REG E - THE CFPB REVISES ITS RULES

by Steve Brown

On April 30, the CFPB announced revisions to Regulation E (Reg E), the soon to be implemented rules that govern international money transfers for consumers. There had been big concerns about the law as it was initially presented and the most important concerns have been

addressed in this revision. The revisions preserve some consumer protections but also will facilitate the banking industry and in particular smaller banks' ability to comply with the rules. An effective date of October 28, 2013 was set to allow providers of international transfers sufficient time to adapt to the new rules.

The original iteration of Reg E required providers of international money transfers such as community banks to disclose to their consumer customers fees related to the provider, its agents, any foreign taxes and fees of the receiving institution that would be charged. It is almost impossible for a provider on one side of a transaction to know the fees being imposed by the other side in order to disclose them. As a result, this part of the rule would have made it quite difficult for banks other than the largest global banks or Western Union to continue to take part in the international business. The new revisions to the rules address this by making the disclosure of foreign taxes and of fees imposed by a recipient institution that is not the provider's agent optional. Providers must include a disclaimer that other fees and taxes may apply, but calculating the numbers to the penny has disappeared.

Another concern over the original rule was over errors that inevitably occur in international money transfers due to a customer providing an incorrect account number or similar information. In the original version of the rule, the bank was responsible and bore the cost even if the error was not the bank's fault. In the revised rule, the bank is required to attempt to recover the funds sent with incorrect information, but it is not required to return the funds if the error was a result of incorrect information provided by the customer (unless the bank is able to collect the funds). These revisions reinforce the ability of community banks to continue to help customers with international wire transfers without all of the risks of the original version.

Regular readers of the Banc Investment Daily know that we have followed this issue with a lot of interest since the rules first came out in February of 2012. It's not just because PCBB is a provider of international services to community banks, but is driven by the fact we strongly feel international transfers are a real area of opportunity for community banks. Banks can provide services that customers want and need in this global world, as they earn fee income and meet customer requirements.

It is clear from yesterday's statement following the FOMC meeting and from continuing economic trends, that we are likely to be in a low interest rate environment for some time. This has created a real challenge for community banks; given about 80% to 90% of earnings tend to be interest rate dependent. The world is getting smaller and your customers require sophisticated services including international transfers.

If your bank doesn't offer international services yet and you want to know how to do it, give us a shout and we will show you how easy it can be to get started. As with every service we offer, making sure the regulatory part is taken care of up front is our first priority.

BANK NEWS

Customer Feedback

Research by BT finds 23% of customers say the tool they most want their bank to offer is live chat for smartphones.

M&A Attrition

Deloitte reports the top 2 reasons people say they switched banks after an acquisition were emotional (36%), competitive offer (17%), account servicing (12%), fees (10%) and convenience (9%).

Bank Marketing

A survey by the Financial Brand that asked 300 financial institutions their priority of marketing products and services found the top 5 were mobile banking solutions (63%), auto loans (59%), mortgage loans (58%), home equity (51%) and credit cards (51%).

Good News

Banks wondering when loan opportunities should surface may be pleased to note a survey by Deloitte of executives at Fortune 1000 companies. It found 63% said their company saw revenue rise in the prior 24 months vs. only 32% who said that in 2010. Hopefully loan demand is just around the corner.

Teens

A Capital One poll finds 87% of those ages 12 to 17 say they know at least an average amount about finances. That is interesting because the same poll found 24% think a debit card is used to borrow cash. Maybe your bank should have a teen awareness session to bring in parents and capture new customers.

Employees

CNNMoney reports 92% of employers now use LinkedIn, Facebook and Twitter to find new employees.

Self Storage

A study by the Self Storage Association finds 10% of households pay for extra storage space to handle the overflow of their things. This is up 65% since 1998.

Saving

Banks should note a survey by Hearts & Wallets finds 40% of those who built savings equal to 10x pay did so by saving 15% of their incomes or more for at least 10Ys. This may be one way for banks to help clients set and track goals in order to fund loans.