

CREATING A FAIR PLAYING FIELD FOR CONSUMERS:

The Need for Transparency in the
U.S.-Mexico Remittance Market



Appleseed

Sowing the Seeds of Justice



**Creating a Fair Playing Field for Consumers:
The Need for Transparency
in the U.S.-Mexico Remittance Market**



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Report Summary

The business of moving money across borders has grown rapidly and, as the market has matured, it has become increasingly competitive. The money flowing from the United States to Mexico currently represents the largest remittance market in the world. Just over 10.2 million Mexican immigrants live in the United States, comprising approximately 30 percent of the total immigrant population.¹ At the current rate of growth, these immigrants are expected to send over \$20 billion to Mexico this year and spend an estimated \$948 million in fees and other costs getting it there.²

As the volume of remittance transactions has increased, the number of companies offering money transfer services between the United States and Mexico has mushroomed from a couple of dozen to more than 150 today.³ Competition has played an important role in bringing down pricing, particularly in the U.S.-Mexico remittance market. For example, in 2001, sending \$300 to Mexico using MoneyGram's remittance service cost \$25.⁴ By 2005, the average cost to send \$300, using the same service, declined 42 percent to \$14.59.⁵

In recent years, there has also been a limited increase in pricing transparency. The standard for the U.S.-Mexico market is to print the exchange rate for the transaction, the upfront fee, and the amount to be received in pesos on the receipt. However, gaining access to the exchange rate prior to initiating a transaction and effective comparison shopping can be cumbersome or even impossible for consumers.

Pricing transparency has long been an issue of concern for consumer advocates, but it is also one that can help money transfer companies in the marketplace. Businesses that offer more competitive rates benefit from increased transparency because it makes it easier for consumers to identify low-price providers. Transparent pricing could also be a tool to create a general competitive advantage and reach niche markets. Businesses could generally benefit by an improved brand image, both within the specific markets they serve and in the broader policy communities that set standards and regulations that impact the market.

Despite many major improvements in the remittance marketplace as a whole, understanding what makes up the cost and being able to make a real cost comparison

¹ 2004 American Community Survey, U.S. Census Bureau.

² It is important to note that, according to the Inter-American Development Bank, remittances make up only 10% of senders' income. The other 90% stays in the United States. Inter-American Development Bank Multilateral Investment Fund, "Financial Inclusion & Remittances," June 2005.

³ Jan Smith Ramos, "Latin American Remittance Markets: El Dorado is in Los Angeles" InfoAmericas Tendencias Industry Analysis, May 2002.

⁴ Manuel Orozco, "Remittances as Development Tool," Paper delivered at the Inter-American Development Bank Conference, May 17-18, 2001, Inter-American Dialogue Washington, DC., <http://www.iadb.org/mif/v2/files/orozco.doc> (cited August 21, 2005).

⁵ Based on data collected by Appleseed centers in Georgia, Illinois, Nebraska, and Texas between June 13 and June 24, 2005.

between companies remains a complicated endeavor and an important opportunity for differentiation.

To understand pricing dynamics in the international money transfer market place, Appleseed conducted a study of the cost to transfer money from the U.S. to Mexico in four different states: Georgia, Illinois, Nebraska, and Texas. When looking at pricing, it is important to examine the two components of the transfer cost, the fee and the currency exchange rate. The fee to send money is typically \$9 to \$10 on a \$300 transaction.⁶ The cost from the exchange rate come from the exchange rate spread—an undisclosed difference between the price the company pays to purchase the foreign currency and the rate the money transfer company charges its customer to send the money.⁷ The Appleseed study found that the exchange rate spread for transmitting money from the U.S. to Mexico comprised, on average, 37 percent of the total transaction cost, with consumers paying an estimated \$350 million in exchange rate fees for 2005.⁸ The research found that the average exchange rate spread cost ranged between \$1.92 and \$10.80 on a \$300 transfer. The highest cost spread is 560 percent greater than the lowest cost spread for the same transaction.⁹ Sometimes there is yet another fee to claim the funds. According to focus groups, this third fee tacked onto the back end of the transaction has consistently been an important consumer complaint about the industry.

The costs of sending \$300 to Mexico, which averaged approximately \$5.25 for the exchange rate fee and \$9.00 for the transaction fee, is significant, particularly in the context of the incomes of remittance senders and recipients. A 2003 study found that 46 percent of remittance senders had incomes of less than \$30,000 per year.¹⁰ On the receiving end, 51 percent had monthly incomes of \$370 or less and 76 percent had monthly incomes of \$600 or less.¹¹ Receiving only \$5 or \$10 more per month because of savings in exchange rate and transaction fees could make an important difference for families earning \$370 or less per month.

Despite industry efforts to decrease costs, barriers to achieving true market pricing transparency remain. The exchange rate spread, for instance, proves much more difficult to quantify and understand for two reasons:

- Companies do not uniformly provide customers with the total transaction cost or the exchange rate *before* a transaction is completed.
- As the official exchange rate moves, companies differ in how frequently they adjust the exchange rate they offer. Some make a same-day rate adjustment,

⁶ *Ibid.*

⁷ The Bank of Mexico daily exchange rate is used to approximate the rate at which the money transfer company purchases Mexican pesos with U.S. dollars.

⁸ Results based on Appleseed data showing the average exchange rate spread of 1.75 percent for sending \$300 to Mexico, across all four markets surveyed (Georgia, Illinois, Nebraska, and Texas).

⁹ The average exchange rate spread is based on average costs across all four markets studied.

¹⁰ Multilateral Investment Fund of the Inter-American Development Bank, et. al., “Remittance Senders and Receivers: Tracking Transnational Channels,” November 2003.

¹¹ *Ibid.*

some set one rate per day, and still others adjust the exchange rate weekly, twice per week, or make other periodic adjustments.

The lack of total pricing transparency in the U.S.-Mexico international remittance market hurts both consumers and the companies trying to provide low cost services. Consumers are hurt because they do not have the tools to compare transaction prices and find the optimal option for sending money. Companies offering lower transaction costs and exchange rate spreads are hurt because of the difficulty consumers face in consistently discerning low-cost providers and can incur consumer advocacy ire. Fluctuations in exchange rate pricing do pose a challenge for providing accurate total pricing disclosures, however there are options for improving the status quo.

Many studies have examined exchange rates in the U.S.-Mexico remittance market by collecting rates at one point in time. However, to fully understand the role exchange rates play in total pricing, it is important to examine rates over time and across markets. To provide a more complete picture of the impact of the exchange rate spread on pricing, four Appleseed Centers—Georgia, Illinois, Nebraska, and Texas—collected exchange rate data for wiring money to Mexico from 21 different remittance services, including multiple locations of nine services, at the same time, twice a day, over a two week period in June of 2005. These parameters made it possible to compare service pricing across geographic areas and between remittance service providers.

This study offers the remittance industry a look into market competition. It provides some recommendations on how market players can distinguish themselves by offering more transparent pricing, which will allow consumers to exercise their choices and reward providers that offer the best products.

The Impact of Market Dynamics On Exchange Rate and Total Pricing¹²

Some of the variability in exchange rate pricing observed in this study, and presented in the next section, is tied to foreign exchange market dynamics. Businesses purchase currency at wholesale rates, but the rates vary depending on the time of day of the purchase, the amount of the transaction and the time of final payment for the transaction. There is also a degree of speculation in the marketplace, similar to the stock market, in which currency purchase decisions are made based on whether the purchaser believes the market will go up or down in the short-term. Therefore, each company is purchasing currency at different rates.

The exchange rate spread is also calculated in different ways depending on the business model and on the system for paying agents. Banks with their own in-house money transfer system can have a pricing advantage over non-bank money transfer operations because they do not have to pay agents on originating the transaction. They do have expenses tied to their interface with consumers on the originating side and may have revenue sharing arrangements on the destination side of the transaction. Banks can sell a variety of products and services to the consumer, offsetting some of the costs of offering the service.

Retail-based money transfer operations usually pay a percentage of the upfront transaction fee to the originating agent and a fee to the destination agent, which can be tied to the spread. Some destination agents, particularly banks, can charge more to the U.S. side bank or money transfer operation to distribute the money. This cost usually results in a lower exchange rate for certain pick up options in the destination country. The money transfer operation usually keeps a percentage of the upfront fee and the spread as profit. The amount the operation retains varies depending on the competition in the originating agent's community and on the destination agent.

Banks and money transfer operations each have their own systems for establishing spreads. Some offer consistent pricing, with a particular spread above the wholesale purchase rate. Others charge different spreads depending on their currency costs, other costs for the transaction and competition among agents in the originating and destination markets. Many businesses set one exchange rate per day in each market or across markets, but currently there is no particular standard in the marketplace.

A final issue that impacts transaction pricing is regulation on the operations side of the business. Stricter standards to prevent money laundering could impact pricing for all market players. There is particular concern among money transfer operations that stricter capital requirements and standards tied to prevention of money laundering could increase pricing in the long-term by pushing out of the marketplace the very players who have brought prices down: the smaller businesses that have sprung from particular immigrant

¹² The information in this section is based on interviews with international money transfer service providers.

communities. Recently, there has been concern among banks that holding accounts of money transfer operations and their agents, which tend to be cash-intensive small community stores, could make them more vulnerable to sanction under the Bank Secrecy Act. This concern has led to account closures for some money transfer operations and their agents. There is also concern among smaller market players that the larger players are merging with their main competitors, consolidating market share, and pushing out smaller players through exclusive contracts with chain retailers that dominate local markets.

The different structures and forces that impact exchange rate and total transaction pricing are important to consider in any disclosure or market standards. They explain some of the variations in pricing found in the report. They also highlight the need to establish workable standards for transparency in the marketplace and to address other areas of industry concern that could impact recent trends of reduced costs for consumers.

Key Findings: Challenges Facing Consumers Remitting Money to Mexico

The natural variations of currency exchange markets can only explain some of the exchange rate variability observed in this study. In many instances, the variability in rates appeared to move beyond expected fluctuations. To compound difficulties for consumers in determining total transaction pricing, exchange rates for transactions are not easily available. Of the 46 locations of 25 companies in the initial survey pool, eight were removed because of difficulties in accessing exchange rate information. Six of the companies refused to provide exchange rate information and two did not know how to access the information. The inconsistent availability of pricing information and exchange rate variations that cannot be explained by fluctuations in the currency value keep the market from operating efficiently for these primary reasons:

1. Lack of Marketplace Transparency

The market's complex pricing structure prevents comparison shopping and makes it nearly impossible to choose the most cost effective money transfer service. This is especially troubling since the cost of sending money—even with the same company or on the same day—can vary substantially.

- The cost to transfer money can vary dramatically even if the consumer uses the same business consistently. Appleseed found that the difference in cost—within the *same company*—varied as little as \$1.52 or as much as \$13.84 during the two-week study.
- Inconsistent and erratic exchange rate pricing—even on the *same day*—can create quite a disparity in the same market. Appleseed found that, in Georgia, a consumer could have spent as little as \$3.88 or as much as \$21.90 on the same day in June to send \$300 to Mexico. That is an \$18 difference.
- Half of the money transfer service locations surveyed appear to give minimal weight to the Bank of Mexico daily exchange rate in their pricing decisions.

2. Lack of Consistent Access to Correct Pricing Information

Appleseed researchers had a variety of experiences in accessing exchange rate information. Some providers readily gave exchange rate information, while others were less prepared or less willing to share the information.

- Exchange rate information was sometimes not provided upon request. While not required by law, the failure to disclose exchange rate information prior to initiating a transaction makes it nearly impossible for consumers to effectively compare total costs among providers.

- Of the companies that provided information, some did not have ready access to exchange rates and others provided inconsistent information. In the Nebraska market, calls at the same time to different agents of the same companies yielded different exchange rate results.

3. Lack of Consistent Regulation or Standardized Pricing Disclosure Practices

The confusion for consumers created by volatile pricing and inconsistent customer service is exacerbated by the lack of consistent regulation in the international money transfer market.

- Both Houses of Congress have re-introduced bills this year to require money transfer companies to disclose fees to customers.¹³ To date, meaningful legislation lags behind rapid developments in the market.
- Most states regulate money transfer companies in some capacity, but few require consumer-oriented disclosures. State regulations for money transfer companies generally do not apply to financial institutions.

Clear pricing disclosures are routinely required for a variety of financial services. Lenders must provide a good faith estimate of interest rates and fees. Financial institutions provide information about interest rates and fees for certificates of deposit or savings accounts in a format that enables consumers to compare various products.

A standardized pricing structure would provide customers access to the full remittance price *prior* to the transaction. A customer might still choose to shop at the more expensive, yet more convenient, store—whether it is a gas station or a money transfer service—but would benefit from the additional information that disclosures would provide.

¹³ See the International Remittance Consumer Protection Act of 2005.

Positive Market Practices to Promote Pricing Transparency

This study has revealed major barriers in understanding the pricing of remittances, but there are also positive practices in the market today. Through the survey of remittance providers there are a number of best practices worthy of noting that address the clear disclosure of costs.

Consistent Customer Service

Some companies in the Appleseed survey provided polite, prompt, and detailed information on all aspects of remittance costs, including exchange rate information, to researchers. In Texas, Orlandi Valuta stood out for such service. In Nebraska, service excellence tended to correlate with the local agent offering the remittance services rather than with the remittance company itself. These companies and agents had well-trained, knowledgeable staff, who encouraged potential customers to understand all of the costs in the remittance transaction.

Automated Access to Exchange Rate Information

Some companies have completely automated the sharing of exchange rate information. Wells Fargo, for instance, has an automated 1-800 number that provides the current exchange rate, allowing potential customers to shop or wait until the exchange rate spread reaches the most favorable rate before sending money. On-line based wire transfer products also give consumers good access to pricing information. Making clear exchange rate and pricing information available to consumers at the point of service should be possible, given the capacity of companies to make such information available both over the telephone and on the Internet.

Guaranteed Pricing Parameters

One of the main challenges for consumers in determining the cost of sending money internationally is that pricing within one service provider is not consistent. On one day, a service may offer the lowest price, and on another, the highest price. As a result, consumers who want to find the best prices cannot choose and stick with a single provider; they would have to monitor prices cross the market each time they make a transaction. The FedACH International Mexico Service has a guaranteed fee and exchange rate structure that lets consumers know exactly what they are paying for the service. The cost per transaction for the financial institution is only \$.67 and customers are guaranteed a .21 percent exchange rate spread, and deposit in a designated Mexican bank account by the next business day. Financial institutions may charge a fee above the \$.67 transaction cost. The weakness of this program is that it requires the remittance recipient to have a bank or credit union account. According to a 2003 survey in Mexico, remittance recipients are more likely to have a bank account than the population as a whole; 33 percent, compared to 22 percent.¹⁴ However, 33 percent is still a relatively low number and indicates that a majority of

¹⁴ "Receptores de Remensas en México," Inter-American Development Bank, Multilateral Investment Fund, and the Pew Hispanic Center, October 2003.

remittance senders currently would not benefit from this product. The same survey showed that 67 percent of remittance recipients have banks in their communities, which means that there is still enormous untapped potential for the FedACH product.¹⁵ Despite the current low bank participation rates of remittance recipients, the FedACH nonetheless provides a significant standard for international remittance markets. The pricing parameters are a good model for how complete pricing information can be provided to consumers in a constantly changing exchange rate environment. It also presents an interesting option that money transfer companies could use in transfers to Mexico to simplify some of the market dynamics that impact the industry.

