

October 28, 2024

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

**Re: Comments in response to the petition for Rulemaking to Reduce and Eliminate Junk Fees in Remittance Transactions [Docket No. CFPB-2024-0040-0001]**

Dear Director Chopra,

On behalf of UnidosUS, we respectfully submit these comments in response to the petition for Rulemaking to Reduce and Eliminate Junk Fees in Remittance Transactions. We are grateful for this opportunity to share information with the Bureau on the use and costs of remittances, and the significant challenges with hidden fees in these transactions.

UnidosUS, previously known as NCLR (National Council of La Raza), is the nation's largest Hispanic civil rights and advocacy organization. Through its unique combination of expert research, advocacy, programs, and an Affiliate Network of nearly 300 community-based organizations across the United States and Puerto Rico, UnidosUS simultaneously challenges the social, economic, and political barriers at local and national levels.

UnidosUS publishes reports, provides testimony, and advocates for policies that protect consumers, make financial services more inclusive, and improve the economic well-being of working-class people and the Latino community. For example, this year, we testified before the Senate's Committee on Banking, Housing, and Urban Affairs in a hearing focused on consumer protections and junk fees that impact working-class consumers and Latinos. Our research and analysis include publications such as *Banking in Color: New Findings on Financial Access for Low- and Moderate-Income Communities (2014)*; *The Future of Banking: Overcoming Barriers to Financial Inclusion for Communities of Color (2019)*; and *Second Edition of our Latino Banking and Financial Health Survey (2024)*.

On August 23, 2024, UnidosUS, along with 11 other community-based organizations, civil rights groups, consumer advocates, and an industry member, Wise, submitted a letter to the Consumer Financial Protection Bureau (CFPB), urging action to curtail hidden markups and unnecessary fees in remittance transactions.<sup>1</sup> In response to our letter, the CFPB announced it would treat our letter as a petition for rulemaking and opened this rulemaking docket.

Common sense changes to remittance pricing could have a significant impact on immigrant and Latino consumers, and potentially save billions of dollars per year. Improvements in transparency can enhance competition, allow consumers to comparison shop, and make remittance transfers safer. Below we summarize the adverse impact of remittances fees and markups on immigrants and Latinos, the actions that we suggest the CFPB take such as requiring a "total cost" pricing model, and additional actions proposed by the National Consumer Law Center's (NCLC) coalition letter including:

- Reversing the expanded safe harbors implemented in 2020 that allow many providers to avoid compliance with the regulations.
- Eliminating the exception for “non-covered third-party fees,” which is a fee charged by a provider when an individual receives a remittance in their account.

***Remittances fees and markups have a major impact on immigrants and Latinos.***

Our previous letter to the Bureau highlighted data from an UnidosUS survey of 1,200 Latinos in California, Texas, and Arizona that focused on their banking situation and financial health.<sup>2</sup> The survey found that 94% of all Latino remittance users had paid a fee in the past year.

Several other questions related to remittances provide additional important insights. For example, we found that use of these services was substantial within our community - 36% of all Latinos surveyed had used a remittance product at least once in the prior twelve months. Fifty-one percent of foreign-born respondents used remittance products, and, separately, we found that 47% of Spanish-speaking households used a remittance product.<sup>3</sup>

Our survey found that a very high percentage of foreign born and low-income remittance users are paying fees, and that lower-income remittance users pay more fees than do higher-income users. Ninety six percent of foreign-born remittance users paid a remittance fee compared to 91% of US born remittances users.<sup>4</sup> Forty-nine percent of those earning \$30,000 to \$49,000 per year paid \$100 or more in fees in the past year, compared to only 20% of those earning more than \$50,000.<sup>5</sup>

Recent research demonstrates that the cumulative amount of fees and markups paid in remittance transactions are significant and rising. A report from January 2024 by Wise found that since 2018, foreign exchange transaction fees in the United States have increased by 41%, to total \$12.1 billion in 2023.<sup>6</sup> In addition, a study by the Financial Health Network in August of this year revealed that remittance fees increased by 8% from 2022 to 2023 to a total of \$13.1 billion.<sup>7</sup>

Additional evidence highlights the scale of remittance use and fees by Latinos. A 2021 study by McKinsey & Company found that 32% of Latinos used remittance products, and more than two-thirds of these sent up to 30% of their income abroad.<sup>8</sup> They estimate that the total volume of remittances sent by Latinos in the US is as high as \$60 billion per year and accounts for more than a third of all remittances sent abroad.<sup>9</sup> Finally, they estimate that Latino households send an average of \$3,100 in remittances per year.<sup>10</sup>

The UnidosUS survey also included a question asking about remittance users’ experiences with hidden markups and fees and showed widespread lack of understanding on this question. Thirty-three percent of all Latino remittance users indicated that remittance providers can and do charge customers more than they expected by increasing the exchange rate with hidden markups or fees.<sup>11</sup> Twenty-seven percent of respondents said that remittance providers cannot do this; while 40% indicated they “do not know” if remittance providers engage in these practices.<sup>12</sup>

***The Consumer Financial Protection Bureau Should Take Specific Steps to Reduce High Fees in Remittances.***

The CFPB should require disclosures that include the “total cost” of remittance transactions to the consumer – including transaction fees, exchange rate margins, and any other hidden costs or fees in a single, upfront amount.

