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CFPB Releases Assessment Report on Remittance Rule

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The CFPB has released a "Remittance Rule Assessment Report." The report was issued pursuant to Section 1022(d) of the Dodd-Frank Act which requires the CFPB to conduct a review of a significant rule and publish an assessment report within five years of the rule's effective date. The remittance report represents the first assessment report issued by the CFPB pursuant to Section 1022(d).

The remittance rule took effect on October 28, 2013, and gives certain protections to consumers that send remittance transfers from the United States to another country. It imposes three principal requirements on remittance transfer providers. Such requirements concern:

- Disclosures of specified information, including the price of a remittance transfer, the amount of the currency to be delivered to the recipient, and the date of availability

- Cancellation and refund rights

- Error resolution procedures

The CFPB notes in the report that it does not include a cost-benefit analysis of the remittance rule. It states that going forward, the Bureau is considering whether to include a cost-benefit analysis in its assessments and published reports. According to the Bureau, U.S. consumers in 2017 transferred over 325 million remittances worth more than $175 billion. Money service businesses (MSBs) conducted 95.6% of all remittance transfers and accounted for 68.4% of dollar volume but the average size of remittance transfers through banks and credit unions was typically much larger than the average size of transfers made through MSBs.

The CFPB's key findings include:

- The volume of remittance transfers by MSBs was increasing before the rule's effective date and continued to increase afterwards at the same or higher rate. The dollar volume of remittance transfers by MSBs was also increasing both before and after the rule became effective. However, many factors other than the rule can affect consumer demand for remittance transfers, and the evidence does not eliminate the possibility that remittance transfers would have increased more rapidly in the rule's absence.

- The percentage of all banks that transfer more than 100 remittances (the threshold that makes a bank generally subject to the rule's requirements), has been steady or increasing since 2014, the first full year after the rule took effect. The percentage of all credit unions that transfer more than 100 remittances has increased slightly. While a number of banks and credit unions stop transferring more than 100 remittances in each year, about an equal number start transferring more than 100, so the net change is small.

- The number of credit unions that report offering remittance transfers increased in the two years after the rule took effect, compared to the two years before, although that increase is likely driven at least in part by changes in the data collection process. Comparable data before the rule took effect are not available for banks.

- The average price of remittances was declining before the rule took effect and has continued to do so. The available evidence does not rule out the possibility that prices would have fallen even faster in the rule's absence and does not seem to support the rule causing either substantial price declines or substantial price increases.

- The Bureau's examinations have uncovered mixed levels of compliance. Although the evidence from those examinations is consistent with consumers generally receiving disclosures, there are inaccuracies and errors in many instances. Such evidence is also mixed for error resolution because systems to correctly track and investigate error claims were identified as weak at some providers. As of the date of the report, no enforcement actions have been filed by the Bureau against remittance transfer providers. However, where examinations found violations of the remittance rule, the entities are making appropriate changes to their compliance management systems for remittance transfers to prevent future violations and, where appropriate, providing remediation to consumers.

- In addition to the one-time compliance costs incurred by remittance transfer providers when the rule took effect, the limited available evidence indicates that providers continue to incur ongoing annual compliance costs ranging from $19 million, based on the Bureau's 2018 industry survey and largely reflecting the costs of a few large providers, to $102 million, based on analysis at the time of rulemaking. These costs correspond to between $0.07 and $0.37 per remittance transfer in 2017 and the Bureau expects that the actual cost is somewhere in this range.

- Unless the funds are picked up or deposited, the rule gives consumers 30 minutes after payment to cancel a transfer with some providers allowing a longer cancellation period. Available data sources indicate that consumers cancel between 0.3% and 4.5% of remittance transfers. Of cancellations that occur within five hours, approximately 70% happen within 30 minutes after payment. There is evidence that some banks or credit unions delay initiating at least some transfers to make it easier for them to provide a refund if a consumer requests a cancellation within the 30-minute period, but the evidence does not indicate how prevalent this practice is.
- The rule gives consumers 180 days to assert errors. Available data sources report that consumers assert errors for between 0.5% and 1.9% of remittance transfers. Nearly all error assertions, however, are made within 30 days of the remittance transfer, with less than 0.5% made after the rule's 180-day deadline. The amount of time that it takes to resolve error claims ranges widely among providers. Approximately one-fourth of asserted errors are ultimately found to be provider errors as defined by the remittance rule, thus suggesting that most asserted errors are attributable to consumer mistakes or other issues.

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