Low Pricing of Remittance Services as a Way to Cross-sell Products

Bank of America, through its SafeSend product, has aggressive in marking down the price of its remittance services to attract new customers. By eliminating the transfer fee, their product is the cheapest option currently on the market that does not require the recipient to have a bank account. Bank of America also announced that it will offer the interbank exchange rate on SafeSend transfers to Mexico.¹⁶ The bank's goal is to use this product as a loss leader, making it enticing enough to consumers to encourage them to use the bank's other services. Such an approach has potential to benefit both consumers and financial institutions. By becoming involved in the banking system, consumers have a safe place to keep their money. They can better control their savings and build a good credit history and a healthy financial future for their families in the United States. Financial institutions benefit in the long-term through profits of providing additional services, including accounts, credit cards and loans. It has yet to be shown whether or not this strategy will be successful in attracting long-term immigrant customers. Currently, Bank of America carries only a small market share in the Mexican money transfer market.

¹⁵ *Ibid.*

¹⁶ Anthony Harrup, "Bank Says It's Not in Remittance Market," *Associated Press*, October 5, 2005.

Recommendations

1. Encourage the industry to provide customers with easy access to exchange rate and cost information.

In a competitive business climate, companies that present clear and accessible pricing information to customers can create market advantage over those that do not. Low cost providers can use transparency as a marketing strategy for gaining new business and loyalty. By setting clear pricing disclosure standards for their industry, providers will improve market efficiency, and likely eliminate some of the exchange rate volatility that results from marketing as opposed to market forces.

2. Implement consumer-oriented federal oversight of international money transfers.

The remittance market is the only financial market of its size without uniform regulation. Without creating unnecessary burdens on remittance companies, federal regulators could require vendors to provide consumers with disclosures that enable consumers to make meaningful cost comparisons among the products available in the marketplace.

This disclosure approach is in line with disclosure and cost computation requirements under the Truth in Savings Act, the Truth in Lending Act and the Electronic Funds Transfer Act. In the context of remittance markets, providing access to the total cost of a remittance transaction, including exchange rate fees, is necessary in order to provide consumers with the basic tools to compare the transaction costs of different money transmitters.

As a strategy for determining the most effective way to provide consumers with accurate and comparable pricing information for international remittance transactions, the U.S. Congress could create a blue ribbon commission comprised of industry and consumer representatives. The commission would be responsible for recommending a regulatory framework that is workable for the industry and provides consumers with the necessary pricing information. It could also address industry concerns that impact competition in the marketplace.

3. Create a system of voluntary market standards for fair remittance pricing practices.

Voluntary market standards have been effective in other markets, including the Fair Trade coffee program and logos indicating no animal testing for cosmetic products. Such an approach can be created through a dialogue with service providers and consumer advocates.

In order to be successful, this approach would require the creation of a set of standards that would assist consumers with pricing information, yet be practical for money transfer company compliance.

Companies meeting those standards would display a logo or other identifiable information. Consumers would be guaranteed basic standards in the remittance pricing structure. Companies would gain a positive reputation among consumers for their fair pricing practices and reduce the likelihood of lawsuits that could result from opaque pricing policies. Such a program would need to be launched in conjunction with organizations that work closely with and have the trust of remitting communities. It would also include outreach and advertising so that consumers understand both the value and the reliability of the program.

“Fair Exchange” remittance standards could focus on pricing basics such as:

- A guarantee that the exchange rate spread would be no more than one percent;
- Clear disclosures on a receipt of the transaction fee, exchange rate, and amount in foreign currency to be received;
- A guarantee that no additional fees will be charged on the receiving end; and
- A guaranteed date and time when the money will be available.

These changes would build greater transparency—economic efficiency and consumer protection—into the remittance market.

Building on the results of this study, Appleseed will work with stakeholders to further evaluate the option of creating voluntary disclosure standards for international remittance providers. We aim to establish a set of standards that are acceptable to both money transfer service providers and organizations representing consumers and to work to take this concept from an idea to a market reality. Once the standards and the vehicle for enforcing the standards are established, we will work to encourage the necessary collaborations between community and industry organizations to implement the project model. Voluntary market standards have been successful in altering both industry and consumer behavior, primarily for consumer retail and agricultural products. Some recent successes in the financial services context demonstrate that they can be both an effective and market friendly alternative to increased regulation.

Introduction

The Market

The flow of money from the United States to Mexico constitutes the single largest remittance market in the world.¹⁷ Remittances from the U.S. to Mexico have more than quadrupled from 1995 to 2004, reaching over \$16.6 billion last year.¹⁸ At the current rate of growth, these immigrants are expected to send over \$20 billion to Mexico this year.

1995	\$4.0 billion
1996	\$4.5 billion
1997	\$5.0 billion
1998	\$6.1 billion
1999	\$7.0 billion
2000	\$7.7 billion
2001	\$9.3 billion
2002	\$10.5 billion
2003	\$13.3 billion
2004	\$16.6 billion

Source: IADB, IMF, InfoAmericas, Reuters News

Over 10 million Mexican immigrants live in the United States, and this population grows by approximately 400,000 annually.¹⁹ This influx has led to the rapid expansion of the remittance business from the U.S. to Mexico.²⁰ The 2003 National Survey of Latinos, conducted by the Pew Hispanic Center, estimates that six million people in the United States regularly send money home, with remittances flowing to virtually every level of Mexican society in almost every region of the country.²¹ Recent studies have identified most recipients as women, but found no distinct differentiation in their age, income distribution, or level of education.²² A 2003 study found that 51 percent of Latin American remittance recipients had monthly incomes of \$370 or less and 76 percent had

¹⁷ U.S. Department of the Treasury, "Congressional Testimony of Wayne Abernathy, Assistant Secretary of the Treasury for Financial Institutions, Before the Committee on Financial Institutions," Washington, D.C., October 1, 2003, <http://www.financialservices.house.gov/media/pdf/100103wa.pdf> (cited June 12, 2005).

¹⁸ Reuters News, "Mexico Remittances Hit Record 16.6 Billion in 2004," January 31, 2005.

¹⁹ U.S. Census Bureau, 2004 American Community Survey.

²⁰ Brendan M. Case, "Mexico Figures Doubted," *The Dallas Morning News*, Thursday, June 16, 2005.

²¹ Roberto Suro, "Remittance Senders and Receivers: Tracking the Transnational Channels" Washington, D.C. November 24, 2003.

²² *Ibid.*

monthly incomes of \$600 or less.²³ Forty-six percent of remittance senders had incomes under \$30,000 per year.²⁴

Recipients use 90 percent of remittances to purchase basic household and consumer goods, and economists estimate that each dollar received by a Mexican household generates close to double that amount in the receiving country's economy at large, due to the multiplier effect inherent in the passage of money from one business to another.²⁵ Besides the tangible economic benefits, remittances also result in other social benefits. At least one study shows that children whose families receive remittances stay in school longer than children of families who do not receive remittances.²⁶

A lucrative multi-billion dollar business has developed to transmit money across borders. In 2004, Mexican immigrants spent approximately \$700 million in fees and commissions to send money back home.²⁷ That figure is expected to rise to an estimated \$948 million in fees and other costs in 2005.²⁸

Typically, customers pay a transaction fee *plus* the exchange rate spread—an undisclosed amount between the price the company pays to purchase the foreign currency and the exchange rate the money transfer company offers its customer. Given an expected \$20 billion market this year, the average exchange rate spread is estimated to cost consumers \$350 million for 2005.²⁹ In some cases, annual fees and/or fees to receive the funds are also charged in a money transfer transaction.

While a handful of players now dominate the money transfer market, the earnings potential continues to draw new entrants, including banks and credit unions, many of which have introduced new remittance services since the late 1990's. Banks often view remittances as a gateway into the Hispanic market, leveraging the service to sell other financial products to an underserved market. Bank of America reported that 70 percent of customers who use their SafeSend remittance product opened checking or savings accounts.³⁰ Credit unions, through an initiative of the World Council of Credit Unions,

²³ Multilateral Investment Fund of the Inter-American Development Bank, et. al., "Remittance Senders and Receivers: Tracking Transnational Channels," November 2003.

²⁴ *Ibid.*

²⁵ Michele Wucker, "Remittances: The Perpetual Migration Machine," *World Policy Journal*, Volume XXI, No 2, Summer 2004, <http://www.worldpolicy.org/journal/articles/wpj04-2/Wucker.html> (cited July 20, 2005).

²⁶ Remarks by Kenneth Dam, Deputy Secretary, United States Department of the Treasury, Miami Herald's Sixth Annual Conference on the Americas, October 15, 2002, http://www.revistainterforum.com/english/articles/102102eco_growth_dammiami.html (cited August 15, 2005).

²⁷ Vivek Taparia, "Banking Across Borders: The Future of the U.S.-Mexico Remittance Corridor," *Texas Business Review*, February 2005.

²⁸ Results based on Appleseed data showing the average cost to send \$300 to Mexico across all four markets was 4.74% of the transaction amount.

²⁹ Results based on Appleseed data showing the average exchange rate spread across all markets of 1.75 percent.

³⁰ Amy Pena, "Ties that Bind," *HispanicTrends*, September 2004, <http://www.hispaniconline.com/trends/2004/sep/politics> (cited August 17, 2005).

also joined the remittance market in July 2000, creating the International Remittance Network through a partnership with Vigo.³¹ The International Remittance Network allows customers to send the money directly to another credit union in Mexico or to a network of non-credit union payers.³² Despite successful account conversion efforts, penetrating the remittance markets, particularly in Mexico, has met with very limited success. According to a 2004 study, money transfer companies continue to dominate the international remittance market, with banks holding no more than a 3 percent share.³³

Current Government Policy and Oversight

There is currently no consistent federal government approach to regulating the international money transfer market to protect consumer rights.

Legal and Regulatory Issues

Public policy experts have only just begun to address the remittance business. The first major legal action in the remittance market came in the late 1990's, when Western Union, Orlandi Valuta, Orlandi Valuta Nacional, MoneyGram, and First Data Corporation (Western Union's parent company) all faced class action lawsuits regarding deceptive exchange rate pricing practices. These lawsuits alleged that defendants did not disclose the profit made on the exchange rate spread, accusing them of unfair or fraudulent business practices.³⁴ As a result of one of these lawsuits, Western Union agreed to pay out \$45 million in vouchers.³⁵ In addition to the monetary damages, the defendants also must now inform customers of all fees assessed when sending money, including the exchange rate. A similar case is currently pending in Illinois.³⁶ That case alleges that non-disclosure of the cost paid by the customer through the exchange rate spread is a violation of the *Illinois Consumer Fraud and Deceptive Business Practices Act*.

The international remittance industry for the most part adheres to regulations on a state-by-state basis, with each state independently managing the licensing and tracking of money transfer operations. Currently 46 states require licensing of money transmitters.³⁷ Besides requiring registration and licensing, some states have taken proactive steps to

³¹ Statement of John Herrera, Chairman, Latino Community Credit Union and Vice President, Self-Help Credit Union; on behalf of Credit Union National Association and World Council of Credit Unions, before the House Financial Services Committee, "Developments in the International Remittance Industry," October 1, 2003.

³² World Council of Credit Unions, "International Remittance Network," http://www.woccu.org/prod_serv/irnet/index.php (cited August 19, 2005).

³³ Manuel Orozco, "The Remittance Market Place: Prices, Policies and Financial Institutions," Pew Hispanic Center, June 2004.

³⁴ Beatriz Ibarra, "Reforming the Remittance Transfer Market," National Council of La Raza, 2005.

³⁵ Seth Lubove, "On the Backs of the Poor," *Forbes Magazine*, November 11, 2004.

³⁶ *Covarrubias v. Bancomer, S.A.*, 814 N.E. 2d947.

³⁷ U.S. Government Accountability Office, "International Remittances: Information on Products, Costs, and Consumer Disclosures," November 2005.

enforce fairness in the marketplace. California was the first state to implement disclosure requirements for international wire transfers and requires the exchange rate be disclosed not only on the receipt, but on any interior or exterior sign that contains information related to exchange rates.³⁸ In September 2003, legislation took effect in Texas requiring money transfer operations to provide customers with receipts that detail all fees and provide the exchange rate. Money transfer operations that do not provide customers with this detailed receipt can face fines as high as \$1,000.³⁹ Washington also implemented receipt disclosure requirements in 2003, though they are not as extensive as the California or Texas requirements.⁴⁰ New York state law protects remittance senders by requiring international wire transfer companies to contribute to the “state transmitters of money insurance fund” that is available to consumers who lose money sent in an international wire transfer transaction because the transmitter does not make payment.⁴¹

These state-by-state efforts make the case for a standardized pricing structure that would allow customers access to the full price *prior* to the transaction. A customer might still choose to shop at the more expensive, yet more convenient, store—whether it is a gas station or a money transfer service—but would still expect that the price be clearly disclosed prior to purchase.

On the national level, oversight and regulation have not gained the necessary political momentum to clear either House of Congress. Six years ago in the House of Representatives, Representative Luis Gutierrez introduced the Wire Transfer Fairness and Disclosure Act of 1999 to address problems in the remittance market. Similar bills were introduced in the House in 2001, 2003, and 2004. Most recently, Representative Gutierrez introduced the International Remittance Consumer Protection Act of 2005 in February of 2005.

In the Senate, Senator Jon Corzine introduced the Money Wire Improvement and Remittance Enhancement (WIRE) Act of 2003. Like the proposed legislation in the House, the Senate bill would have required money transfer services to disclose: (1) the exchange rate used in the transaction; (2) the prevailing exchange rate as found at a major financial center of the foreign country whose currency is involved in the transaction or the official exchange rate of the foreign country, if such a fixed rate exists; (3) all commissions and fees charged in connection with the transaction; and (4) the exact amount of foreign currency that the recipient in the foreign country would receive. Also in 2003, Senator Barbara Boxer introduced the International Remittance Service Enhancement and Protection Act, which included consumer disclosure provisions. In January of 2004, Senator Paul Sarbanes introduced the International Remittance Consumer Protection Act. The Senator reintroduced the bill in January of 2005.

³⁸ California Finance Code §1815.

³⁹ Texas Finance Code §Chapter 278.

⁴⁰ Revised Code of Washington 19.230.330.

⁴¹ New York Banking Law §653.

Efforts by U.S. Government Agencies

U.S. government agencies have taken steps to address the problems in the remittance market through other channels. In 2003, The Federal Deposit Insurance Corporation (FDIC) and the Mexican Consulate in Chicago launched the New Alliance Task Force initiative, an outgrowth of the U.S.-Mexico Partnership for Prosperity between the United States and Mexico. The Task Force has identified development of innovative remittance products as one of its primary goals.⁴² It has begun to address remittance market shortcomings by encouraging financial institutions to offer remittance products that meet the needs of recent immigrants. The Task Force includes representatives of the FDIC and other banking regulators, financial institutions, the Mexican Consulate, community-based organizations, secondary market companies, and private mortgage insurance companies.⁴³ The first task force began in Chicago, and the initiative has now expanded to include task forces in other FDIC regions. While still in its early stages, this initiative exhibits promise for aiding in the development of consistent disclosure standards for the remittance market.

In another initiative stemming from the Partnership for Prosperity, the U.S. Department of the Treasury Department partnered with Mexico's federal savings bank, Banco del Ahorro Nacional y Servicios Financieros (BANSEFI), to create an Internet-based "People's Network" program to channel remittances inexpensively to 3.8 million rural Mexicans.⁴⁴ Up until last year, non-commercial banks in Mexico, such as credit unions, could not receive electronic transfers from abroad. Now that these organizations can send and receive electronic transfers, the government has set up a system to facilitate them through BANSEFI. The U.S. Department of the Treasury has given BANSEFI a substantial grant to promote regulatory changes and set up a clearinghouse for electronic transfers through back-office channels.⁴⁵

The Federal Reserve Banks have also worked to promote cheaper costs for remittance transfers to Mexico. In partnership with the Bank of Mexico, the Federal Reserve Banks launched the FedAutomated Clearing House International Mexico Service in February 2004. The transaction cost for financial institutions is less than \$1. The system automatically transfers money from depository financial institutions in the U.S. to a

⁴²Federal Reserve Bank of Dallas, "Task Force Launched to Promote Financial Services for Immigrants," *E-Perspectives Online*, Volume 5, Issue 1, 2005, http://www.dallasfed.org/ca/epersp/2005/1_2.html (cited August 16, 2005).

