

# United States Senate

WASHINGTON, DC 20510

October 19, 2022

The Honorable Rohit Chopra  
Director  
Consumer Financial Protection Bureau  
1700 G Street, NW  
Washington, DC 20552

Dear Director Chopra:

We write to urge the Consumer Financial Protection Bureau (CFPB) to take action to eliminate hidden fees associated with international remittance payments – “[c]ross-border, person-to-person payments of a relatively low value” that are “typically recurrent [and made] by migrant workers to their relatives in their home countries.”<sup>1</sup> The CFPB has prioritized curtailing the harmful impacts of junk fees on domestic consumers and “estimate[s] that junk fees drain tens of billions of dollars per year from American family budgets.”<sup>2</sup> Hidden remittance payment fees are no exception. 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.<sup>3</sup> These higher costs hurt immigrant communities, economically vulnerable and underserved consumers<sup>4</sup> that account for 84% of remittance payments.<sup>5</sup>

On May 11, 2020, the CFPB issued a final rule covering remittances transfers, requiring “that remittance transfer providers generally must disclose the exact exchange rate, the amount of certain fees, and the amount expected to be delivered to the recipient.”<sup>6</sup> However, while remittance providers are required to display the exchange rate and fees associated with a

<sup>1</sup> International Fund for Agricultural Development, “The use of remittances and financial inclusion,” September 2015, p. 7, <https://www.ifad.org/documents/38714170/40187309/gpfi.pdf/58ce7a06-7ec0-42e8-82dc-c069227edb79>.

<sup>2</sup> Consumer Financial Protection Bureau, “Prepared Remarks of CFPB Director Rohit Chopra on Junk Fees RFI Press Call,” press release, January 26, 2022, <https://www.consumerfinance.gov/about-us/newsroom/prepared-remarks-of-cfpb-director-rohit-chopra-on-the-junk-fees-rfi-press-call/>.

<sup>3</sup> Letter to CFPB Director Rohit Chopra from a coalition of consumer advocates October 19, 2021, <https://ourfinancialsecurity.org/wp-content/uploads/2021/10/Final-10-19-21-CFPB-Remittance-Hidden-Fees-Letter.pdf>.

<sup>4</sup> Consumer Financial Protection Bureau, “Identifying and addressing the financial needs of immigrants,” Sonia Lin, June 27, 2022, <https://www.consumerfinance.gov/about-us/blog/identifying-and-addressing-the-financial-needs-of-immigrants/>.

<sup>5</sup> United States Census Bureau, “Who in the United States Sends and Receives Remittances? An Initial Analysis of the Monetary Transfer Data from the Aug. 2008 CPS Migration Supplement,” Elizabeth M. Grieco, Patricia De La Cruz, Rachel Cortes, and Luke Larsen, November 2010, <https://www.census.gov/library/working-papers/2010/demo/POP-twps0087.html>.

<sup>6</sup> Consumer Financial Protection Bureau, “Consumer Financial Protection Bureau Issues Final Remittance Rule,” press release, May 11, 2020, <https://www.consumerfinance.gov/about-us/newsroom/cfpb-issues-final-remittance-rule/#:~:text=Among%20its%20requirements%2C%20the%20Rule,be%20delivered%20to%20the%20recipient>.

transaction, some providers have been found collecting additional revenue by hiding costs in exchange rates unreasonably inflated beyond the mid-market rates or in bloated third-party fee estimates, all while advertising low- or zero-dollar fees.<sup>7</sup> For example, while a remittance provider may display a zero-dollar transaction fee, they may provide a less favorable exchange rate to withhold a larger portion of the payment, resulting in a smaller sum being received by the remittance recipient. In 2019, over half of the \$16.3 billion collected from American consumers in international payment fees came from exchange rate markups.<sup>8</sup> Some providers have also been taking advantage of the CFPB’s exemption for the “optional disclosure of non-covered third-party fees,” which are fees imposed by the designated remittance recipient’s financial institution for receiving the transfer.<sup>9</sup> Despite technological advances that facilitate near-instantaneous information sharing, the exemption allows remittance providers to continue to estimate non-covered third-party fees, rather than provide accurate, fixed third-party cost information. This practice reduces the incentive for providers to use technology that would provide accurate cost information. Together, these practices misrepresent the true cost of remittances to the consumer, who would expect all transaction costs to be explicitly and accurately displayed as “fees.”<sup>10</sup> Moreover, the permanent exception for the optional disclosure of non-covered third-party fees, which was issued under the leadership of former CFPB Director Kraninger, fails to meet the requirements of remittance fee estimates prescribed by Congress in the *Dodd-Frank Wall Street Reform and Consumer Protection Act*, which was explicit in allowing such estimates for a maximum of ten years following passage of the law.<sup>11</sup>

As a result of these loopholes in the rules, remittance providers may technically comply with the CFPB’s remittance rule requirements while providing insufficient price transparency to allow consumers to make informed comparisons and choose the lowest-cost provider. According to one survey, “more than half of customers compare fees between [providers] and always choose the service with the lowest fee.”<sup>12</sup> Yet, findings from another study tell us that only 18% of consumers are able to correctly identify costs of an international payment factored into an exchange rate, despite the fact the 55% believed “they understood the cost of sending money abroad.”<sup>13</sup> Similarly, third-party fee estimates obfuscate the true cost of sending a remittance payment, making it difficult for consumers to comparison-shop.

