

Congress of the United States
Washington, DC 20515

August 16, 2012

The Honorable Richard Cordray
Director
Consumer Financial Protection Bureau
1700 G Street, NW
Washington, D.C. 20552

Dear Director Cordray:

We are writing to express our deep concern with final CFPB rules implementing Section 1073 of the Dodd-Frank Act. The intent of Section 1073 is to (i) provide consumers with transparency and certainty regarding the costs of low value, international transfers, (ii) establish consumer error resolution rights with respect to such transfers, and (iii) expand access to low cost, financial institution services for such transfers. Unfortunately, the final rules impose arbitrary and unworkable requirements on consumer-initiated international transfers of all sizes and purposes that will drastically curtail the availability of international transfers to consumers. **We urge you to delay the effective date of these rules and to undertake a comprehensive study of their impact before moving forward to avoid irreparable harm to consumers.**

The final rules are fundamentally misaligned with the primary way in which financial institutions conduct international transfers today. As a result, consumer access to international funds transfers through their banks, credit unions, and broker-dealers is now in serious jeopardy due to the nearly impossible compliance challenge that financial institutions must solve by next February.

In particular, although not required by Section 1073, the final rules require remittance transfer providers to disclose (i) exchange rates and fees charged by other entities regardless of whether providers have any ability to know or control those rates and fees and (ii) taxes to be charged by foreign governments. Such disclosures are feasible only for money transmitters that use “closed networks,” i.e., those that own the infrastructure from end-to-end of a transaction. However, all financial institutions primarily use open networks (e.g. wire, ACH, and card-to-card transfers) for consumer-initiated international funds transfers. While these networks enable consumers to send funds account to account to almost anywhere in the world, they do not enable a financial institution in the U.S. to access to the exact exchange rate, third party fees, and foreign taxes required by the final rule.

Additionally, Section 1073 specifically directed regulatory policymakers “to expand the use of the automated clearinghouse system ... for remittance transfers to foreign countries” and required biennial reports to Congress on the status of such efforts.¹ However, due to the fundamental misalignment of the rules with ACH networks, the final rules will work against this

¹ See Dodd-Frank Act §1073(b). See also 77 Fed. Reg. at 6198.

directive by hampering the growth and diminishing the use of this cost-efficient means of international funds transfer.

To comply with the requirements of the final rules financial institutions will have to create their own closed networks, which could take several years to develop, partner with an existing closed network, or exit the international funds transfer business. We estimate that thousands of banks, credit unions, and broker-dealers will no longer send consumer-initiated international funds transfer because of the final rules. We further believe that the financial institutions that remain in the market will be required to severely limit their consumer service offerings. Therefore, we urge the CFPB to study the impact of such an exodus and service contraction on consumers and on the financial institution industry.

Lastly, the final rules could result in a significant fee burden for consumers. Fewer options will result in higher fees, especially for higher dollar transfers for amounts greater than \$1,000, where open networks currently have lower fees and more competitive exchange rates. Lack of competition could cause prices to spike. Last, enhanced compliance costs and a strict new liability standard with a 180-day resolution period will increase risk for providers and drive prices even higher.


We are very concerned that whatever price certainty and transparency that the final rule imparts will come at the cost of a significantly higher price and drastically reduced product availability. Hence, international transfers may no longer be feasible for consumers who support relatives overseas, for parents of students studying abroad, and for consumers who purchase products and services overseas. Importantly, the unbanked and underbanked populations who disproportionately use remittance services will be forced to rely increasingly on services provided by less-regulated entities. Such an outcome is contrary to the important public policy goal of integrating these populations into the mainstream financial system. Further research into the pricing impact on consumers is needed before the final rules go into effect.²


These outcomes were clearly not intended by Congress in passing Section 1073 of the Dodd-Frank Act. Rather than confer control over a product of significance to millions of consumers in the U.S. and a lifeline to families abroad to a small set of closed network providers, we urge CFPB to delay the effective date of the final rules by two years, until February 2015. During this time the CFPB should undertake a comprehensive study of how international transfers are used today for *all* segments of the consumer population, and the impact of the current rule on consumers, pricing for international transfers for a range of dollar amounts, and product accessibility.