⁴³ Michael A. Frias, "Linking International Remittance Flows to Financial Services: Tapping the Latino Immigrant Market," Federal Deposit Insurance Corporation, *Supervisory Insights*, http://www.fdic.gov/regulations/examinations/supervisory/insights/siwin04/latino_mkt.html (cited August 13, 2005).

⁴⁴ Michele Wucker, "Remittances: The Perpetual Migration Machine," *World Policy Journal*, Volume XXI, No. 2, Summer 2004, <http://www.worldpolicy.org/journal/articles/wpj04-2/Wucker.html> (cited July 20, 2005).

⁴⁵ Paul Constance, Interview with Donald Terry, Multilateral Investment Fund General Manager: "The High Cost of Solidarity," *Magazine of the Inter-American Development Bank*, November 2002, <http://www.iadb.org/idbamerica/index.cfm?thisid=1397> (cited August 15, 2005).

receiver's account in a depository financial institution in Mexico.⁴⁶ This system provides a channel for easily exchanging money between the two central banks. U.S. dollars get converted into Mexican pesos by the Bank of Mexico, which guarantees a .21 percent spread over the Bank of Mexico exchange rate. The inclusion of foreign exchange in the service provided by the central banks allows banks of any size to offer as many transfers as needed.

In June 2004, as part of an effort to encourage more banks to enter the remittance market and improve access to the U.S. banking system among recent Latin American immigrants, bank regulatory agencies clarified that financial institutions offering low-cost international remittance services would receive credit under the Community Reinvestment Act (CRA).⁴⁷

Remittance Transfers: Consumer Concerns

Since the late 1990's there have been a number of focus group studies and surveys conducted across the U.S. focusing on the Latin American immigrant experience remitting money to Mexico. Immigrant consumers identified three primary concerns in these studies: undisclosed fees to pick up money, remitted funds not arriving on time, and personal safety and financial security issues.

Undisclosed Fees

There is significant anecdotal evidence that recipients of remittances from the U.S. are required to pay additional, undisclosed fees to pick up the money in Mexico. A participant in a 1998 study of money transfers between Los Angeles and Jalisco, Mexico mentioned that he had paid 1000 pesos extra in order to pick up money from a money transfer company agent in Mexico.⁴⁸ A participant in focus groups conducted in Mobile, Alabama and Las Vegas, Nevada in April 2004 mentioned, "Not only do I pay for sending the money, my family has to pay to get the money too."⁴⁹

Late Fund Delivery

Concerns about money not arriving when promised were expressed in the 1998 study of Los Angeles immigrants from Jalisco and in a 2002 survey of Mexican remittance senders in Austin, Texas. One participant in the Austin survey mentioned that a company promised delivery of money in one day, but the money was not available

⁴⁶ Michael A. Frias, "Linking International Remittance Flows to Financial Services: Tapping the Latino Immigrant Market," Federal Deposit Insurance Corporation, *Supervisory Insights*, http://www.fdic.gov/regulations/examinations/supervisory/insights/siwin04/latino_mkt.html (cited August 13, 2005).

⁴⁷ *Ibid.*

⁴⁸ Rafael Alarcón, et al, "Money Transfer Mechanisms Between Los Angeles and Jalisco, Mexico," North American Integration and Development Center, May 1998.

⁴⁹ Bendixen and Associates, "The Barriers to Banking and Building Credit History of Latin Americans; A Focus Group Study of Unbanked Hispanics in Mobile, Alabama and Las Vegas, Nevada," Homeownership Alliance, June 2004.

until 15 days after it was sent.⁵⁰ A participant in a series of focus groups carried out in Florida, Georgia, and Tennessee listed punctual, prompt delivery funds as a top priority.⁵¹

Security Issues

Security, both of the money transferred and of family members receiving remittances, surfaced as an important priority issue. In the Austin, Texas survey, 18 percent based their selection of a transfer service primarily on how secure they perceived it to be.⁵² Participants in the Mobile, Alabama and Las Vegas, Nevada focus groups listed security of the transaction and for their receiving family members as a major attraction to using a bank for money transfer.⁵³ A participant in a 2002 study of Latin American remittance senders in Miami and Los Angeles commented, “In my country, when you send money it’s very dangerous because everyone knows the places where people pick up the money. They rob people and steal their money. But if I send it this way, from bank to bank, I don’t think that anything would happen to them.”⁵⁴

Need for Consumer Education: Exchange Rate Pricing

On the issue of Latin American immigrant consumers using exchange rate costs to guide their choice of a money transfer provider, various focus groups and studies reached very different conclusions.

In the Austin, Texas study, more than 50 percent of those surveyed chose a money transfer service based on convenience, either for the sender or for the recipient. Only 14 percent chose a money transfer service based on cost.⁵⁵ More importantly, the people surveyed did not focus on exchange rates as an important cost to consider. It is likely that little emphasis was placed on cost because consumers were unaware of the price differentials or found it too difficult to compare prices. A 2002 study in Los Angeles and Miami was consistent with the Texas findings, concluding that there was little awareness about the costs incurred from exchange rate spreads.⁵⁶

⁵⁰ Survey and focus group study conducted by the Mexican Center at the University of Texas at Austin and Texas Appleseed, June-July 2002.

⁵¹ Marianne Hilgert, et al, “Banking on Remittances: Increasing Market Efficiencies for Consumers and Financial Institutions,” Federal Reserve System Community Affairs Research Conference, April 15, 2005.

⁵² Survey and focus groups conducted by the Mexican Center at the University of Texas at Austin and Texas Appleseed from June - July of 2002.

⁵³ Bendixen and Associates, “The Barriers to Banking and Building Credit History of Latin Americans; A Focus Group Study of Unbanked Hispanics in Mobile, Alabama and Las Vegas, Nevada,” Homeownership Alliance, June 2004.

⁵⁴ Roberto Suro, et al., “Billions in Motion: Latino Immigrants, Remittances and Banking,” Pew Hispanic Center and the Multilateral Investment Fund, November 22, 2002.

⁵⁵ Survey and focus groups conducted by the Mexican Center at the University of Texas at Austin and Texas Appleseed from June - July of 2002.

⁵⁶ Roberto Suro, et al., “Billions in Motion: Latino Immigrants, Remittances and Banking,” Pew Hispanic Center and the Multilateral Investment Fund, November 22, 2002.

In contrast, the 2004 focus groups in Florida, Georgia, and Tennessee reported significant consumer awareness of exchange rates, noting that remittance senders both comparison shopped based on exchange rates and found those rates readily available.⁵⁷

The difference in the studies' findings could relate to improved market information and a more competitive market, or it could reflect inaccuracies in consumer perceptions of the market.

⁵⁷ Marianne Hilgert, et al, "Banking on Remittances: Increasing Market Efficiencies for Consumers and Financial Institutions," Federal Reserve System Community Affairs Research Conference, April 15, 2005.

Study of the U.S.-Mexico Money Transfer Market

Despite increased competition, government investigation, and improvements in consumer awareness, the remittance market does not provide consumers with transparent transaction pricing. There are two major problems for consumers in the money transfer market:

- Companies do not uniformly provide customers with either the total transaction cost or the exchange rate before a transaction is completed.
- As the official exchange rate moves, companies differ in how frequently they adjust the exchange rate they offer. Some make a same-day rate adjustment, some set one rate per day, and still others adjust the exchange rate weekly, twice per week, or make other periodic adjustments.

In order to clarify the above problems and to determine how best to provide transparency in remittance pricing it is important to understand:

- Total remittance transaction pricing and how that pricing varies over time, among companies and in various geographies;
- Changes in pricing among companies due to upfront fees as compared to the non-disclosed exchange rate cost; and
- How exchange rates offered change within a day, from day to day, and among geographies.

Appleseed conducted a study of up front transactional pricing and exchange rate pricing for wire transfers to Mexico from Georgia, Illinois, Nebraska, and Texas, to shed light on the above issues. Understanding these pricing issues provides insight both into sources

Table 1: Immigrant Facts from Georgia, Illinois, Nebraska, and Texas

	Georgia	Illinois	Nebraska	Texas
Number of Mexican immigrants	253,976	666,937	35,996	2,117,635
Total amount of remittances to Latin America (in millions of U.S. dollars)	\$947	\$1,528	\$80	\$3,180

Source: 2004 American Community Survey and the Inter-American Development Bank 2004.

of consumer confusion on remittance transaction pricing and possible strategies to address market problems.

The four markets surveyed in this study—Georgia, Illinois, Nebraska, and Texas—offer geographic diversity and diversity in numbers of Mexican immigrants, as well as a mix of old and new immigrant destinations.

Study Methodology

This study examines transaction pricing and fluctuations of the exchange rates offered by remittance service providers during a two-week period, June 13-24, 2005. Each of the 21 remittance services surveyed in the study received calls twice per day, at 10 am and 3 pm, Monday through Friday, for a two-week period.⁵⁸ Researchers gathered pricing information on both fees and exchange rates concerning each of the 21 different services offered by 20 different companies. These vendors included large, traditional money transfer operations, such as Western Union; newer remittance vendors such as Harris Bank; and the United States Postal Service's Dinero Seguro service. Table 2 lists all of the remittance services surveyed.

Researchers collected data from a representative group of remittance service providers in each of four geographic areas: Atlanta, Georgia; Chicago, Illinois; Lincoln/Omaha, Nebraska; and Austin, Texas. When possible, researchers collected exchange rate data from the same remittance vendor across different geographic areas.⁵⁹ The data in this study was gathered over the telephone and reflects information provided by the customer service representatives of the companies surveyed.

The study calculated the fee and exchange rate pricing information for these services based on the total cost to send \$300 to Mexico, using each remittance service provider's least expensive form of transmission. The amount and frequency used as the benchmark for this study came from a 2003 study, which estimated that two-thirds of remitters send money at least once a month, with the majority of remitters sending between \$100 and \$300 each time.⁶⁰ In addition to gathering data on pricing and fees, the research team also gathered data on payment options, what type of transfer the service provided (e.g. wire transfer or cash-to-card), the form in which recipients got the money, where the recipient could pick up the money, and the necessary identification required to send the money. For a comprehensive look at this data, see Appendix E.

⁵⁸ The 21 services includes Ria in Texas, which only provided two days of exchange rate information, but was included in some sections of the survey analysis.

⁵⁹ This study had to drop a number of money transfer operations due to the researchers' inability to collect data on exchange rates. The original list of companies surveyed included twenty-five different services. However, the study could only analyze the details from twenty-one services due to data collection impediments, such as uninformed customer service representatives and frequent hang-ups. A total of 38 separate locations for 21 different services were included in the survey.

⁶⁰ Roberto Suro, "Remittance Senders and Receivers: Tracking the Transnational Channels," Washington, D.C., November 24, 2003.

Table 2: Surveyed Remittance Service Providers

Service Providers	Georgia	Illinois	Nebraska	Texas
Afex	x		x	x
All Checks Cashed	x			
America Transfers		x		
Bank of America - SafeSend	x	x		x
Citibank				x*
Commercial Federal			x	
DolEx	x	x		x*
Harris Bank		x		
Intermex		x		
Mexico Transfers	x*	x		
MoneyGram	x	x	x	x
Money Market of Atlanta	x*			
Order Express		x		
Orlandi Valuta	x			x
Ria				x*
Sigue			x	x*
Tajimaroa Envios		x*		
Unipago				x
U.S. Bank			x*	
United States Postal Service - Dinero Seguro				x
Vigo	x		x	x
Wachovia - Dinero Directo Card	x			
Wells Fargo - Dinero al Instante ⁶¹	x			x
Wells Fargo - InterCuenta Express	x	x	x	x
Western Union	x	x	x	x

**Company dropped from detailed analysis due to insufficient data. DolEx, Ria, and Sigue in Texas provided two days of exchange rate data and were included in sections of the study. Note: Both Bank of America and Wells Fargo have changed their transaction fees since this study was conducted. All the fees and exchange rate reflect available information during the time period of the study.*

Data Analysis

Total Pricing Trends

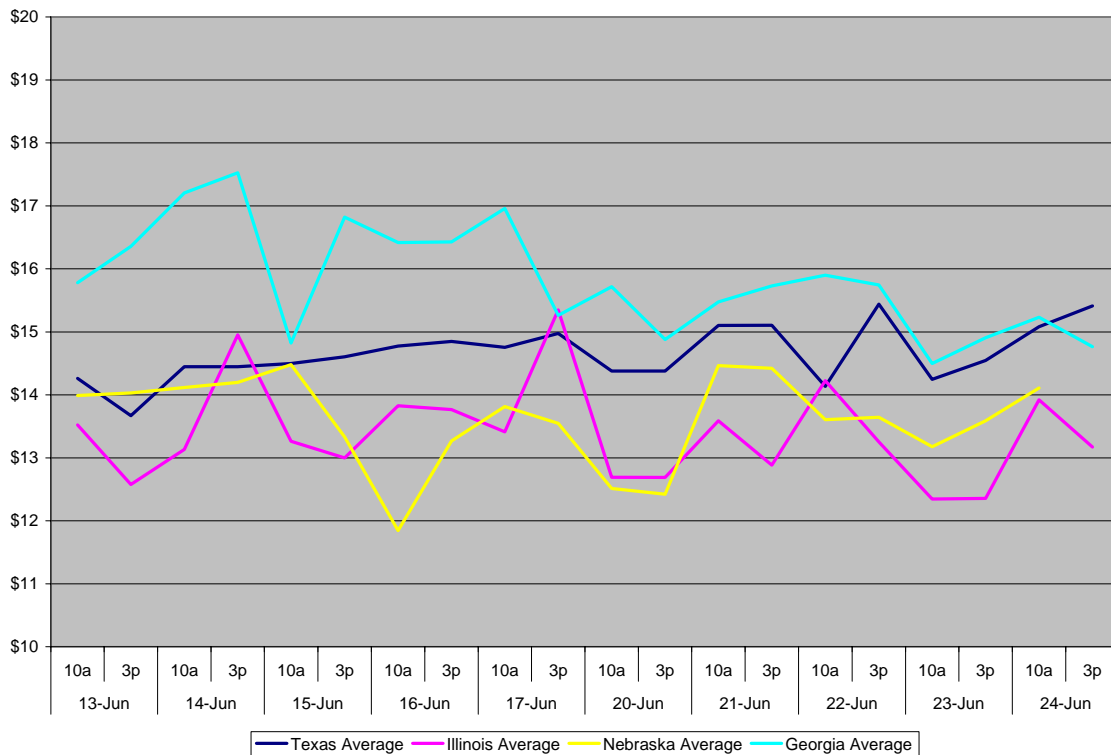
The total cost to send money to Mexico, which includes the transaction fee and the exchange rate spread, varied from a two-week low of \$2.24 offered by Bank of

⁶¹ The Georgia research team collected data on Dinero al Instante. However, that program is not currently available in Georgia.

America’s SafeSend service from Illinois on the afternoon of June 20th, .7 percent of the total \$300 transferred, to a two-week high of \$26.05 offered by Wachovia Bank in Georgia on the afternoon of June 14th, 9 percent of the total \$300 transferred.

Total cost figures do not remain constant, but rather fluctuate during the day. As a result of this trend, observers of the remittance market cannot definitively claim that, for example, “MoneyGram is always cheaper than Western Union.” However, assertions such as “the cost of Vigo’s remittance service from Georgia to Mexico typically falls below the Georgia state average” can prove valid. Even simple generalizations require caution, because they demonstrate only basic trends, and do not hold true for every data point observed.

Chart 1: Average Total Cost to Send \$300 to Mexico by State*



*The Texas data in this chart does not include DolEx, Ria or Sigue, as only two days of data was available for the period of study.

