to their loved ones in another country should not have to worry about hidden fees,” said CFPB Director Richard Cordray. “With these new protections, international money transfers will be more reliable. Consumers will know the costs ahead of time and be able to compare prices. Transfer providers will also be held accountable for errors that occur in the process.”

Consumers transfer tens of billions of dollars from the United States to foreign countries each year. These transactions can involve undisclosed fees and exchange rates that result in less money for the intended recipients. Those sending the money may not know how much the recipient will actually receive because the fees and exchange rates can be obscured in the transfer.

Prior to the passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act, international money transfers were generally excluded from 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 senders of remittance transfers, and mandated that rules implementing certain provisions of the new protections be issued by January 21, 2012.

Under the Bureau’s rule, remittance transfer providers must disclose the fees, the exchange rate, and amount to be received by the recipient. Disclosures must generally be provided when the consumer first requests a transfer and again when payment is made. Consumers will generally have 30 minutes after payment is made to cancel a transaction.

Dodd-Frank transferred authority to implement the new requirements from the Federal Reserve Board to the CFPB in July 2011. The Federal Reserve Board issued a proposed rule in May 2011. The final rule provides for a one-year implementation period. In issuing the final rule, the CFPB considered the Federal Reserve Board’s proposed rule and comments that were received.

The Bureau will publish a Notice of Proposed Rulemaking along with the final rule. The Notice seeks comment on whether to make a few additional adjustments to the final rule, including setting a threshold that would minimize the impact of the rule on community banks, credit unions, and other companies that do not normally process these transactions. The Bureau will act on an expedited basis to make any further changes prior to the effective date of the final rule.

The Bureau will continue to work actively with consumers, industry, and other regulators in the coming months to follow up on the rule. In coming months, the Bureau also expects to develop a small business compliance guide and engage in dialogue with industry regarding implementation issues.