

## The Dodd-Frank Wall Street Reform and Consumer Protection Act Provides Federal Oversight for Remittance Transfers With the Creation of the Consumer Financial Protection Bureau

In the summer of 2009, the Obama Administration put forward a legislative proposal crafted to rein in excessive risk on Wall Street and preserve economic opportunity on Main Street. A year later, the President signed into law a bill aligned to a remarkable degree with that original proposal. This comprehensive financial reform, which put in place the strongest consumer financial protections in history, included the creation of a new, dedicated Consumer Financial Protection Bureau (CFPB).

The CFPB, an independent entity within the Federal Reserve, will have one mission: to protect consumers by promoting transparency and consumer choice and preventing abusive and deceptive practices. It will have broad authority to write and enforce new consumer financial protection rules. The CFPB will use these authorities to promote financial stability and protect consumers from the unfair practices that contributed to the financial crisis. And, it will be able to provide, for the first time, federal oversight over companies that provide remittance transfer services to consumers and enforce new protections for consumers who send remittances.

**On average, nearly two-thirds of immigrants in the United States remit to their families back in their country of origin.** [Sistema Económico Latinoamericano y del Caribe (SELA), "[Migration and remittances in times of recession](#)" (May 2009) ("SELA")]

- While the consumer sends a small dollar amount abroad each time, on average less than \$300, these small transactions add up. [SELA] Working individuals and families in the United States sent an estimated \$95 billion in remittances in 2008 back to families and loved ones in Asia, Latin America and Africa. [The World Bank, "[Outlook for Remittance Flows 2008-2010](#)" (November 2008) ("World Bank")]
- Remittances worth an estimated \$48 billion were sent by U.S. consumers to family and friends in Latin American and Caribbean countries in 2008 while an estimated \$27 billion was sent to East Asian and Pacific countries, \$14 billion was sent to South Asian countries and \$6 billion was sent to Sub-Saharan African countries. [World Bank]

**Prior to the Act, no federal regulator had the authority to protect the rights of consumers using remittance services.**

- Federal regulations that apply to many other consumer payments transactions, chiefly under the Electronic Funds Transfer Act (EFTA), generally do not apply to remittance transfers.
- Remittances are subject to a patchwork of various state consumer protection laws. Although most states regulate remittance transfer providers to some degree, few require disclosures designed with consumers in mind. [Appleseed, "[Creating a Fair Playing Field for Consumers](#)" (December 2005) ("Appleseed 2005")]
- Remittance transfer providers currently are not required to disclose, prior to initiating a transaction for a consumer, the amount that will be received at the other end, essentially making it impossible for consumers to effectively comparison shop. [Appleseed 2005]
- Researchers have found that consumers frequently have difficulty understanding the total cost of sending a remittance—including the exchange rate and fees charged by the provider— before they engage in a transaction. [Appleseed, "[The Fair Exchange](#)" (April 2007)]

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**The CFPB will be able to provide federal oversight over many consumer remittance providers, to ensure clear disclosure of costs and rights in case an error is made.**

- The CFPB will have the authority to lay down common-sense rules of the road for all remittance providers to ensure that consumers are protected from unfair practices and that remittance transfers are subject to fair rules and accountability. This authority, in part, comes from extending EFTA to cover remittances.
- The CFPB will enforce new consumer protections for remittance transfers, including requirements to provide consumers easy-to-understand, pre-transactional pricing disclosures and receipts that list the amount that should be received by the family member or friend on the other end of the transaction.
- Consumers will be able to turn to the CFPB with complaints about remittance transfer providers. This Act also creates an error resolution regime for remittance senders that is similar to what consumers currently enjoy when they use their ATM card.

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