Chart 1 illustrates the movement in pricing in the four markets surveyed. The average total price in each of the markets fluctuates both from day to day and within a day. Georgia and Illinois showed comparable variations with a difference of approximately \$3.00 between the lowest and highest average total price for the market. The Nebraska data reflects a \$2.62 range in total cost and the Texas data showed the smallest range, with a difference of \$1.77 between the highest and the lowest total average cost. The movement in cost from day to day and even within a day reflects the difficulty consumers face in accessing accurate and complete pricing data for remitting money to Mexico and

in determining the most cost-effective option. Because the transactional fees did not change for the period of this study, all of the movement is due to increases and decreases in the average exchange rate spread. It indicates that the spread is not consistent from day to day or from company to company. The exchange rate spread will be discussed in more detail in following sections.

Table 3 reflects general pricing trends among the regions in the survey. Chicago had the lowest average prices, followed by Nebraska and Texas. The average cost to send \$300 to Mexico from Georgia was at least \$2 more than sending money from the other regions surveyed. Three Texas providers, DolEx, Ria, and Sigue, were included in the Texas average, though they only provided researchers with exchange rate information for the first two days of the study. Without those three companies, the Texas cost average is \$14.65.

Table 3: Average Total Cost to Send \$300 to Mexico

	Georgia	Illinois	Nebraska	Texas
Afex	\$14.28		\$14.04	\$15.49
All Checks Cashed	\$20.42			
America Transfers		\$13.13		
Bank of America - SafeSend	11.52	\$4.26		\$11.64
Commercial Federal			\$9.60	
DolEx	\$14.48	\$13.49		\$12.82*
Harris Bank		\$14.46		
Intermex		\$12.51		
Mexico Transfers		\$15.17		
MoneyGram	\$14.72	\$15.19	\$14.38	\$14.06
Order Express		\$13.69		
Orlandi Valuta	\$14.72			\$15.20
Unipago				\$12.08
Ria				\$10.36 *
Sigue			\$11.92	\$12.26 *
United States Postal Service – Dinero Seguro				\$12.61
Vigo	\$15.11		\$13.31	\$14.96
Wachovia – Dinero Directo Card	\$20.88			
Wells Fargo – Dinero al Instante	\$18.05			\$18.11
Wells Fargo – InterCuenta	\$16.51	\$16.41	\$16.40	\$16.25
Western Union	\$16.50	\$15.65	\$15.99	\$16.14
Average	\$16.08	\$13.40	\$13.66	\$14.00**

**Average based on limited information. Companies refused to provide exchange rate information after the first few days of the study.*

***The Texas average was \$14.65 without including the limited information from DolEx, Ria, and Sigue.*

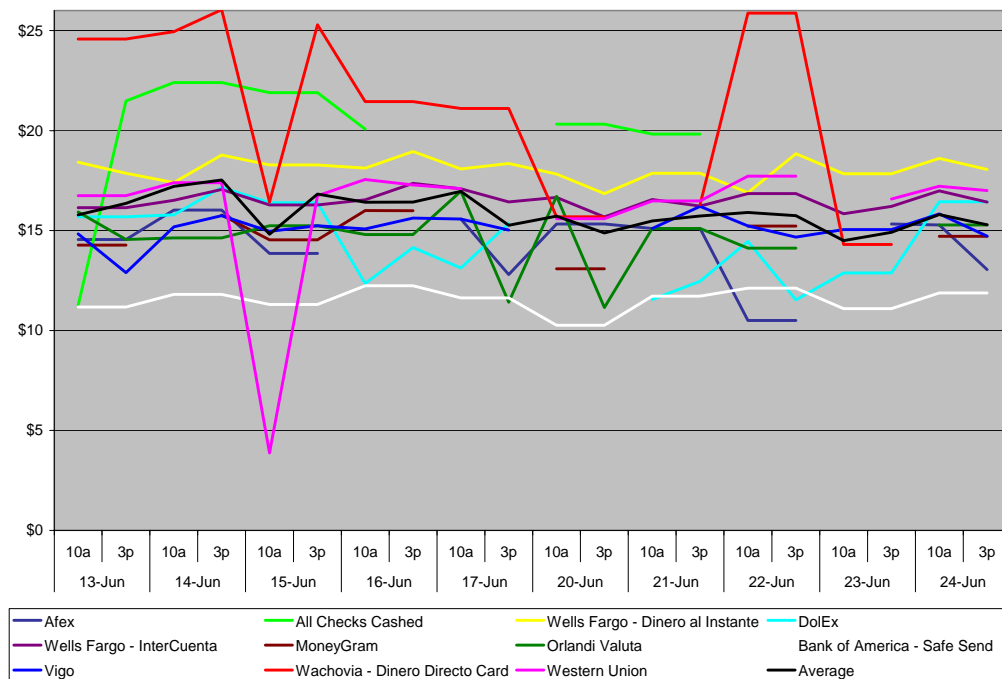
A Georgia Case Study

The Georgia market was the most expensive market surveyed in terms of total costs. The high cost was a product of both higher than average fees and higher than average exchange rate spreads. However, not all transfers from the Georgia market surveyed were more expensive than other markets. Orlandi Valuta, Afex, and Bank of America SafeSend offered a lower total average cost than the same products in the Texas market.

Despite the difference in average price, the Georgia market follows the same pricing patterns of other markets surveyed. A closer look at the daily pricing of individual companies demonstrates that, though averages are helpful, they may not be an accurate indicator for consumers in finding the best price to transfer money on a particular day.

Chart 2 illustrates how total cost can vary from day to day with the same service provider. Wachovia's Dinero Directo service, Western Union, Wells Fargo's Dinero al Instante and InterCuenta Express, and All Checks Cashed tend to be consistently above the average price line. DolEx, Vigo, Afex, Orlandi Valuta, Bank of America SafeSend, and Money Gram tend to be below the average pricing line. However, that general guide may not be helpful on particular days. For example, the lowest total cost for the entire period came from Western Union on June 15th, and a few services that tend to be either above or below the average line have points where they break that trend. Vigo, Afex, and Orlandi Valuta, for example, are generally below the average pricing line, but do have days in the study period where their prices are above the line. Similarly, services generally above the line have days where they offer below average prices.

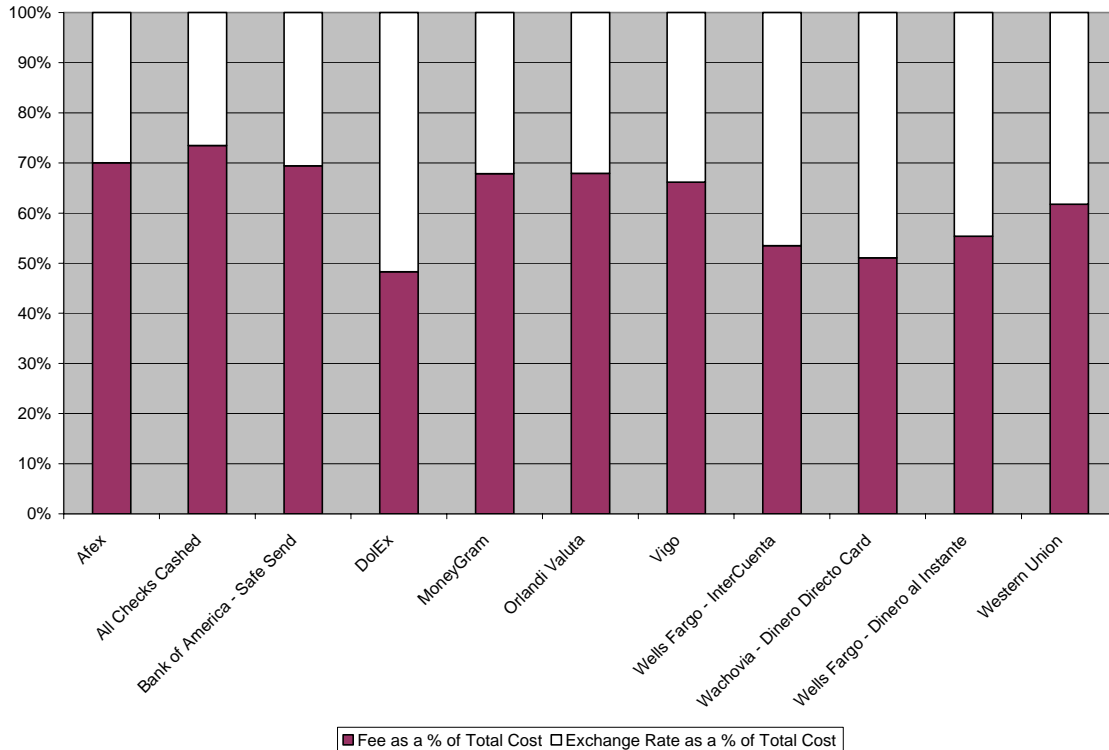
Chart 2: Total Cost to Send \$300 from Georgia to Mexico



Every money transfer operation structures its fee and exchange rate costs differently from its competitors. For example, to send money from Georgia to Mexico using DoIEx's service, a remitter pays 48 percent of the total cost of the transfer in upfront fees, and 52 percent of the total cost from the exchange rate spread.

In contrast, to send money from Georgia to Mexico using the All Checks Cashed service, a remitter pays 73 percent of the cost of the transfer in upfront fees and 27 percent of the cost through the exchange rate spread.

Chart 3: Fee and Exchange Rate as a Percentage of the Cost of Transfer in Georgia



Total Pricing Trends Over Time: A Look at the Texas Market

As previously mentioned, the number and type of companies offering remittance services have grown rapidly in the past five years. This increased competition has lowered the average cost of sending money. According to data gathered in Texas, the average cost to send funds from Texas to Mexico in June 2004 was \$16.44, or 5.48 percent of \$300. By 2005, the average cost to send \$300 from Texas to Mexico for a comparable group of companies had dropped to \$14.00, or 4.67 percent of the principal.⁶²

⁶² Texas Appleseed exchange rate studies, June 2004 and June 2005.

Table 4: Total Cost to Send \$300 from Texas to Mexico

	June 2004	November 2004	June 2005
Afex		\$14.21	\$15.49
Bank of America - SafeSend	\$20.53	\$21.98	\$11.64
DolEx	\$19.09	\$16.06	\$12.82*
MoneyGram		\$14.57	\$14.06
Orlandi Valuta	\$13.92	\$13.52	\$15.20
Unipago	\$14.90	\$14.99	\$12.08
Rapid Money	\$13.61	\$12.99	
Ria	\$15.18	\$14.56	\$10.36*
Sigue		\$13.83	\$12.26*
United States Postal Service – Dinero Seguro			\$12.61
Vigo	\$15.27	\$14.24	\$14.96
Wells Fargo – Dinero al Instante	\$15.97	\$17.16	\$18.11
Wells Fargo – InterCuenta	\$19.12	\$15.06	\$16.25
Western Union	\$16.78	\$16.18	\$16.14
Average	\$16.44	\$15.33	\$14.00

**Only two days of data available. The Texas average was \$14.65 without including the limited information from DolEx, Ria, and Sigue.*

Source: Texas Appleseed data collected at 10 am and 3 pm weekdays for the periods: May 17-June 25, 2004, November 1-12 2004, and June 13-24 2005.

Analyzing the cost to transfer \$300 on a company-by-company level, however, shows that this decline does not prove consistent across all service providers. For example, in June 2004, the average total cost to send \$300 from Texas to Mexico using Orlandi Valuta’s remittance service came to \$13.92. In June 2005, the cost to use the same service was \$15.20.

Fees

Upfront transaction fees charged by money transfer services were readily available. This study calculated flat fees by including each remittance vendor’s cost of transfer, as well as any additional annual service fees assessed. Wells Fargo’s InterCuenta Express service, for example, charges an \$8 fee for every transaction made, with an additional \$10 annual fee to participate in the program. Calculating the true fee per transaction thus involved dividing the \$10 annual fee by 12 and adding the result to the \$8 transaction fee to find the true total upfront fee paid for sending money home every month. The study divided the annual fee by 12 based on a 2003 study of remittance senders and receivers,

which found that approximately 45 percent of remitters send money home once a month⁶³.

During the two-week period of the study, the average fee to send \$300 to Mexico for all markets surveyed came to \$9.11. Of the 21 different remittance services studied, the fee charged to send money ranged from a low of \$0 for Bank of America’s SafeSend service from Illinois to Mexico, to a high of \$10.09 for Wachovia’s Dinero Directo card to send money from Georgia to Mexico.

Apart from Bank of America’s no cost service, upfront fees did not vary considerably by company or geography. For example, the average fee to send \$300 from Georgia to Mexico is \$9.90; from Illinois to Mexico, \$8.33; from Nebraska to Mexico, \$9.05; and from Texas to Mexico, \$9.14. The median fee to send money to Mexico from the four markets in this study was \$9.99.

Table 5: Remittance Transaction Fees

	Georgia	Illinois	Nebraska	Texas
Afex	\$10.00		\$9.00	\$10.00
All Checks Cashed	\$15.00			
America Transfers		\$10.00		
Bank of America - SafeSend	\$8.00	\$0		\$8.00
Commercial Federal			\$5.50	
DolEx	\$7.00	\$7.00		\$4.00
Harris Bank		\$8.99		
Intermex		\$9.50		
Mexico Transfers		\$10.00		
MoneyGram	\$9.99	\$8.99	\$10.00	\$9.99
Order Express		\$10.00		
Orlandi Valuta	\$10.00			\$9.99
Unipago				\$8.00
Ria				\$10.00
Sigue			\$10.00	\$10.00
United States Postal Service – Dinero Seguro				\$10.00
Vigo	\$10.00		\$10.00	\$10.00
Wachovia – Dinero Directo Card	\$10.09			
Wells Fargo – Dinero al Instante	\$10.00			\$10.00
Wells Fargo – InterCuenta	\$8.83	\$8.83	\$8.83	\$8.83
Western Union	\$9.99	\$9.99	\$9.99	\$9.99
Average	\$9.90	\$8.33	\$9.05	\$9.14

⁶³ Robert Suro, “Remittance Senders and Receivers: Tracking the Transnational Channels,” Washington, D.C., November 24, 2003.

The fees charged for remittance services have declined. According to data gathered by Texas Applesseed from June 2004 to June 2005, the average fee to send money from Texas to Mexico decreased from an average of \$10.50 in June 2004 to an average of \$9.14 in 2005. Of the nine companies included in all three rate surveys from 2004 to 2005, five had no change in their fees, maintaining fees in the \$10 range. Four services had price decreases, with SafeSend showing the greatest decrease because of a lower fee and the elimination of the 3 percent foreign exchange fee. Unipago, DolEx, and InterCuenta also had a decrease in fees. Table 6 illustrates the changes in average fees over a one-year period.

Table 6: Texas Remittance Transaction Fees June 2004-June 2005

	June 2004	November 2004	June 2005
Afex		\$10.00	\$10.00
Bank of America - SafeSend	\$19.00*	\$19.00*	\$8.00
DolEx	\$8.00	\$5.40	\$4.00
MoneyGram		\$9.99	\$9.99
Orlandi Valuta	\$10.00	\$10.00	\$9.99
Unipago	\$8.00	\$10.00	\$8.00
Rapid Money	\$10.00	\$10.00	
Ria	\$10.00	\$10.00	\$10.00
Signe		\$10.00	\$10.00
United States Postal Service – Dinero Seguro			\$10.00
Vigo	\$10.00	\$10.00	\$10.00
Wells Fargo – Dinero al Instante	\$10.00	\$10.00	\$10.00
Wells Fargo – InterCuenta	\$10.00**	\$8.83**	\$8.83**
Western Union	\$9.99	\$9.99	\$9.99
Average	\$10.50	\$10.25	\$9.14

*Fee includes a 3 percent foreign currency exchange rate service fee.

