

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

August 23, 2024

Re: Unnecessary and Hidden Fees in Remittance Transactions

Dear Director Chopra,

The undersigned organizations comprised of civil rights groups, consumer advocates, community-based organizations, and industry actors urge you to take meaningful actions to reduce and eliminate unnecessary fees, or junk fees, in remittance transactions. In 2021 and 2023, a core group of advocates sent letters to the Consumer Financial Protection Bureau (CFPB) asking the Bureau to take specific actions to curtail the use of hidden markups and unnecessary fees, as well as remedy exemptions for compliance for depository institutions.

We are writing to renew these requests, such as **the need to require that remittance industry providers disclose 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. Below we provide an overview of the need to adopt this and other necessary changes, and additional details about our asks.

One of the Administration’s key strategies for addressing rising costs across our marketplace is to curtail unnecessary and hidden fees, or junk fees, in the financial system. The Bureau’s recent work to address credit card late fees and overdraft fees are welcome efforts to this end, as working-class consumers and people of color could save billions as a result of these new protections.<sup>1</sup> However, remittance products remain an area where consumers are continuing to pay high costs, and there remains an opportunity for the Bureau to make an impact.

New data highlights the need for the Bureau to take more meaningful actions to address these hidden costs. For example, a survey published in June of this year by UnidosUS of 1200 Latinos, shows that 94% of remittance users paid a fee in the last year, 47% paid \$50 or more in fees, and 8% paid \$300 or more in remittance fees.<sup>2</sup> The survey also showed that Latinos are concerned about their financial situation with more than 55% of respondents saying that inflation and lack of income were their top economic concerns.

Additionally, we see evidence that fees in international transfers including remittances are rising. A report from January of this year by Wise found that since 2018, foreign exchange transaction fees in the United States have increased by 41% to \$12.1 billion in 2023.<sup>3</sup> 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>4</sup> Through our work in the field, we uncovered stories of remittance recipients who were charged extraordinarily high *surprise* fees by their provider when they received the remittance in their account. These fees are exempt from disclosure under the term “non-covered third-party fees.”

Remittance transactions are commonly used by low-income immigrant consumers to send money to family members in their home countries, and amount to a hundred billion dollars per year in remittance outflows from the US alone.<sup>5</sup> Unfortunately, findings show that these consumers are often exposed to deceptive marketing practices which lead to higher costs. For example, in March of this year the CFPB shared findings of remittance providers who advertised their transfers as “no fee” yet included fees at the back end of the transaction.<sup>6</sup> Other remittance providers were found to market their services as having low, or no fees, but hid extra costs in the exchange rate. Hidden exchange rate mark-ups alone have cost Americans \$5.8 billion in 2023,<sup>7</sup> and an untold amount in non-covered third-party fees.

We appreciate the CFPB’s recent Circular addressing these deceptive practices.<sup>8</sup> However, this effort was limited in scope to the types of practices that are violations of the Consumer Financial Protection Act (CFPA). The clarifications do not address broader issues around unnecessary costs and fees that are facilitated by the regulations,<sup>9</sup> and expanded exemptions from compliance with the regulation for many financial institutions.<sup>10</sup> For example, the circular is silent on practices that artificially inflate exchange rates to increase the price of transactions and does not address the non-covered third-party fees charged by providers to recipients.

Over the past few years, civil rights groups, consumer advocates, and industry actors have advocated for further action from the CFPB. In a 2021 letter,<sup>11</sup> these groups asked the CFPB to implement three changes:

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>12</sup>

In other words, **the CFPB should require that remittance industry providers disclose the “total cost” to the consumer – including transaction fees, exchange rate margins, and any other hidden costs or fees in a single, upfront amount.** This “total cost” figure must include all fees to be charged by all providers participating in the transaction, including fees charged by the recipient’s institution.

While considering these requests, the Bureau should closely study the amounts charged for “non-covered third-party fees,” and the market-level implications of these exclusions which are not authorized by statute. This will help the CFPB eradicate the distinctions between covered and non-covered fees in the regulations — which are not authorized by the statute. The regulations that permit these distinctions likely contribute to higher remittance costs.

These changes would improve transparency in the market, enhance competition, and make remittance transactions safer for consumers. A more fair and equitable pricing structure will allow consumers to

comparison shop more effectively, encourage a more competitive market among remittance providers, and lower costs across the market for low-income immigrants trying to help their families back home.

We urge the Bureau to continue its focus on protecting working-class consumers and addressing harmful fees by taking the recommended actions listed in this letter.

Signatories,

**National Partners**

Americans for Financial Reform

Consumer Action

National CAPACD

National Consumer Law Center on behalf of its low-income clients

UnidosUS

**State Partners**

Texas Appleseed

**UnidosUS State Affiliates**

Adelante Mujeres

Central American Resource Center (CARECEN)

Eastmont Community Center

Latino Community Center

Mexican American Unity Council

**Remittance Industry Actors**

Wise

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<sup>1</sup> UnidosUS, “Written Testimony of Santiago Sueiro, Senior Policy Analyst, UnidosUS,” UnidosUS, May 9, 2024 [https://unidosus.org/wp-content/uploads/2024/05/unidosus\\_testimony\\_consumerprotection\\_examiningfeesinfinancialservicesandrentalhousing.pdf](https://unidosus.org/wp-content/uploads/2024/05/unidosus_testimony_consumerprotection_examiningfeesinfinancialservicesandrentalhousing.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\\_opportun\\_bsp\\_latinobankingandfinancialhealthsurvey\\_crosstabs.pdf](https://unidosus.org/wp-content/uploads/2024/06/unidosus_opportun_bsp_latinobankingandfinancialhealthsurvey_crosstabs.pdf).

<sup>3</sup> Wise, “The Wise Junk Fees Report,” Wise, January 2024, <https://wise.com/imaginary-v2/images/71a86b09eca5e0091c231d191345e5d4-Junk%20Fees%20Report%20-%20Final.pdf>.

<sup>4</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>5</sup> World Bank Group, “Remittance Flows Continue to Grow in 2023 Albeit at Slower Pace,” World Bank Group News, December 18, 2023, <https://www.worldbank.org/en/news/press-release/2023/12/18/remittance-flows-grow-2023-slower-pace-migration-development-brief>.

<sup>6</sup> Consumer Financial Protection Bureau, “Consumer Financial Protection Circular 2024-02: Deceptive marketing practices about the speed or cost of sending a remittance transfer,” Consumer Financial Protection Bureau, March 27, 2024, <https://www.consumerfinance.gov/compliance/circulars/consumer-financial-protection-circular-2024-02/>.

<sup>7</sup> Wise Junk Fees Report, January 2024.

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<sup>8</sup> Consumer Financial Protection Circular 2024-02.

<sup>9</sup> 12 C.F.R. §§ 1005.31(b)(vii) and 1005.32(b)(5)(C).

<sup>10</sup> 12 C.F.R. § 1005.30(f)(2).

<sup>11</sup> Consumer Group Letter to CFPB Director Rohit Chopra, “Hidden Fees in International Remittances,” October 19, 2011, <https://www.nclc.org/wp-content/uploads/2022/09/Final-10-19-21-CFPB-Remittance-Hidden-Fees-Letter-1.pdf>.

<sup>12</sup> 12 C.F.R. § 32(b)(5)(C).