



Office of the President

June 2, 2014

Ms. Monica Jackson
Office of the Executive Secretary
Consumer Financial Protection Bureau
1700 G Street, N.W.
Washington, DC 20552

Re: Regulation E, Electronic Fund
Transfers; Docket No. CFPB-2014-0008

Dear Ms. Jackson:

Navy Federal Credit Union ("Navy Federal") appreciates the opportunity to provide our comments regarding the Consumer Financial Protection Bureau (CFPB) rulemaking on amendments to Subpart B of Regulation E, Electronic Fund Transfers. Navy Federal believes that several of the proposed amendments serve to improve and/or further clarify the current rule. Nonetheless, we have also identified a few minor concerns which we ask the CFPB to address.

By way of background, Navy Federal is the nation's largest natural person credit union with \$56 billion in assets, over 5 million members, 245 branches, and a workforce of over 11,000 employees worldwide. We are committed to serving the needs and improving the financial condition of our members.

The primary focus of the proposed amendment to Regulation E is to extend the temporary exception for estimating certain third-party fees and exchange rates for international remittance transfers. The CFPB has proposed extending the temporary extension five years to expire July 21, 2020. Navy Federal agrees with this proposed extension.

The CFPB has also proposed a clarification to the official commentary on the purpose of a remittance transfer. The Remittance Rule only applies to transfers requested by consumers in the United States and sent to a recipient/account in a foreign country for personal, family or household purposes. Current commentary seems to indicate that the purpose of the particular transfer determines whether the rule applies, leading to the conclusion that a transfer for personal, family, or household purposes from a non-consumer account would be subject to the Remittance Rule. The CFPB has proposed that the commentary be amended to make it clear that the Remittance Rule applies only to transfers from accounts established primarily for personal, family, or household purposes, and not to transfers from non-consumer accounts. We support this clarification.

In addition, the CFPB also proposes to clarify that remittance transfer requests and disclosures provided by fax are considered to be “in writing.” The proposed rule would add a comment that formalizes the unofficial guidance the CFPB has already offered in deeming faxes equal to writings received via the mail as faxes are generally received in a paper form that the sender can retain. Therefore, disclosures provided via fax will not be subject to the additional requirements for electronic disclosures. Along with this clarification, the CFPB proposes that transfer requests via fax, email, and regular mail should be treated as inquiries rather than requests. By considering certain requests as inquiries, remittance providers can provide disclosures orally and conduct the transaction by phone. Navy Federal supports both clarifications and believes they enable providers to provide more accurate information as rate quotes are very time sensitive. Navy Federal, along with many other providers, already follow-up fax or mail requests with calls to the consumer as a risk mitigation measure.

While Navy Federal welcomes the clarifications we have addressed above, we would like to comment on two subjects in the proposed rule. First, under the Remittance Rule, if a remittance transfer is delayed and is not available to the recipient on the date disclosed, it is considered an error and subject to the error resolution remedies. As part of the remedy, the remittance provider is required to investigate the cause for the delay and refund applicable fees charged to the sender. The CFPB has proposed a clarification that would outline which fees must be reimbursed to a sender when the cause of an error or for the delay in receipt of an international remittance is due to the sender providing incorrect or insufficient information. Navy Federal does not support requiring remittance providers to refund any fee to a sender when the delay in availability was due to the sender providing incorrect information.

In most cases, remittance providers must pay a partner or third party (such as a correspondent bank, Western Union, or MoneyGram) to send transfers for consumers; these fees are not returned to the remittance provider when the sender provides incorrect information. Similarly, remittance providers incur operational costs when providing remittance transfers, and if funds availability is delayed due to incorrect information, the remittance provider must expend resources to investigate the delay. By requiring a remittance provider to refund fees that were collected to provide a service, the provider is essentially being penalized for the sender’s error. Any scenario in which a remittance provider is penalized and incurs expenses due to a sender’s error will not serve consumers well, as it will result in fewer providers, higher fees, and greater difficulty for consumers wishing to remit funds overseas.

Finally, Navy Federal would like to address the CFPB’s request for comment on whether U.S. military installations in foreign countries should be considered “states” or international destinations for the purposes of the Rule. For a number of reasons, Navy Federal believes it would be appropriate to designate U.S. military installations in foreign countries as States under the Remittance Rule. We note that U.S. military installations overseas have traditionally been treated as “U.S. soil.” Mail sent from the U.S. to U.S. military installations overseas is handled entirely within the U.S. Postal System as domestic mail. Also, businesses that operate on U.S. military bases do so as U.S. businesses under contract with the U.S. military. We also note that,

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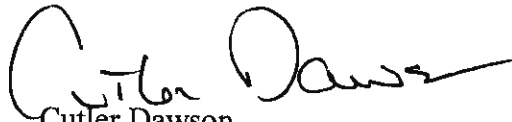
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under Financial Management Regulations, that the U.S. Department of Defense only allows one U.S. bank and one U.S. credit union on each military base, including overseas U.S. military installations. Therefore, any transfers sent to an account held by a financial institution on a U.S. military installation would be considered domestic transfers and not covered by the Remittance Rule, because the account is held and maintained by a bank or credit union chartered and located in the United States. If U.S. Military installations were not considered "States," the Remittance rule would cover only Western Union cash transfers to receivers located on a U.S. Military installation, and these transactions are paid out only in U.S. dollars and subject only to U.S. taxation and fees. Therefore, currently we do not treat transfers to overseas U.S. military installations as international remittance transfers under the Rule.

Navy Federal currently averages 28 cash transfers per month to overseas U.S. military installations. These transfers would be covered under the Remittance Rule if these installations are designated as being located in foreign countries. We believe, moreover, that designating U.S. military installations as international destinations could cause confusion for some credit unions and smaller remittance providers that no longer send "International Remittances" as defined by the Rule, but still send transfers to U.S. military installations in the form of cash transfers. Electronic transfers to banks or credit union branches located at overseas U.S. military installations would not be covered while cash transfers would.

We appreciate the opportunity to provide comments on the CFPB's proposed amendments to Subpart B of Regulation E. If you have any questions, please contact Cassaundra Meeks, Compliance Analyst II, at 850-912-5179.

Sincerely,

A handwritten signature in black ink, appearing to read "Cutler Dawson", with a stylized flourish extending from the end.

Cutler Dawson
President/CEO

CD/cm