**Fee includes an annual fee to use the service.

Source: Texas Applesseed data collected in June and November 2004 and June 2005.

Exchange Rate Costs

Besides the up-front fee to send money, a remitter also pays money through the undisclosed exchange rate spread - the difference between the exchange rate offered to customers, and the price the money transfer company pays to purchase foreign currency.

**Table 7: Average Exchange Rate Spread
June 13 – 24 2005**

	Georgia	Illinois	Nebraska	Texas
Afex	1.43%		1.68%	1.83%
All Checks Cashed	1.81%			
America Transfers		1.04%		
Bank of America - SafeSend	1.17%	1.42%		1.21%
Commercial Federal			1.37%	
DolEx	2.49%	2.16%		2.94%*
Harris Bank		1.82%		
Intermex		1.00%		
Mexico Transfers		1.72%		
MoneyGram	1.58%	2.07%	1.46%	1.36%
Order Express		1.23%		
Orlandi Valuta	1.57%			1.74%
Unipago				1.36%
Ria				.12%*
Sigue			0.64%	.75%*
Vigo	1.70%		1.10%	1.65%
Wachovia - Dinero Directo	3.60%			
Wells Fargo - Dinero al Instante	2.68%			2.70%
Wells Fargo – InterCuenta	2.56%	2.53%	2.52%	2.46%
Western Union	2.06%	1.89%	2.00%	2.05%
USPS				0.87%
Average by State	2.06%	1.69%	1.54%	1.62%**

*Only two days of data were available to compile the average exchange rate spread.

**Excluding DolEx, Ria, and Sigue, the Texas average is 1.72 percent.

Because it is not possible to determine the price paid for currency by each money transfer service, the official rate offered by the Bank of Mexico is used as a proxy.⁶⁴

For example, on the first day of the study, the Bank of Mexico offered a rate of 10.87 for converting dollars into pesos. On the morning of this same day, a remitter sending money from Texas to Mexico using Western Union’s next day money transfer service was offered 10.63 pesos for \$1. On a transaction of \$300, a customer on that Monday morning paid \$6.62 to Western Union in an exchange rate fee to send the money. Table 7 shows the average exchange rate spread charged by each company surveyed over the two-week period, June 13-24, 2005. Nebraska had the lowest average spread, while Georgia had the highest.

Remittance service providers usually share the profit made on the exchange rate spread with distribution partners in Mexico. The larger banks offering remittance services typically partner with a Mexican financial institution in order to complete their transaction on the Mexican side of the border. In 2001 Citibank partnered with Banamex,

⁶⁴ The daily Bank of Mexico rate used for this study was accessed at the website: <http://www.banxico.org.mx/SiteBanxicoIngles/eInfoFinanciera/FrinfoFinanciera.asp?liga=FIX>.

which is owned by Citigroup; in 2002, Bank of America partnered with Santander Serfin, which is partially owned by Bank of America; and in 2004, Wells Fargo announced its remittance agreement with Banorte.⁶⁵ Many non-bank remittance service providers in the United States also partner with Mexican banks to complete remittance transactions. Other money transfer companies choose to make services available through retail operations, such as grocery or convenience stores.⁶⁶ Multiple intermediaries might take part in a money transfer operation's remittance service, including agents providing the money on the receiving side and financial institutions used by the vendor to make transactions.⁶⁷ In both money transfer models, the corporations in the United States share the exchange rate spread with Mexican partners.

Over the course of the two weeks in this study, the surveyed money transfer services charged an average exchange rate spread of between a .64 percent and 3.6 percent. These numbers reflect a pattern of declining spreads. For example, in 1999 the Western Union exchange rate spread came to an estimated 11.16 percent.⁶⁸ In 2005, Western Union's average exchange rate spread over all four of the markets surveyed in this study was 1.98 percent.⁶⁹

Exchange rate information gathered in Texas from June 2004, November 2004, and June 2005 shows that, on average, the exchange rate spread has decreased in Texas from 2004 to 2005. From June 2004 to June 2005 the average exchange rate spread in Texas declined from 2.3 percent to 1.7 percent, an average savings of \$1.80 per \$300 transfer.⁷⁰

Bank of America's SafeSend program showed the sharpest decline in average exchange rate spread in Texas during that time period, going from offering an average exchange rate spread of 3.5 percent in June 2004, one of the highest exchange rate spreads surveyed in Texas, to an average exchange rate spread of 1.2 percent in June 2005. This decrease in exchange rate spread accounts for a savings on average to the customer of \$6.90 per \$300 transfer.

In contrast, Wells Fargo's Dinero al Instante service exhibited a steady rise in the exchange rate spread over the period from 2004 to 2005, from an average of 2 percent in June 2004 to an average of 2.7 percent in June 2005, an increase of \$2.10 per \$300 transfer.

⁶⁵ Melissa Cortes, "The Latin American Remittance Market: Everyone Wants a Piece of the Pie," *InfoAmericas Tendencias Industry Analysis*, January 2005.

⁶⁶ Samuel Frumkin, "Remittances: A Gateway to Banking for Unbanked Immigrants," Comptroller of the Currency Administrator of National Banks, *Community Developments*, September 2004.

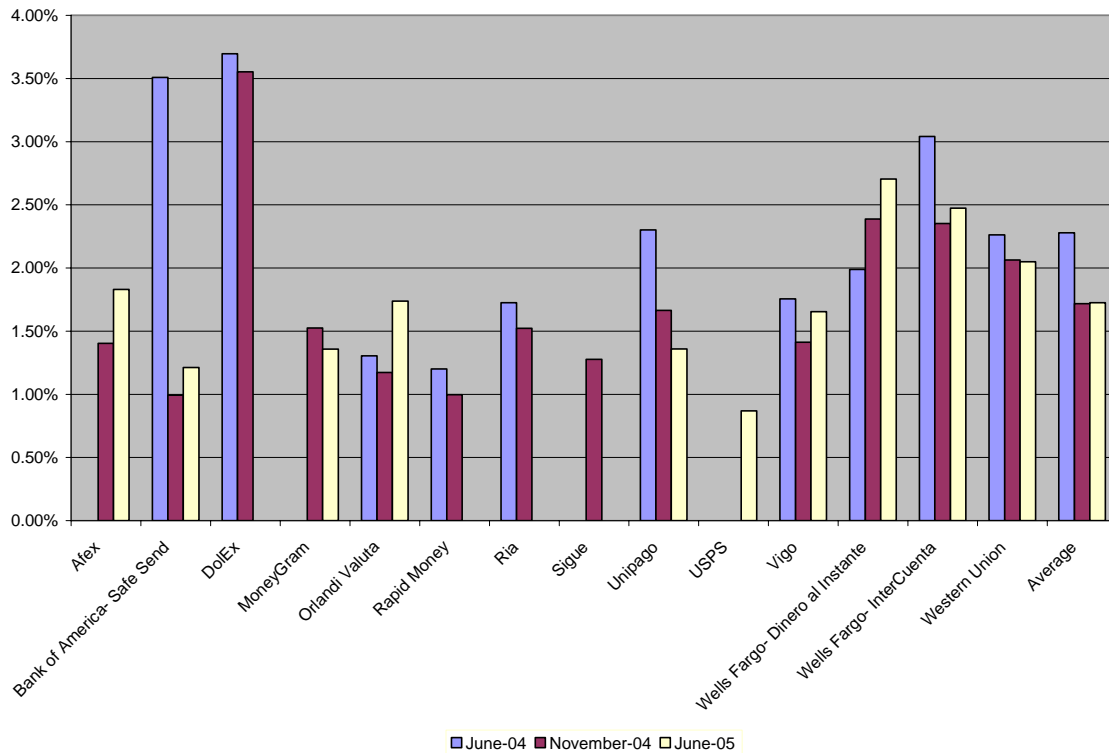
⁶⁷ Manuel Orozco, "The Remittance Marketplace: Prices, Policy and Financial Institutions," Pew Hispanic Center Report Washington, D.C., June 2004.

⁶⁸ Manuel Orozco, "Remittances as Development Tool," paper delivered at the Inter-American Development Bank Conference, May 17-18, 2001; Inter-American Dialogue Washington, D.C., <http://www.iadb.org/mif/v2/files/orozco.doc> (cited 21 August 2005).

⁶⁹ Source: June 2005 Appleseed study of remittance exchange rates and fees.

⁷⁰ The 1.7 percent average exchange rate spread for Texas does not include data from DolEx, Ria, and Sigue, because only limited data was available for these companies.

Chart 4: Texas Average Exchange Rate Spread Over Time



There is no clear agreement about what an appropriate exchange rate spread should be. Recent trends indicate that market pressure to decrease exchange rate spreads may continue. The Federal Reserve Bank and the Bank of Mexico recently launched the “Directo a México” marketing campaign to increase usage of the Automated Clearinghouse (ACH) system to transfer money from a bank account in the United States to a bank account in Mexico. This product guarantees a .21 percent exchange rate spread over the Bank of Mexico rate on all transactions. Bank of America recently began offering interbank exchange rates on their SafeSend product.⁷¹ Currently, neither of these products holds a sizable share of the consumer money transfer market to Mexico. If they are successful in gaining market share, these products could impact the exchange rate spreads offered by other companies.

Exchange Rate Fluctuations Within a Market

Although exchange rate spreads have decreased in recent years, they do fluctuate markedly within a limited range. This fluctuation makes it difficult to determine which vendors, if any, consistently provide the best exchange rates to remit money. The exchange rates offered by remittance service providers sometimes fluctuates throughout

⁷¹ Anthony Harrup, “Bank Says It’s Not in Remittance Market,” *Associated Press*, October 5, 2005.

the day as companies adjust their rates in response to predicted or real shifts in the international money markets.

**Table 8: Movement of Exchange Rates Within a Day and From Day to Day
June 14-June 24 2005**

	Texas		Nebraska		Georgia		Illinois	
	Change w/in a day	Change from day to day	Change w/in a day	Change from day to day	Change w/in a day	Change from day to day	Change w/in a day	Change from day to day
Bank of Mexico		0.23%		0.23%		0.23%		0.23%
Afex	0.09%	0.05%	0.05%	0.56%	0.21%	0.64%		
All Checks Cashed					0.67%	0.38%		
American Transfers, Inc.							0.88%	0.79%
Bank of America-SafeSend	0.11%	0.21%			0.00%	0.19%	0.71%	0.78%
Commercial Federal			0.51%	0.32%				
DolEx					0.35%	0.59%	0.32%	0.33%
Harris Bank							0.48%	0.65%
Intermex							0.14%	0.41%
Mexico Transfers							1.42%	1.06%
MoneyGram	0.07%	0.12%	0.37%	0.45%	0.00%	0.35%	0.85%	0.69%
Order Express							0.39%	0.51%
Orlandi Valuta	0.19%	0.21%			0.47%	0.63%		
Sigue			0.40%	0.70%				
Unipago	0.34%	0.35%						
USPS	0.07%	0.12%						
Vigo	0.13%	0.04%	0.42%	0.59%	0.25%	0.21%		
Wachovia-Dinero Directo Card					0.43%	1.97%		
Wells Fargo-Dinero al Instante	0.16%	0.07%			0.22%	0.05%		
Wells Fargo-InterCuenta	0.17%	0.05%	0.04%	0.13%	0.15%	0.14%	0.06%	0.22%
Western Union	0.54%	0.66%	0.06%	0.86%	0.55%	0.86%	0.86%	1.01%
Average Change	0.19%	0.21%	0.27%	0.50%	0.28%	0.53%	0.61%	0.64%

Note: The change within a day is the average percentage change for each company between the exchange rate quoted at 10 am and that quoted at 3 pm over the period of study. The change from day to day is the average percentage change for each company between the rate quoted at 3 pm and the 10 am rate of the following day.

To analyze how the exchange rate changes throughout the day for the different services in the study, researchers made exchange rate inquiries at each money transfer operation at 10 am and 3 pm. This survey provided data for an analysis of how, if at all, the exchange rate changes during the day—and how these fluctuations compare with changes in the Bank of Mexico exchange rate.

The fluctuation of exchange rates over the period of the study ranged from a two-week high of 11.06 offered by Western Union in Georgia at 10 am on June 15th to a two-week low of 10.23 offered by Wachovia Bank in Georgia on June 22nd. The Bank of Mexico rate fluctuated between 10.87 and 10.76 pesos to the dollar during the same time period. In three of the four markets, Western Union offered the best single exchange rate for the two-week study period, but Western Union's two-week average exchange rate was close to the market average in each of the markets studied.

Table 8 illustrates the degree of movement in exchange rates both within a day and from day to day. The Illinois market experienced the greatest fluctuations both within a day and from one day to the next. However, all fluctuations were quite small, with most companies averaging less than .5 percent. Mexico Transfers in Illinois had the highest one-day rate movement, with a 1.47 percent change from the 10 am to the 3 pm exchange rates. In Georgia, MoneyGram and SafeSend showed no movement on average between the morning and afternoon rates. From day to day, average exchange rates changed between .05 and 1.27 percent. These results indicate that posting exchange rates would be useful to consumers in evaluating overall cost of service. A disclaimer could be provided specifying that the actual rate offered would not vary by more than .34 percent, for example, which was the overall average fluctuation within a day for all markets.

Exchange Rate Fluctuations: A Case Study of Illinois and Nebraska

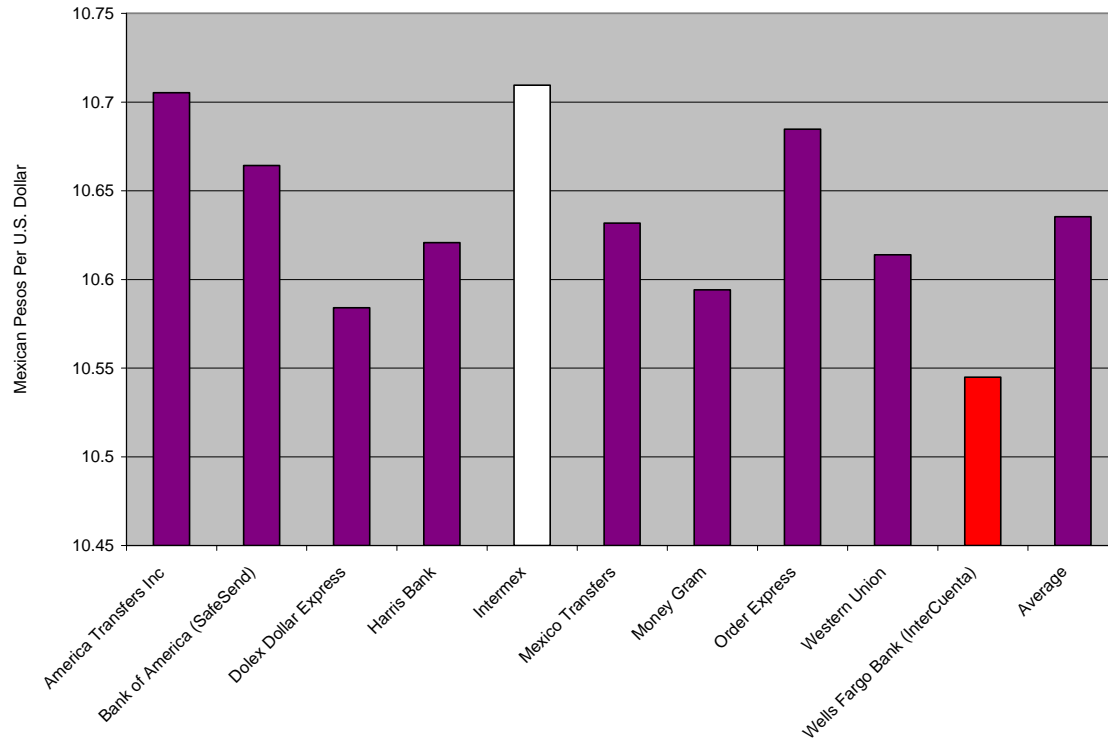
Illinois, with the highest fluctuations both within a day and from day to day, and Nebraska, with average fluctuation levels, provide useful examples to further illustrate the movement of exchange rates in local markets.