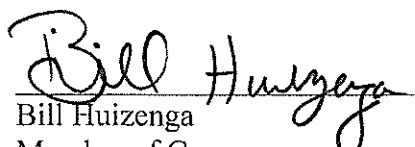
² See Dodd-Frank Act §1022(a). The Bureau must consider the potential benefits and costs to consumers and covered persons, including the potential reductions of access by consumers to consumer financial products or services, when prescribing a rule under the Federal consumer financial laws.

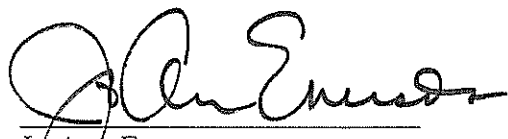
Thank you for your consideration of these concerns. We look forward to your reply and to continuing this important conversation.

Sincerely,



Blaine Luetkemeyer
Member of Congress

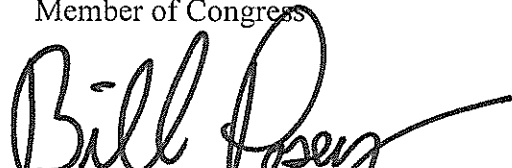

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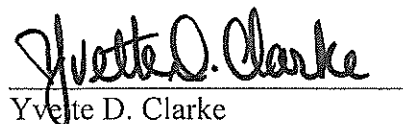

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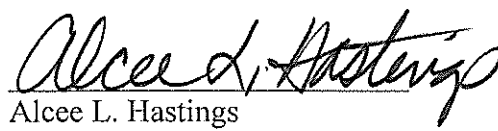

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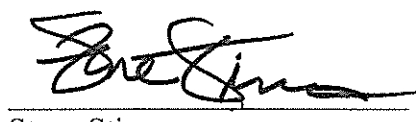

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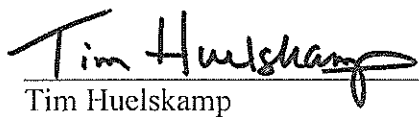

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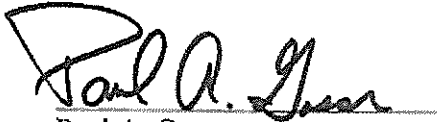

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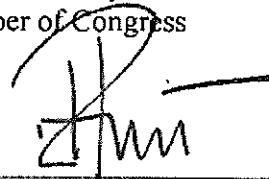
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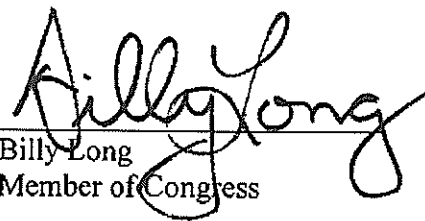
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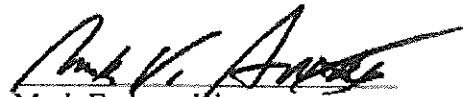
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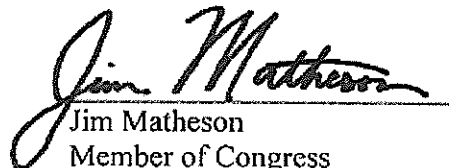
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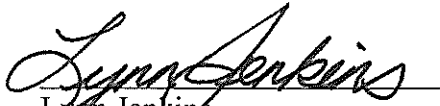
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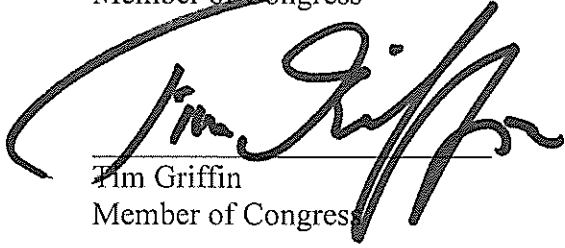
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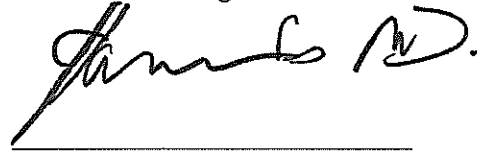
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