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Senator Warren Asks CFPB for Increased Transparency on Remittances Rule

“With greater transparency, consumers would have the information needed to seek out the most affordable options, bringing about more competition, and keeping remittance costs within reasonable limits”

Text of Letter (PDF)

Washington D.C. – U.S. Senator Elizabeth Warren (D-Mass.) sent a letter to the Director of the Consumer Financial Protection Bureau (CFPB), Rohit Chopra, to request that the Remittance Rule be strengthened in order to provide consumers with greater transparency around the costs of remittance payments. This letter was also signed by Senators Dianne Feinstein (D-Calif.), Brian Schatz (D-Hawaii), Jack Reed (D-R.I.), and Alex Padilla (D-Calif.).

In May of 2020, the CFPB issued a final rule for remittance transfers, requiring that providers "disclose the exact exchange rate, the amount of certain fees, and the amount expected to be delivered to the recipient." However, while remittance providers are required to display the exchange rate used in a transaction, some providers have been found to collect revenue by hiding additional costs in an exchange rate unreasonably inflated beyond the mid-market rate, all while advertising low- or zero-dollar fees. Further, the 2020 final rule provided a permanent exemption for "non-covered third party fees," allowing remittance providers to continue to estimate non-covered third-party fees, rather than provide accurate, fixed third-party cost information.

"When consumers are not aware of the true cost of a remittance payment, they are left with little ability to select the most cost-effective option," **wrote the lawmakers.** "This reduces competition in the payment provider market, incentivizing remittance payment providers to hide fees and providing them with an opportunity to artificially inflate prices."

A coalition of consumer advocacy groups have found that the lack of transparency around the costs associated with these payments has left consumers unable to effectively shop around for the most affordable payment option, forcing them to pay far higher costs for remittances than they might otherwise pay in a more transparent market.

"By adopting this disclosure method, the CFPB would help consumers make more informed decisions, allowing for more money to flow to family members abroad rather than being clawed away by exorbitant fees," **concluded the lawmakers.** "Further, the CFPB should rescind the permanent exemption for non-covered third-party fees and encourage the adoption of new technology that would provide transparent, pre-transfer cost information."

The lawmakers are calling on the CFPB to require remittance providers to disclose a “total cost,” which would display fixed fees at both ends of a transaction and the mid-market exchange rate margin, all in one calculation. This “total cost” disclosure has been found to provide enough information to more than double the amount of consumers who choose the best remittance provider option.

Senator Warren has long been a national leader for consumer protection:

- In May 2022, Senator Elizabeth Warren (D-Mass.), along with Senator Cory Booker (D-N.J.), and Representative Caroline Maloney (D-N.Y) sent letters to JPMorgan Chase, Bank of America, and Wells Fargo, calling on them to end their use of overdraft fees, which disproportionately harm low-income Americans. Collectively, the three banks accounted for 44% of overdraft and non-sufficient fund fees collected by big banks in 2019.
- In August 2021, Senators Warren and Booker reintroduced the Stop Overdraft Profiteering Act of 2021, which would ban overdraft fees on debit card transactions and ATM withdrawals, and limit fees placed for checks and recurring payments.
- In May 2021, Senator Warren slammed the CEOs of four of the nation's largest banks -- JPMorgan, Wells Fargo & Co, Citi, and Bank of America -- for taking a collective $4 billion in overdraft fees from people during the pandemic. Senator Warren also urged the CEOs to refund the billions they took from struggling consumers during the pandemic: not agreed to do so.

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