The fluctuations of exchange rates in Illinois are also evident in examining average exchange rates across money transfer services. Chart 5 shows the average exchange rate for each of the companies surveyed in Illinois. The average exchange rates by service, for the two-week study, ranged from 10.71 pesos to the dollar to 10.54. Using the Bank of Mexico's two week average exchange rate of 10.82 pesos to the dollar as the basis for calculating the exchange rate spread, a consumer in Illinois sending \$300 to Mexico would pay, on average, between \$3.00 and \$7.58 for the exchange rate fee, a price difference of \$4.57.

However, looking at averages shows only a part of the picture. The exchange rate offered by each remittance service provider can change throughout the day, as well as day-by-day. Though the Nebraska market exhibited relatively small daily changes in the exchange rates offered, there were noticeable changes in exchange rate pricing by

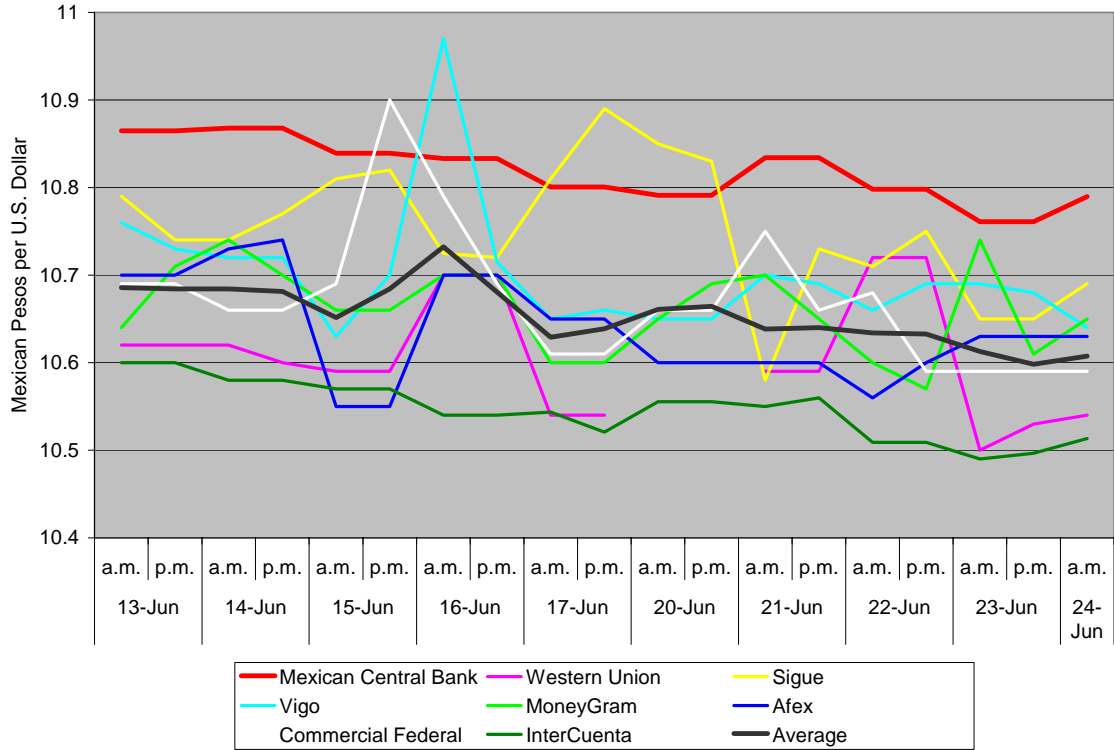
services over the two-week period. Chart 6 shows exchange rates in Nebraska during the two-week time period of the study.

**Chart 5: Average Exchange Rates in Illinois
June 13 - 24 2005**



The fluctuations in the exchange rate offered for money transfers to Mexico from Nebraska offer some important insights. Three companies, over five different data points, offered exchange rates better than that offered by the Bank of Mexico. Vigo offered a rate of 10.97 pesos to the dollar on a day when the Bank of Mexico rate was 10.83. Commercial Federal offered a rate of 10.9 pesos to the dollar while the Bank of Mexico rate was 10.84. Sigue offered exchange rates better than the Bank of Mexico at three data points over a two-day period, offering between .04 and .09 more pesos per dollar than the official exchange rate. Sigue's exchange rates were particularly interesting because, more than any other company, their rates tended to move in the opposite direction of the Bank of Mexico rate. When the Bank of Mexico rate increased, the Sigue rate tended to decrease, and vice versa. This unexpected movement of rates raises question about the degree of impact movement in the central bank currency exchange rate has on exchange rates offered by money transfer services.

Chart 6: Nebraska Exchange Rate Fluctuations



The Bank of Mexico Exchange Rate and Company Exchange Rate Fluctuations

A simple correlation of the Bank of Mexico exchange rate to the Mexican peso exchange rates offered by money transfer companies provides additional insight into the movement of company exchange rates. The correlations in Table 9 do not account for additional variables, such as economic indicators tied to currency valuation, which could impact future movement in the exchange rate. However, the correlations provide insight into associations between an increase in the Bank of Mexico rate and a reciprocal rise in the exchange rate offered by the remittance services in this study.

Some of the vendors’ exchange rate fluctuations were closely correlated with movements in the Bank of Mexico’s offered exchange rate, while others did not show any meaningful correlation.

Vigo in Texas, Bank of America’s SafeSend product in Georgia, and all Wells Fargo products showed a correlation of .80 or higher indicating that movement in their rates closely followed movement in the Bank of Mexico rate. Of the 38 rates surveyed, which include repetition of the same company in different markets, 21 had a correlation to the Bank of Mexico rate of .5 or higher. Western Union in Illinois showed almost a 0 correlation, and Wachovia’s Dinero Directo and MoneyGram and Order Express in Illinois had a negative correlation to the Bank of Mexico rate.

**Table 9: Correlation of Money Transfer Service Exchange Rate with
Bank of Mexico Rate for June 13-24 2005**

Service Provider	Correlation
Afex Georgia	0.273
Afex Nebraska	0.475
Afex Texas	0.666
All Checks Cashed Georgia	0.410
America Transfers Illinois	0.350
Bank of America - SafeSend Georgia	0.825
Bank of America - SafeSend Illinois	0.186
Bank of America - SafeSend Texas	0.737
Commercial Federal Nebraska	0.515
DolEx Georgia	0.136
DolEx Illinois	0.742
Harris Bank Illinois	0.567
Intermex Illinois	0.608
Mexico Transfers Illinois	0.359
Money Gram Illinois	-0.235
MoneyGram Georgia	0.531
MoneyGram Nebraska	0.394
MoneyGram Texas	0.742
Order Express Illinois	-0.135
Orlandi Valuta Georgia	0.358
Orlandi Valuta Texas	0.758
Sigue Nebraska	0.134
Unipago Texas	0.706
USPS Texas	0.888
Vigo Georgia	0.839
Vigo Nebraska	0.383
Vigo Texas	0.887
Wachovia - Dinero Directo Card Georgia	-0.457
Wells Fargo - Dinero al Instante Georgia	0.823
Wells Fargo - Dinero al Instante Texas	0.901
Wells Fargo - InterCuenta Georgia	0.897
Wells Fargo - InterCuenta Illinois	0.844
Wells Fargo - InterCuenta Nebraska	0.874
Wells Fargo - InterCuenta Texas	0.919
Western Union Georgia	0.346
Western Union Illinois	0.008
Western Union Nebraska	0.348
Western Union Texas	0.634

Fluctuations Across Geographic Markets

Not only do the movements of exchange rates fluctuate in one market throughout the day, but they also fluctuate for the same company across different geographic markets.

The study gathered data on the exchange rates offered by nine different remittance service providers that are present in at least two different geographic markets. Of these nine different providers, offering 10 different remittance services to Mexico, only Wells Fargo's InterCuenta Express and Dinero al Instante services provided exchange rate information with only small variations across the different markets. The remaining eight service providers (Afex, Vigo, Western Union, Bank of America's SafeSend, MoneyGram, DolEx, Orlandi Valuta, and Sigue) displayed greater variations in their exchange rate pricing among the geographic markets in the survey.

Chart 7: Comparison of Western Union Exchange Rates in Georgia, Illinois, Nebraska and Texas

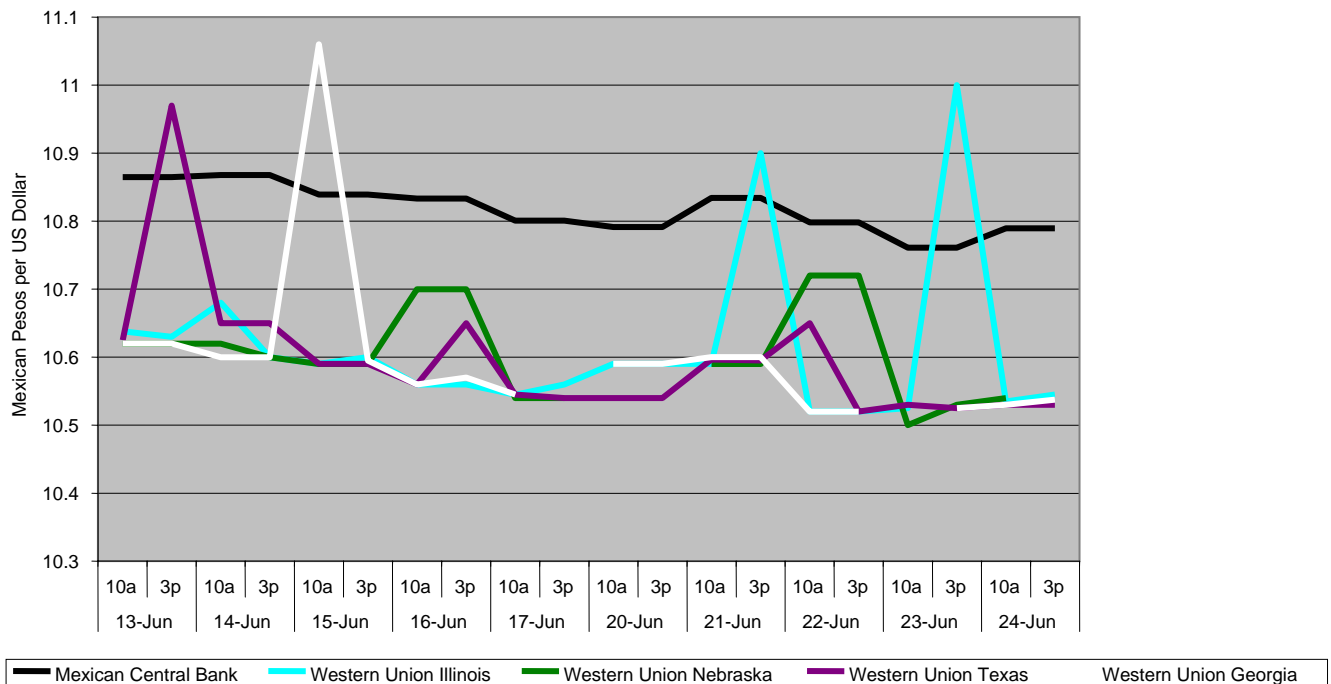


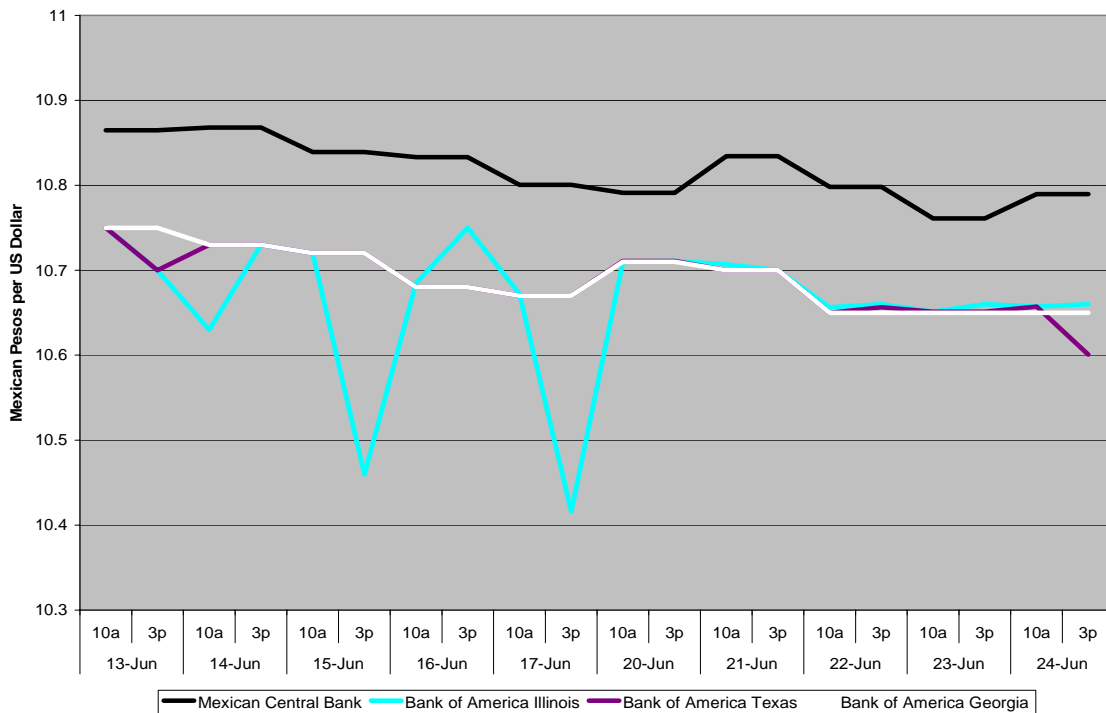
Chart 7 shows Western Union's exchange rates to Mexico in Georgia, Illinois, Nebraska, and Texas at the same times of day for the duration of the study. While these rates occasionally coincided, they frequently diverged. Specifically, at 10 am on June 22nd, Western Union in Texas quoted an exchange rate of 10.65; Western Union in Illinois quoted an exchange rate of 10.52; Western Union in Nebraska quoted an exchange rate of 10.72; and Western Union in Georgia quoted an exchange rate of 10.52. The difference between the highest rate quoted (10.72) and the lowest rate quoted (10.52) accounts for a

cost difference of \$5.56 on a \$300 transfer. Western Union in Nebraska was the only location where company exchange rates did not spike above the Bank of Mexico rate.

In addition to divergent exchange rates, all markets exhibited erratic spikes, with companies pricing their exchange rates above the exchange rate offered by the Bank of Mexico. The reason behind these exchange rate spikes above the Bank of Mexico rate remains unclear. Almost half of the 21 remittance services included in the study exhibited this type of pricing behavior at least once during the two-week study period.

The movement of Bank of America’s exchange rate across geographic markets, shown in Chart 8, also deserves mention. SafeSend service in both Texas and Georgia offered nearly identical exchange rates during the two-week period studied, while SafeSend service in Illinois offered a different exchange rate. On average, the rate in Illinois proved less advantageous.

Chart 8: Comparison of Bank of America’s SafeSend Exchange Rates in Georgia, Illinois, and Texas



Variations Within a Vendor in the Same Market

In addition to geographic differences, the study also discovered that the *same company* sometimes provides conflicting exchange rate information within the same city at the same time of day. The study uncovered this discrepancy when two different researchers in the same location inadvertently called the same vendors in the same cities at the same

time of day but received different exchange rates. This discrepancy further underscores the difficulty for consumers to obtain accurate pricing information prior to completing an international money transfer.⁷²

Banks vs. Money Transfer Companies

The entrance of banks into the U.S.-Mexico money transfer market has been credited with reducing costs for consumers. However, based on data from this study, banks do not consistently offer lower fees or better exchange rates. Of the five bank services included in the survey, Bank of America's SafeSend and Commercial Federal Bank offered below market average total pricing and Wachovia, Wells Fargo Dinero al Instante, and Wells Fargo's Intercuenta Express offered above average pricing for sending \$300. Citibank and U.S. Bank were not included in the survey because researchers were unable to collect exchange rate information.