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. This reduces competition in the payment provider

---

<sup>7</sup> Letter to CFPB Director Rohit Chopra from a coalition of consumer advocates, October 19, 2021, <https://ourfinancialsecurity.org/wp-content/uploads/2021/10/Final-10-19-21-CFPB-Remittance-Hidden-Fees-Letter.pdf>.

<sup>8</sup> Fortune, “Over half of global payment fees are hidden in inflated exchange rates. That can be fixed,” Harsh Sinha, August 1, 2021, <https://fortune.com/2021/08/01/remittances-global-international-payments-fees-abuse/>.

<sup>9</sup> 12 CFR 1005.32(b)(3)

<sup>10</sup> Fortune, “Over half of global payment fees are hidden in inflated exchange rates. That can be fixed,” Harsh Sinha, August 1, 2021, <https://fortune.com/2021/08/01/remittances-global-international-payments-fees-abuse/>.

<sup>11</sup> 15 U.S.C. § 1693o-1(a)(4) authorizes estimates for financial institutions for up to 10 years after July 21, 2010; 15 USC 1693o-1(c) allows remittances sent to certain nations to include estimates. The estimates allowed by 12 CFR 1005.32(b)(3) are not authorized by either statutory section.

<sup>12</sup> Appleseed, “Sending Money: The Path Forward,” Annette LoVoi, May 2016, p.3, [https://www.appleseednetwork.org/uploads/1/2/4/6/124678621/sendingmoney\\_2017.pdf](https://www.appleseednetwork.org/uploads/1/2/4/6/124678621/sendingmoney_2017.pdf).

<sup>13</sup> Fortune, “Over half of global payment fees are hidden in inflated exchange rates. That can be fixed,” Harsh Sinha, August 1, 2021, <https://fortune.com/2021/08/01/remittances-global-international-payments-fees-abuse/>.

market, incentivizing remittance payment providers to hide fees and providing them with an opportunity to artificially inflate prices. 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.

CFPB should strengthen the remittance rule to ensure greater transparency. Providers should not be able to advertise “no-fee remittances” while simultaneously inflating exchange rates without limit or without providing accurate third-party costs. Instead, the CFPB should require remittance providers to display mid-market exchange rates, while only collecting revenue through added costs, including fixed third-party fees, openly displayed as “total cost,” as recommended by the Remittance Community Task Force.<sup>14</sup> A “total cost” – which would display fees at both ends of a transaction and the foreign exchange rate margin, all in one calculation – was found to have increased the amount of customers choosing the best remittance option by about 40%.<sup>15</sup> 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. 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.

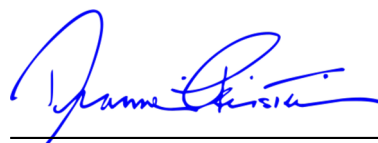
Addressing hidden costs in remittance payments is consistent with CFPB’s mission “[t]o make markets for consumer financial products and services work for Americans by promoting transparency and consumer choice and preventing abusive and deceptive financial practices.”<sup>16</sup> We appreciate your attention to this matter.

Sincerely,



---

Elizabeth Warren  
United States Senator



---

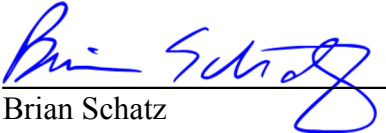
Dianne Feinstein  
United States Senator


---


<sup>14</sup> Remittance Community Task Force, “Remittances in crisis: Response Recovery Resilience,” November 2020, p.23, [https://gfrid.org/wp-content/uploads/2022/09/2020-11-01-RCTF\\_Blueprint-for-Action\\_FINAL.pdf](https://gfrid.org/wp-content/uploads/2022/09/2020-11-01-RCTF_Blueprint-for-Action_FINAL.pdf).

<sup>15</sup> The Behavioural Insights Team, “The impact of improved transparency of foreign money transfers for consumers and SMEs,” March 2018, p.23, [https://www.bi.team/wp-content/uploads/2018/03/The-impact-of-improved-transparency-on-foreign-money-transfers-for-consumers-and-SMEs\\_WEB.pdf](https://www.bi.team/wp-content/uploads/2018/03/The-impact-of-improved-transparency-on-foreign-money-transfers-for-consumers-and-SMEs_WEB.pdf).

<sup>16</sup> Consumer Financial Protection Bureau, “Overview,” <https://files.consumerfinance.gov/f/2011/02/CFPB-2012-CJ.pdf>.

  
\_\_\_\_\_  
Brian Schatz  
United States Senator

  
\_\_\_\_\_  
Jack Reed  
United States Senator

  
\_\_\_\_\_  
Alex Padilla  
United States Senator