Reg E Solution Tailor Made for Community Banks

by Steve Brown

Many bankers are involved in end-of-summer activities and we know many may still be on vacation. That doesn't mean banking regulations stop, so bankers are preparing for the Oct. 28 deadline for complying with Regulation E (Reg E)

regarding consumer international remittances. Luckily, the Consumer Financial Protection Bureau (CFPB) has put out a helpful guide on the subject. Unluckily, it is 37 pages long, so we summarize some important parts for community bankers.

To start, Reg E is applicable to some providers that send international consumer payments. The first version of the rule came out in September of 2012, but substantial revisions are a welcome change in two important areas. The first concerns the disclosure of institution fees and foreign taxes on the receiving end and the other is that a bank is no longer responsible for errors due to a consumer providing incorrect account information.

The next part we need to discuss is that the rule covers remittance transfers defined as electronic transfers of funds of more than $15 requested by a consumer in the US and sent to people or businesses in foreign countries. That is a mouthful, but in plain English, remittance transfers include cash-to-cash transfers, international wire transfers, international ACH transfers and certain prepaid card transfers. These new rules refer specifically to consumer remittance transfers (those made by an individual for personal, family or household purposes) and not those requested by a business (including sole proprietors).

Of special note, banks that only occasionally do remittance transfers are also exempted from the rule. That means if your bank consistently sends 100 or fewer a year, you are not classified as a remittance transfer provider so are not covered by the rule. If you aren't sure, it makes sense to look at the rules to be sure everything is in order.

The rule requires banks provide two disclosures to customers who are the "senders" of funds. The first is a pre-payment disclosure given to the sender before the transfer is paid for. This disclosure must list the amount to be transferred, the exchange rate, any applicable fees and the amount expected to be delivered abroad. While recipient institution fees and foreign taxes do not need to be disclosed, it should be noted that fees may still be charged by the recipient bank.

The customer can change their mind at this point or even wander around comparison shopping. If the customer leaves the bank and market rates change, an updated disclosure must be provided. When the customer makes the payment, the bank must provide a receipt that repeats the information on the first disclosure and notifies the sender the date the money will arrive (as well as error resolution rights). Disclosures must be provided in any language an institution uses to advertise, solicit or market their transfer services.

Senders also have certain cancellation and error resolution rights. The rule allows senders 30 minutes to cancel a transfer and receive a refund. Senders have 180 days to report an error and transfer providers are required to investigate. Under the rule, remittance transfer providers are also responsible for mistakes made by their agents.

We do lots of international business with community banks so the good news is that we already have a solution for you.

BANK NEWS

Hacked

School officials at the University of Delaware say a cyber attack on their computer system more than 72,000 people to identity theft. Hackers stole names, addresses, Social Security numbers and university identification numbers of current and past employees, according to school officials.

Travel Costs

Research by Concur finds small businesses generally spend about 24% more on travel than larger businesses. By category, small businesses spent 56.7% more for car rentals, 13.6% more for airfare and 0.6% more for lodging than larger businesses. Corporate group rate negotiations were likely the primary driver.

New Employees

A survey by BrilliantInk on Fortune 1000 company hiring practices finds 82% of employees visit a company's website when looking for a job, but only 32% find the information there valuable. Meanwhile, 77% of new employees go through an orientation program, but only 29% learn about their specific job during the process. Finally, while 85% say a structured on-boarding process was helpful in learning how to find information, 44% said the on-boarding process was not structured.

Financial Pressure

A study by the FINRA Investor Education Foundation finds 61% of American's on average cannot answer at least 3 of 5 questions correctly on a financial literacy test, 59% spend more than they earn, 34% have paid only the minimum due on their credit card bill at least once in the last year and 26% have unpaid medical bills.

Housing

Research by Credit Suisse finds housing has delivered an annualized after inflation price gain of 1.3% since 1900 vs. 5.4% for stocks.