Some banks offered lower fees than money transmitters for sending more than \$300, by charging the same up front fee for transactions up to \$1000. However, because most consumer transactions tend to be lower dollar amounts, the fee pricing has not impacted average transaction costs. Banks continue to hold only a small share in the U.S.-Mexico money transfer market.

Consumer Challenges in Obtaining Pricing Information

The type of customer service available to prospective remittance customers varies widely across the markets surveyed. Some operations seemed eager to provide exchange rate information, and even encouraged frequent check-ins to ensure that the customer would send money at the most favorable exchange rate, thus providing them with the best possible deal.

Even when some customer service representatives wanted to help, however, they often did not have the appropriate information available. Many representatives did not know where to access this information on the computer, and often would put researchers on hold or transfer them to different people while trying to find someone who knew this basic pricing information.

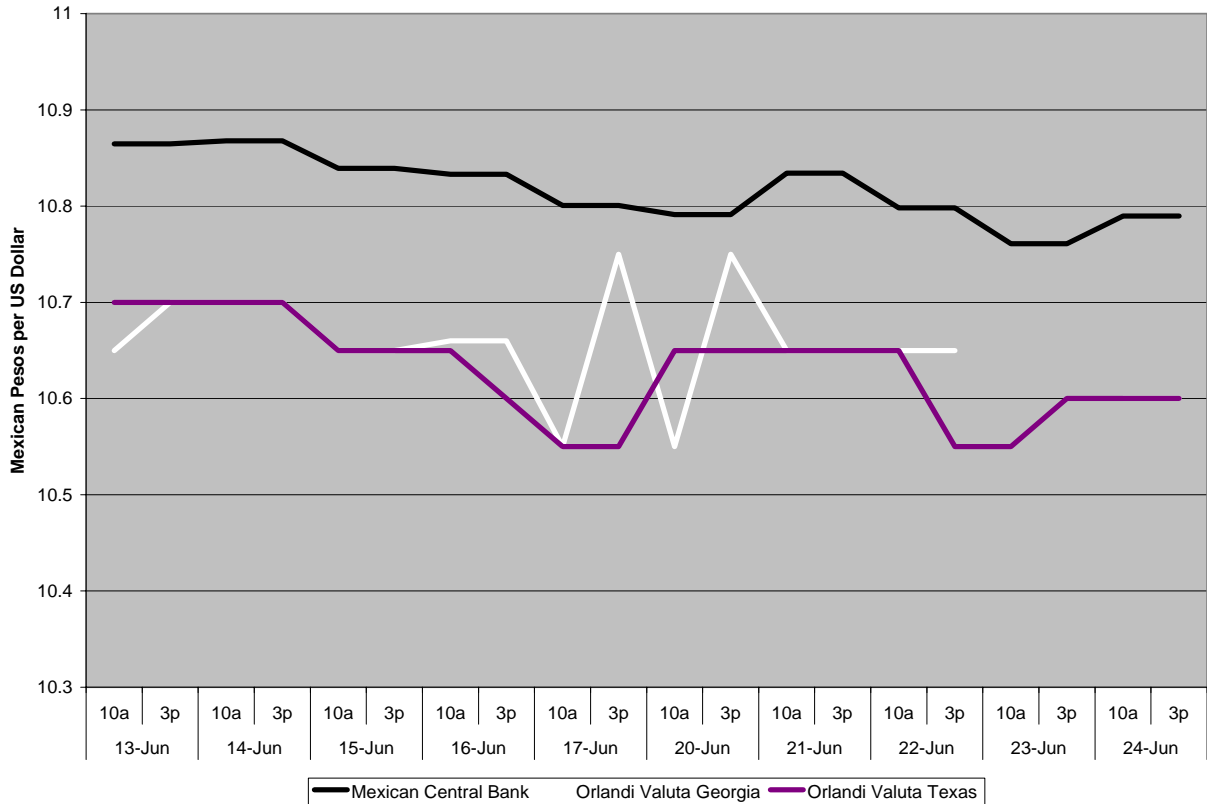
Some operations proved extremely hostile when questioned about exchange rate information and refused to provide researchers with the requested data. In the words of one associate who worked on data collection in Georgia, "A number of the places...I suspect had caller ID, so they quickly learned to ignore our calls, threaten to call the police on us or just refuse to answer our questions. Our collective experience suggests that at least in the Georgia market, the typical sender of funds to Mexico does not question what the exchange rate is."

⁷² Methodological Note: For the purposes of data analysis, the average of the competing rates served as the exchange rate for companies offering two different exchange rates at the same time of day.

Discrepancies Between Data Collected in This Study and Data Collected in Other Studies

The difficulties in obtaining the exchange rate for potential remitters did not appear in a December 2004 focus group study conducted by the Federal Reserve Bank of Atlanta. The study, mentioned in the introduction to this report, analyzed information from focus groups with Mexican immigrants in Georgia, Florida, and Tennessee. The immigrants in the focus groups thought the remittance marketplace had exchange rate information readily available and felt that they could easily undertake comparison-shopping, a perception directly contradicted by the experiences of researchers gathering exchange rate information for this study.

Chart 9: A Comparison of Orlandi Valuta Exchange Rates in Georgia and Texas



Two possible explanations for this discrepancy include:

1. Customer service representatives might have felt wary of people calling who did not sound like typical customers, either because they were non-Spanish speakers or non-native Spanish speakers. The frequency of calls might also have aroused suspicion in the customer service representatives. However, the research staff for

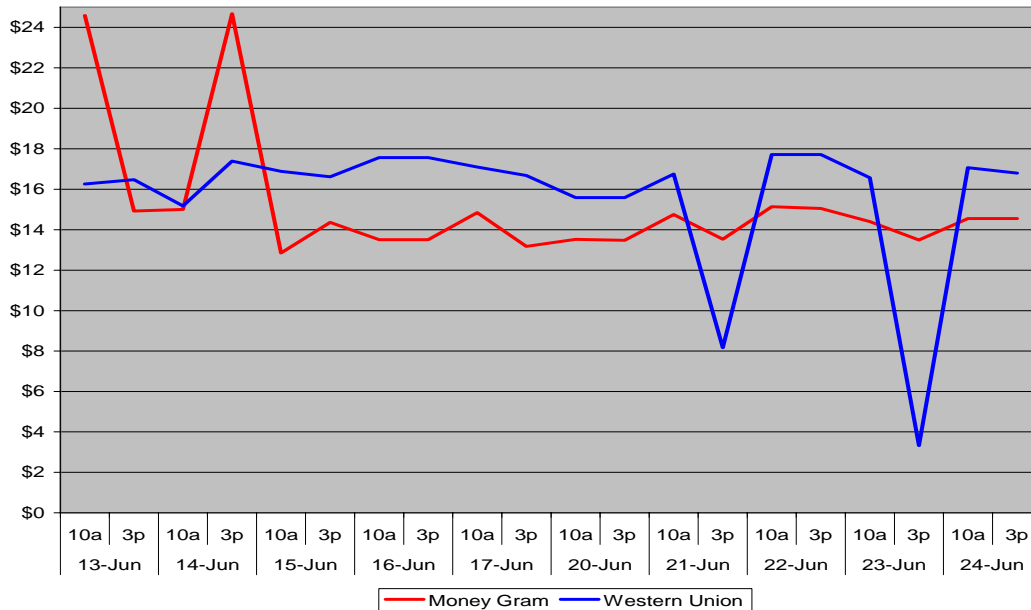
this study included some native Spanish speakers, and they too encountered difficulties. To avoid creating too much of a burden on any one location, researchers for this study also called different locations of the same service provider in rotation when possible.

2. There is a gap between customer perceptions of the market and how the market actually operates. The Federal Reserve Bank of Atlanta focus group study offers support for this hypothesis, with one of the participants stating, “I use Orlandi Valuta...because they pay the official exchange rate, unlike Western Union who pays whatever they want to pay.”⁷³ Chart 9 shows the fluctuations of the Orlandi Valuta exchange rate over a two-week period in two separate markets. This study found that Orlandi Valuta, with an average exchange rate spread of 1.66 percent, did not offer the official exchange rate. Western Union had average spread of 2.00 percent across the markets surveyed.

The complexity of the pricing system for remittances can easily lead to false assumptions about the way in which the market works.

The Federal Reserve Bank of Atlanta study also provides another example of how customers misunderstand the market. One customer stated, “I use MoneyGram because it is cheaper than Western Union.”

Chart 10: Total Cost to Send \$300 From Illinois Using MoneyGram and Western Union



⁷³ Marianne Hilgert, et. al., “Banking on Remittances: Increasing Market Efficiencies for Consumers and Financial Institutions” Federal Reserve System Community Affairs Research Conference, April 15, 2005.

A systematic analysis of detailed pricing information from the remittance market shows that no one can accurately make such black-and-white assertions due to the volatility of exchange rates. Western Union’s upfront fee of \$9.99 for next-day service cost was equivalent to MoneyGram’s in three of the four markets and Western Union sometimes offered better exchange rates, making Western Union less expensive. Even in the Illinois market where the MoneyGram fee was \$8.99, factoring in the exchange rate spread sometimes made the total customer cost for Western Union lower than the MoneyGram total cost. Chart 10 illustrates the fluctuations in cost to send \$300 through MoneyGram and Western Union from Illinois to Mexico over the two-week period of the study. While the total cost of sending \$300 from Illinois to Mexico using MoneyGram’s service was generally lower than Western Union, it was not always cheaper.

Data collected by the Pew Hispanic Center in 2004 suggests that areas with higher concentrations of Latino immigrants from a specific country offer, on average, lower cost remittance services to that country.⁷⁴ However, the data gathered in this study does not conclusively support this finding. Two weeks of detailed pricing information gathered in this study showed that Nebraska, a newer and smaller immigrant market, has a slightly lower average cost to send \$300 to Mexico than Texas, a more established, large immigrant market Texas.

An estimated 35,996 Mexican immigrants live in Nebraska, and they paid an average cost of \$13.66 to send \$300 to Mexico during the two-week period of the study. In contrast, 2,117,635 Mexican immigrants live in Texas, and they paid an average cost of \$14.00 to send \$300 to Mexico during that same time period.

An analysis of the total cost of transfers for the same money transfer services in Nebraska and Texas shows that the average cost of sending money from Texas to Mexico remains higher than the average cost to send money from Nebraska to Mexico.

Table 10: Total Cost to Send \$300 to Mexico, June 2005

	Nebraska	Texas
Afex	\$14.04	\$15.49
MoneyGram	\$14.38	\$14.06
Sigue	\$11.92	\$12.26*
Vigo	\$13.31	\$14.96
Wells Fargo - InterCuenta	\$16.40	\$16.25
Western Union	\$15.99	\$16.14
Average by State	\$14.34	\$14.86

**Only two days of data available*

⁷⁴ Manuel Orozco, “The Remittance Marketplace: Prices, Policy and Financial Institutions,” Pew Hispanic Center Report Washington, D.C., June 2004.

Table 10 lists average costs of companies that were surveyed both in Nebraska and in Texas. Most notably, the cost of transfer offered by Afex and Vigo was higher in Texas than in Nebraska. Those companies may depend on the ability of a large and reliable customer base in an established market like Texas to bear a greater a mark-up burden than a newer immigrant market like Nebraska. It is also possible that Texas has regional variations and that the rates in Austin, Texas, where the data for this study was collected, are higher than Houston or Dallas, which have larger Mexican immigrant communities.

Study Findings

The above data analysis and the data collection experience point to key consumer difficulties in the U.S.-Mexico wire transfer market.

Key Findings

1. Lack of Marketplace Transparency

The complexity of remittance market pricing structures prevents comparison-shopping due to the combination of upfront and exchange rate fees. Inconsistent and erratic exchange rate pricing in the market day-by-day or even on the same day intensifies this problem. The lack of readily available exchange rate information prior to making a transaction further amplifies the pricing confusion.

- During the study period, the highest total price to send money to Mexico of all the companies surveyed was \$26.05, and the lowest was \$2.24, a difference of over \$20.
- Within the same business, the difference between the lowest total cost and the highest total cost varied by between \$1.52 and \$13.84. This finding demonstrates that the cost to a consumer has potential to vary dramatically even if the consumer consistently uses the same business.
- Inconsistent and erratic exchange rate pricing—even on the *same day*—can create quite a disparity in the same market. Applesseed found that a consumer in Georgia could have spent as little as \$3.88 or as much as \$21.90 on the same day in June to send \$300 to Mexico. That is an \$18 difference.
- Half of the money transfer service locations surveyed appear to give minimal weight to the Bank of Mexico daily exchange rate in their pricing decisions.

2. Lack of Consistent Access to Correct Pricing Information

This study also found difficulties in accessing correct pricing information. The experience of study researchers indicates that, even when customers think that they have undertaken comparison-shopping, it is hard to find the best transaction value. The variability of company exchange rate spreads and the difficulty in obtaining exchange rate information makes pinpointing the best value almost impossible.

- The average exchange rate spread cost ranged between \$1.92 and \$10.80 on a \$300 transfer.

- Exchange rate information was sometimes not provided upon request. While not required by law, the failure to disclose exchange rate information prior to the transaction further amplifies pricing confusion.
- Researchers sometimes felt that they had gathered incorrect pricing information due to confusion of customer service staff.
- Of the 46 locations of 25 companies in the initial survey pool, eight were removed because of difficulties in accessing exchange rate information. Six of the companies refused to provide exchange rate information and two did not know how to access the information.
- Of the companies that provided information, some did not have ready access to exchange rates and others provided inconsistent information. In the Nebraska market, calls at the same time to different agents of the same companies yielded different exchange rate results.

3. Lack of Consistent Regulation or Standardized Pricing Disclosure Practices

The confusion for consumers created by volatile pricing and inconsistent customer service is only exacerbated by the lack of consistent regulation in the international money transfer market.

- Although a number of bills in both Houses of Congress have proposed to regulate the international money transfer market, none of these bills have passed out of either chamber. Therefore, meaningful legislation on this vital public policy issue lags behind the rapid developments of the market.
- Most states regulate money transfer companies in some capacity, though only a few require specific consumer disclosures. State regulations generally do not apply to financial institutions. Creating consistent pricing parameters and disclosure policies would guarantee that consumers have the tools they need to make the best financial decision.

Specific disclosure requirements are currently in place for other products in the financial services market. The Truth in Savings Act, Truth in Lending Act, and the Electronic Funds Transfer Act provide a strong regulatory precedent for requiring financial service providers to give, upfront, accurate pricing information that allows consumers to understand product costs and compare the cost of products offered by different providers.

The Truth in Savings Act specifies, "...the ability of the consumer to make informed decisions regarding deposit accounts...would be strengthened if there was uniformity in the disclosure of terms and conditions on which interest is paid and fees are

assessed.”⁷⁵ The Truth in Lending Act states, “It is the purpose of this title to assure meaningful disclosure of credit terms so that the consumer will be able to compare more readily the various credit terms available to him and avoid the uninformed use of credit and to protect the consumer against inaccurate and unfair credit billing and credit card practices.”⁷⁶ The Electronic Fund Transfer Act was enacted to, “[establish] the basic rights, liabilities, and responsibilities of consumers who use electronic fund transfer services... The primary objective of the act and this part is the protection of individual consumers engaging in electronic fund transfers.”⁷⁷

These laws cover a number of financial service products, including credit cards, savings accounts, auto leases, and automated teller machine transactions and provide a conceptual template for regulating international money transfers.

