REG E REVISED - PART II OF II

by Steve Brown

Yesterday we outlined some key areas of the latest international remittance regulations from the Consumer Financial Protection Bureau (CFPB). Because this topic is of interest to so many community banks (after all, international activity is a growing area and also one where you can collect fees and serve your clients), we continue our discussion of the proposal and its impact on bankers today. One area to discuss relates to the disclosure of foreign taxes. The proposal suggests eliminating disclosures of sub-national foreign taxes (those collected at the city, state, province or other local level) and requiring only country-level tax disclosures and adding the label "Estimated." A tax schedule must still be maintained by banks and the proposal seeks comments on how often this dataset should be updated, especially given so many countries could change tax policies. For both foreign taxes and fees charged to the beneficiary, the proposal would allow relying on the sender's representation. Customer disclosures would be considered accurate and deviations from the original quoted amounts would be left out from the definition of error. This appears to be an issue, namely because the disclosures are sought to provide the consumer with better and more information (to conclude on the amount to be sent and to make their purchasing decision), but such information would not be needed by a consumer who is already in possession of it. In such cases, it could render a less cumbersome approach for a consumer to simply allow them to opt out from the disclosures. Here, a sender's representation will probably fall short of a standard procedure and should be considered the exception rather than the norm. In the error resolution section, transfer mistakes are considered when an incorrect account number is supplied by the customer. The alternative suggested is to exclude this case from the scope of institutional errors, if the sending bank can prove that the customer was at fault. Having the appropriate form signed by the consumer will help reduce your liability, so it is a good idea to do so. Additionally, if the customer decides to resend the transfer after the error is discovered, the bank may consider the transaction anew. This allows you to use updated foreign exchange rates to the date of resubmission and limits risk. This appears straightforward, but it provides clarification to an array of interpretations propelled by the original rule. That rule led many to understand that such resends had to be processed at the original foreign exchange rate, posing serious volatility and market risk, as it added to the marginal cost analysis in offering the product. For the time being, this change is being limited to account numbers, although the proposal welcomes suggestions. In aggregate, comment flow has been heavy and provides insight into the international remittance business. The CFPB is seeking feedback from banks no later than 30 days from the proposal publication in the federal register for all topics, except for the implementation date (comments are sought for this no later than 15 days after the publication). Our dedicated Reg E team continues to work this issue and will bring you in-depth analysis when the next ruling occurs. In the meantime, fear not, because our international remittance service is designed to provide your bank a comprehensive solution. It will allow you to produce the proper disclosures with minimum modifications to your business processes, so you can continue placing your focus on what matters the most - your customer. We have your back, so when you get to the fork in the road on international remittances, feel free to take it.

Related Links:

2013 Executive Management Conference

BANK NEWS

More Competition

Bank of America said it plans to increase efforts to originate mortgage and corporate loans, after spending the last few years building capital and cutting costs.

TBTF Review

The Government Accountability Office (GAO) will conduct a study on the economic benefits big banks receive from the perception they're "too big to fail," as requested by the Senate Banking Committee.

Bye Tim

Press reports indicate Treasury Secretary Geithner will step down from his position at the end of this month, even if there isn't a deal in place to raise the debt ceiling.

Less Charity

Banks that do business with nonprofits should note studies show people in higher tax brackets contribute a disproportionate 41% of all donations. This is important because the fiscal cliff deal limits overall tax deductions for single filers making $250k and $300k for married ones. Analysis by experts indicates households earning over $300k may cut their charitable giving from 6% to as much as 30%. Depending on your customer mix, you may want to run a stress analysis to fully understand the potential impact to your loans and deposits.

Rule Flood

This month, the CFPB plans to release seven new rules around mortgage lending and servicing. The new rules focus on qualified mortgages (QM); deal with high-cost mortgages; cover loan officer compensation; set new servicing standards; cover escrow rules around impound accounts and tax insurance; and modify appraisal disclosure guidelines.

Less Wealth

If you wondered how much damage the recession did, consider the Fed indicates it wiped out about 40% of American wealth, or about two decades worth.

Ponzi

The key players in Trevor Cook's $194mm Ponzi scheme were sentenced to prison. Trevor Cook got 25Ys, while Jason Beckman and Gerald Durand each got 20Ys.