



May 23, 2017

Ms. Monica Jackson  
Office of the Executive Secretary  
Consumer Financial Protection Bureau  
1700 G Street NW.,  
Washington DC 20552

**Re: Consumer Financial Protection Bureau (CFPB) Request for Information Regarding Remittance Rule Assessment – CFPB -2017-0004**

Dear Ms. Jackson

The Michigan Credit Union League (MCUL), the statewide trade association representing 100% of the 244 credit unions located in Michigan and their 5 million members appreciates the opportunity to comment on the Consumer Financial Protection Bureau's (CFPB) assessment of the Remittance Transfer Rule under the Electronic Funds Transfer Act (Regulation E). The MCUL is pleased to see the CFPB adhering to the spirit of Section 1022(d) of the Dodd-Frank Act in issuing an assessment of the Remittance Rule and seeking public comment. The MCUL's member credit unions have seen a significant impact on products and services they offer to their membership due to the overwhelming amount of new regulation in recent years. The Remittance Rule is one such rule that has had such an impact on credit unions.

Although the CFPB has stated the assessment of the rule is for informational purposes only and is unlikely to include possible amendments to the rule, the MCUL would like to take the opportunity to encourage the CFPB to seriously consider the significant impact of its rulemaking.

**Background**

Section 1022(d) of the Dodd-Frank Act requires the CFPB to conduct an assessment of each significant rule or order adopted by the CFPB under federal consumer financial law. The CFPB must publish a report of the assessment not later than five years after the effective date of such a rule or order. The assessment must address the rule's effectiveness in meeting the purposes and objectives of Title X of the Dodd-Frank Act and the specific goals stated by the CFPB. The assessment must reflect available evidence and any data that the CFPB may reasonably collect. Before publishing a report of its assessment, the CFPB must invite public comment on recommendations for modifying, expanding or eliminating the significant rule or order.

The remittance rule, issued in February 2012, amended Regulation E and established certain requirements regarding consumer disclosures, cancellation and refunds of transfers, and error

resolution procedures. In August 2012, the CFPB amended the remittance rule to provide a safe harbor for entities that provide 100 or fewer international remittance transfers in both the prior and current calendar years. The MCUL expressed our concerns with the initial rulemaking and amended rule and continues to believe the remittance rule has had a number of unintended consequences, particularly for those it is intended to help, the consumer.

### **Unintentional Harm to Consumers**

The MCUL acknowledges the need for consumer protections. Credit unions are in business to serve their member owners and the communities in which they represent. While the MCUL appreciates the protections imposed, particularly with regard to remittance services offered by non-insured depository institutions, the MCUL believes the rule has reached too far.

Consumers are faced with increasingly limited options for international remittance transfers, especially due to the CFPB's rules governing such transactions. Not only did a number of credit unions exit this market those who chose to continue offering the service saw a price increase due in part to an increase in compliance costs as well as a decrease in the competition among providers. Competition has decreased due to providers intentionally limiting remittance transfers to remain below the 100 remittance transfer threshold as well as former providers exiting the market entirely because of its failure to remain economically viable.

To truly see the impact of the remittance rule upon Michigan credit unions and their members the MCUL conducted a survey of our membership in 2014. At the time the survey was conducted the MCUL received responses from 115 credit unions. The results revealed that nearly 70% of those responding credit unions that stated they do not offer international remittance transfers actually discontinued this service specifically due to the new CFPB regulations. For those at the time that continued to offer the service, many reported significantly higher fees charged by third parties, increasing the cost to membership considerably, ultimately diminishing the use of the service.

A 2017 survey of Michigan credit unions yielded similar results to that of the 2014 survey. When the credit unions were asked if they offered international remittance transfers 50% of respondents indicated yes, with 40% answering no and 10% indicating they had looked into offering this service to their membership but opted against it due to the CFPB's rule.

When asked of those respondents who answered "no" to offering the service, if they discontinued the service due to the CFPB's rule 61% of the respondents stated they discontinued the service due to the CFPB's regulation.

The results from both 2014 and 2017 have truly shown the limitation on services the CFPB's rule have provided, particularly that of remittance transfers.

### **Increase in Exemption Threshold**

Credit unions offer remittance transfers to their members as one of many services and are not in business solely to offer remittance transfers. Credit unions are not seeking to charge high fees or to prevent consumers from having reliable information about their transactions. This is no

surprise considering the unique nature, structure and history of credit unions. As the MCUL has touted in previous letters to the CFPB, credit unions are member-owned, not-for-profit financial cooperatives that operate for the purpose of promoting thrift, providing products and services at competitive rates, and providing other financial services, including remittance transfers, to their member-owners. Credit unions are the only member-owned financial cooperatives in the marketplace and as such, have a tradition of protecting their members' interests. One method of doing so is through appropriate and sufficient consumer disclosures.

Given the current assessment of the remittance rule, the MCUL would request that the CFPB take this opportunity to revisit the safe harbor threshold for financial institutions performing international remittance transfers in the "normal course of business." The final rules established the safe harbor for those remittance transfer providers that provide 100 or few international remittance transfers in the current and previous calendar years. While this may have had the best of intentions the exemption falls short of assisting credit unions or consumers. This was evidenced not only in our survey results from 2014 but again in the 2017 responses.

Credit unions were asked if they continued to offer International Remittance Transfers if they were only providing them until they reached the exemption threshold of 100 per calendar year. The responses again confirmed that the majority of credit unions, 55% to be exact, who continued to offer this service would only do so until they reached the exemption threshold. Much of this is due to the increased costs, liability concerns, and enhanced compliance burden imposed upon the credit union if continuing to offer the service outside the exemption threshold.

The MCUL would like to request, whether as part of the CFPB's assessment of the remittance rule or in a subsequent rulemaking, the CFPB increase the current threshold, which is much too low to be of benefit to credit unions. We believe the threshold should far exceed the arbitrary 100 transfers and would encourage the CFPB to apply a much higher and more meaningful threshold of at least 1000 remittances annually.

## **Conclusion**

The MCUL appreciates the CFPB's adherence to section 1022(d) of the Dodd-Frank Act in conducting an assessment of the remittance rule. As repeatedly shown, the CFPB has the statutory authority to exempt credit unions from its rulemaking. If the CFPB elects to not increase the exemption threshold, the MCUL encourages the CFPB to invoke its exemption authority in recognition of the credit union not-for profit status and that credit unions did not cause the abuses that necessitated the remittance rule.

Sincerely,



Dave Adams  
CEO, Michigan Credit Union League and Affiliates