Our three core asks of the CFPB include to:

1. Eliminate differences between pricing strategies by eliminating inflated exchange rates and requiring any foreign exchange margin to be disclosed as an upfront fee.
2. Require two key numbers to be disclosed by remittance providers which will allow consumers to understand the full cost of the remittance transfer:
  - a. The total amount of the remittance (from which the provider would deduct *all* fees, any exchange rate margin, and taxes if applicable); and
  - b. The total amount to be received by the recipient (which would be the exact amount to be delivered to the recipient).
3. Reverse the expanded safe harbors implemented in 2020 that allow many providers to avoid compliance with the regulations altogether, leaving remittance senders using those providers without protections.<sup>13</sup>

The National Consumer Law Center’s (NCLC) coalition letter presents much of the same evidence that we provided in our previous letter to the Bureau but includes two significant additions. First, it highlights a 2023 World Bank study that found: “globally, the average cost of sending \$200 was 6.2% in the fourth quarter of 2022, up slightly from 6% a year ago, and more than twice the Sustainable Development Goal target of 3%.”<sup>14</sup> These findings align with a growing body of evidence showing that costs are rising in remittance transactions, such as Wise’s study and the Financial Health Network’s study referenced above.

Second, the coalition letter cites further evidence from the World Bank study of the over complexity of remittance prices. The World Bank’s analysis of remittance pricing asserts that, “one of the most important factors leading to high remittance prices is a lack of transparency in the market. It is difficult for consumers to compare prices because there are several variables that make up remittance prices.”<sup>15</sup> In addition, NCLC’s letter asks the Bureau to eliminate the exception for “non-covered third-party fees,” which is a fee charged by a provider when an individual receives a remittance in their account, that allows these fees to be excluded from the initial remittance disclosures. We agree with this additional recommendation, as it fits within our goal of providing consumers with a “total cost” pricing model that includes all of the costs and fees in an upfront amount and clearly presented amount.

In addition, the Bureau should collect and analyze data focused on exchange rate markups, third-party fees, and any other additional costs that providers include in remittance pricing. On September 4, 2024, UnidosUS and NCLC met with staff from the Office of the Comptroller of the Currency (OCC), including Comptroller Hsu, to ask the OCC for help collecting data on remittance pricing and fees. The OCC signaled interest in such a study and communicated the possibility of collaborating with the Bureau. A study of remittance prices and fees would provide greater clarity about the cost of remittance transactions, as data on this issue and its impact on this vulnerable population are scarce. Specifically, the Bureau should prioritize studying the use of third-party fees which are particularly difficult to find. In

the absence of such a study, however, the CFPB need not wait, it could use the rulemaking process to gather the data needed.

***Conclusion: The remittance marketplace is broken by the lack of transparency, obscuring competition for fair terms for consumers. The Bureau should act now to improve the transparency and fairness of the remittance marketplace, saving Latinos and immigrants billions of dollars in needless and expensive markups and fees.***

Implementing these proposed changes would improve transparency in the market, enhance competition, and make remittance transactions safer for all consumers. A fairer, more transparent, and equitable pricing structure would allow consumers to comparison-shop more effectively, encouraging constructive competition among remittance providers. The economic impact of such changes would be substantial, as Latinos and immigrants would save billions of dollars per year and be better positioned to help their families abroad.

With any questions or for additional information, please contact Santiago Sueiro, Senior Policy Analyst, at [ssueiro@unidosus.org](mailto:ssueiro@unidosus.org).

## Notes

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<sup>1</sup> Consumer Group Letter to CFPB Director Rohit Chopra, “Unnecessary and Hidden Fees in Remittance Transactions,” August 23, 2024, <https://www.nclc.org/wp-content/uploads/2024/08/CFPB-Remittance-Letter-2024.pdf>.

<sup>2</sup> UnidosUS, “Second Edition of our Latino Banking and Financial Health Survey,” UnidosUS, June 2024, [https://unidosus.org/wp-content/uploads/2024/06/unidosus\\_oportun\\_bsp\\_latinobankingandfinancialhealthsurvey\\_crosstabs.pdf](https://unidosus.org/wp-content/uploads/2024/06/unidosus_oportun_bsp_latinobankingandfinancialhealthsurvey_crosstabs.pdf).

<sup>3</sup> Ibid.

<sup>4</sup> Ibid.

<sup>5</sup> Ibid.

<sup>6</sup> Wise, “The Wise Junk Fees Report,” Wise, January 2024, <https://wise.com/imaginary-v2/images/71a86b09eca5e0091c231d191345e5d4-Junk%20Fees%20Report%20-%20Final.pdf>.

<sup>7</sup> Financial Health Network, “FinHealth Spend Report 2024: Record Spending on Credit Services Puts Pressure on Vulnerable Households,” Financial Health Network, August 2024, <https://finhealthnetwork.org/wp-content/uploads/2024/08/FinHealth-Spend-Report-2024-FHN.pdf>.

<sup>8</sup> Lucy Pérez, Bernardo Sichel, Michael Chui, and Ana Paula Calvo, “The Economic State of Latinos in America: The American Dream Deferred,” McKinsey and Company, December 2021, <https://www.mckinsey.com/~media/mckinsey/featured%20insights/sustainable%20inclusive%20growth/the%20economic%20state%20of%20latinos%20in%20america%20the%20american%20dream%20deferred/the-economic-state-of-latinos-in-america-v2.pdf>.

<sup>9</sup> Ibid.

<sup>10</sup> Ibid.

<sup>11</sup> UnidosUS, “Second Edition of our Latino Banking and Financial Health Survey.”

<sup>12</sup> Ibid.

<sup>13</sup> 12 C.F.R. § 32(b)(5)(C)

<sup>14</sup> World Bank, *Remittances Remain Resilient but Likely to Slow*, World Bank (June 13, 2023), <https://www.worldbank.org/en/news/press-release/2023/06/13/remittances-remain-resilient-likely-to-slow>.

<sup>15</sup> Ibid.