⁷⁵ 12 USC 4301 (a).

⁷⁶ 15 USC 1601.

⁷⁷ 12 CFR § 205.1.

Positive Market Practices to Promote Pricing Transparency

This study has revealed major barriers consumers face in understanding the pricing of remittances, but there are also positive practices in the market today. Through the survey of remittance providers there are a number of best practices worthy of noting that address the clear disclosure of costs.

Consistent Customer Service

Some companies in the Appleaseed survey provided polite, prompt, and detailed information on all aspects of remittance costs, including exchange rate information, to researchers. In Texas, Orlandi Valuta stood out for such service. In Nebraska, service excellence tended to correlate with the local agent offering the remittance services rather than with the remittance company itself. These companies and agents had well-trained, knowledgeable staff, who encouraged potential customers to understand all of the costs in the remittance transaction.

Automated Access to Exchange Rate Information

Some companies have completely automated the sharing of exchange rate information. Wells Fargo, for instance, has an automated 1-800 number that provides the current exchange rate, allowing potential customers to shop or wait until the exchange rate spread reaches the most favorable rate before sending money. On-line based wire transfer products also give consumers good access to pricing information. Making clear exchange rate and pricing information available to consumers at the point of service should be possible, given the capacity of companies to make such information available both over the telephone and on the Internet.

Guaranteed Pricing Parameters

One of the main challenges for consumers in determining the cost of sending money internationally is that pricing within one service provider is not consistent. On one day, a service may offer the lowest price, and on another, the highest price. The FedACH International Mexico Service has a guaranteed fee and exchange rate structure that lets consumers know exactly what they are paying for the service. The cost per transaction for the financial institution is only \$.67 and customers are guaranteed a .21 percent exchange rate spread, and deposit in a designated Mexican bank account by the next business day. Financial institutions may charge a fee above the \$.67 transaction cost. The weakness of this program is that it requires the remittance recipient to have a bank or credit union account. According to a 2003 survey in Mexico, remittance recipients are more likely to have a bank account than the population as a whole; 33 percent, compared to 22 percent.⁷⁸ However, 33 percent is still a relatively low number and indicates that a majority of remittance senders currently would not benefit from this product. The same survey showed that

⁷⁸ "Receptores de Remensas en México," Inter-American Development Bank, Multilateral Investment Fund, and the Pew Hispanic Center, October 2003.

67 percent of remittance recipients have banks in their communities, which means that there is still enormous untapped potential for the FedACH product.⁷⁹ Despite the current low bank participation rates of remittance recipients, the FedACH nonetheless provides a significant standard for international remittance markets. The pricing parameters are a good model for how complete pricing information can be provided to consumers in a constantly changing exchange rate environment.

Low Pricing of Remittance Services as a Way to Cross-sell Products

Bank of America, through its SafeSend card, has been the most aggressive in marking down the price of its remittance services to attract new customers. By eliminating the transfer fee, their product is the cheapest option currently on the market that does not require the recipient to have a bank account. Bank of America also announced that it will offer the interbank exchange rate on SafeSend transfers to Mexico.⁸⁰ The bank's goal is to use this product as a loss leader, making it enticing enough to consumers to encourage them to use the bank's other services. Such an approach has potential to benefit both consumers and financial institutions. By becoming involved in the banking system, consumers have a safe place to keep their money. They can better control their savings and build a good credit history and a healthy financial future for their families in the United States. Financial institutions benefit in the long-term through profits of providing additional services, including accounts, credit cards and loans. It has yet to be shown whether or not this strategy will be successful in attracting long-term immigrant customers. Currently, Bank of America carries only a small market share in the Mexican money transfer market.

⁷⁹ *Ibid.*

⁸⁰ Anthony Harrup, "Bank Says It's Not in Remittance Market," *Associated Press*, October 5, 2005.

Recommendations

The problems with consumer access to adequate pricing information in the U.S.-Mexico remittance market are complicated and cannot all be addressed through one initiative. Resolving some of the problems tied to customer service staff providing adequate pricing information may need to happen at the company level. Other issues may require federal oversight, and still others may be addressed through industry self-regulation or a third-party regulation system.

1. Encourage Industry to Improve Customer Service and Disclosure of Exchange Rate and Cost Information

In a competitive business climate, companies that present clear and accessible pricing information to potential customers can create market advantage over those that do not.

Companies should not view information that is central to a consumer transaction cost as proprietary. Some of the customer service representatives that were hostile to researchers requesting exchange rate information questioned whether the researchers were working for their competition. Customers who send money internationally should be able to understand the total cost of the transaction. In addition companies should not view misrepresenting or hiding the total cost of the transaction as a marketing strategy. Exchange rates and related costs should be openly shared and easily accessible.

2. Implement Comprehensive Consumer-oriented Federal Oversight of International Money Transfers

The remittance market is the only financial market of its size without uniform regulation. Without creating unnecessary burdens on remittance companies, federal regulators should require vendors to provide consumers with disclosures that enable them to make meaningful cost comparisons among the products available in the market place.

This disclosure approach is in line with disclosure and cost computation requirements under the Truth in Savings Act, the Truth in Lending Act and the Electronic Funds Transfer Act. In the context of remittance markets, providing access to the total cost of a remittance transaction, including exchange rate fees, is necessary in order to provide consumers with the basic tools to compare the transaction costs of different money transmitters.

Any regulation must acknowledge the realities of how the market functions. Because official exchange rates vary during a given day, vendors could:

- a. Disclose the total transaction cost to consumers, which would include both the fee paid for the transaction and the fee paid for exchanging the currency. Consumers should be told, before the transaction, exactly how much money, in US dollars and in the currency of the receiving country, will reach the recipient. This total cost disclosure is important because of the complexity of calculating a total transaction cost that includes several components and varies according to the size of the transaction, the exchange rate, and any transaction fees.
- b. Publish the exchange rate at a designated time each day and guarantee that the rate provided will fall within a range of the posted rate;
- c. Provide an average weekly exchange rate, as well as the range, within which rates fluctuated; and/or
- d. Designate a particular exchange rate spread cap, for example 1 percent, and guarantee that the exchange rate spread in the money transfer transaction will be no more than that specified percentage. Each company would have the flexibility to fix its own exchange rate spread caps. Requiring vendors to publicize their method of determining exchange rate spreads would also encourage more consistent exchange rate pricing in the market.

The Federal Reserve and the Bank of Mexico have launched a new bank-to-bank money transfer product, the FedACH (Automated Clearinghouse) International Mexico Service that guarantees both low prices and a maximum exchange rate spread. This product could serve as a model for how to provide complete pricing information.

As a strategy for determining the most effective way to provide consumers with accurate and comparable pricing information for international remittance transactions, the U.S. Congress could create a blue ribbon commission comprised of industry and consumer representatives. The commission would be responsible for recommending a regulatory framework that is workable for the industry and provides consumers with the necessary pricing information.

The 2002 U.S.-Mexico Partnership for Prosperity report directed that, “the U.S. Treasury Department work with U.S. state bank supervisors on remittance cost disclosure by money transmitters [and] work to make disclosed data available to consumers in the United States and Mexico.”⁸¹ The regulation proposed in this section is in line with policy mandates and with existing regulation in other financial markets.

⁸¹ *Creating Prosperity Through Partnership*, Report to President Vicente Fox and President George W. Bush, Monterrey, Mexico, March 22, 2002.

3. Create a System of Third Party Regulation

Creating a new federal regulatory structure can be a slow and complicated process. An option for the short-term is to create a third party regulator that sets standards for market practices. Companies that meet the standards can display a logo or other identifiable information. Consumers would be guaranteed basic standards in the remittance pricing structure. Companies would gain a positive reputation among consumers for fair pricing and reduce the likelihood of future lawsuits that could result from opaque pricing policies.

“Fair Exchange” remittance standards could focus on such remittance pricing basics as:

- A guarantee that the exchange rate spread would be no more than one percent;
- Clear disclosures on a receipt of the transaction fee, exchange rate, and amount in foreign currency to be received;
- A guarantee that no additional fees will be charged on the receiving end; and
- A guaranteed date and time when the money will be available for pick up.

The third party regulator could be either an industry organized entity, such as a trade organization that has specific membership standards, or it could be an independent entity. It could be based in a particular market or operate nation-wide.

Third party regulation has been effective in other markets, including the Fair Trade coffee program, and the cosmetic industry’s logo program that indicates no animal testing for cosmetics. Such a solution can be created through a dialogue with service providers to accommodate the needs of consumers in the context of market viability.

Conclusion

This exchange rate study of U.S.-Mexico wire transfers highlights the need for improved access to clear pricing information. The market's complex and erratic pricing structure cries out for repair.

While recognizing that convenience for remitters and recipients is an essential element in choosing a money transfer service, resolving pricing disclosure issues is key to establishing an international money transfer market that provides consumers with the necessary tools to make informed decisions. The study points to products such as the Federal Reserve Banks' FedACH International Mexico Service that guarantees a nominal fee and a .21 percent exchange rate spread as a model for how complete pricing information can be provided in an ever changing exchange rate environment.

As this industry continues to expand and evolve, the need to solve pricing transparency problems becomes more pressing. Though traditional cash-to-cash transfers still dominate the Mexican remittance market, there are many new products gaining market share that are bound to complicate matters. There are pre-paid money transfer cards that may account for almost 2 percent of worldwide wire transfers by 2006.⁸² There are companies that offer immigrants the opportunity to initiate and fund transactions in the U.S. to purchase homes, home building supplies, furniture and appliances for family in Mexico.

Services that provide such products pose interesting regulatory questions. There are questions related to what consumer protection laws apply and which vendors are liable for problems in the transaction. It is unclear what recourse consumers have if a product is not delivered in Mexico as promised. For example, even in the current cash-to-cash transfer market, if remittance recipients are being charged undisclosed fees to pick up money, who is liable, the agent/partner in Mexico or the U.S. company that originated the transaction? With the market moving so swiftly and in such varied directions, it is imperative that basic pricing dilemmas be resolved before the complexities of this evolving market make even greater demands on all of us.

Enacting an effective federal regulatory system is a long-term solution to the market problems highlighted in this report. However, in the short-term, establishing a third-party regulatory system that provides consumers with pricing transparency in the international money transfer market is an optimal first step. It produces an opportunity for consumer advocates and the industry to collaborate toward a mutually beneficial end. This third-party approach requires the creation of a set of standards that would supply clear and accurate pricing information in a practical way. Remittance standards would clarify opaque exchange rate spread costs, and other fees, and ensure wire transfer delivery. A system of third-party regulation would be a step in the right direction towards establishing pricing transparency as the standard in international money transfer markets.

⁸² Adam Frisch and Stephen Stout, "Can an Old Dog Learn New Tricks and Change the Money Transfer Market?" *UBS Investment Research Q-Series: Transaction Processors*, February 14, 2005.

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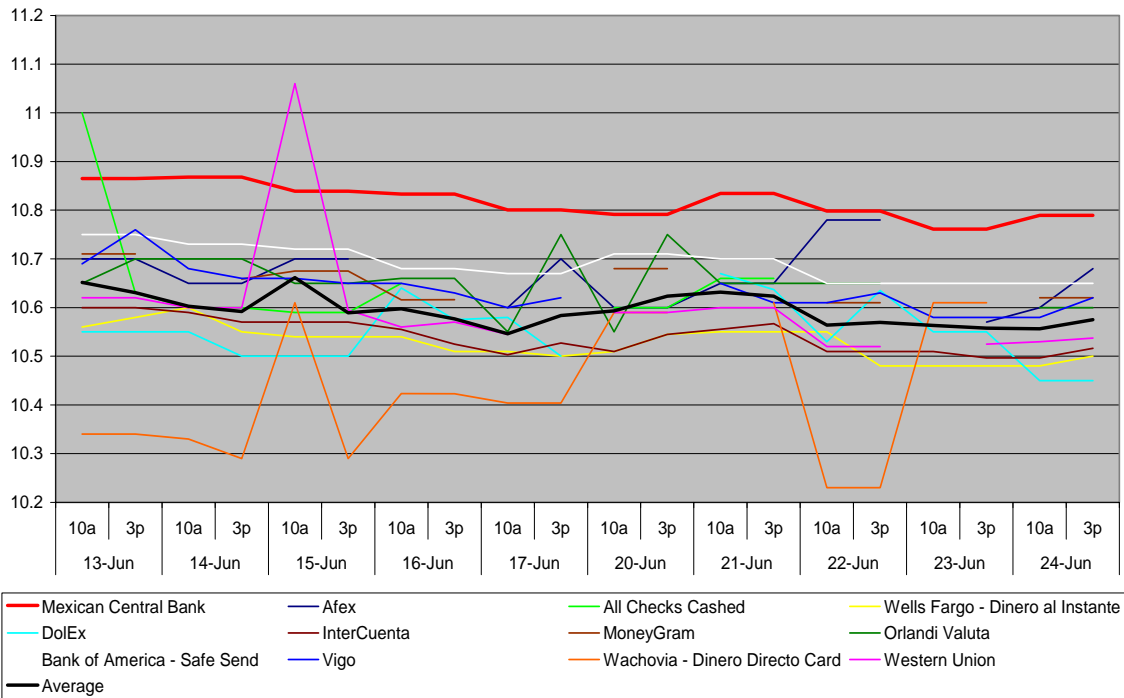
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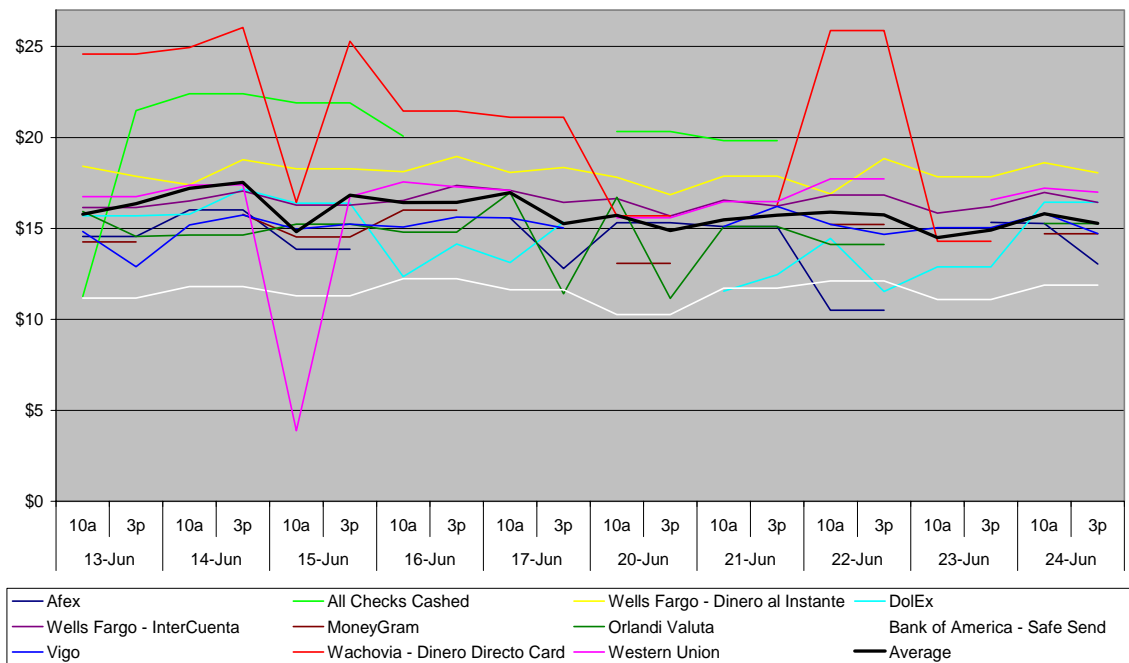
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**Appendix A:
Detailed Charts of the Georgia
Exchange Rate Study Data**

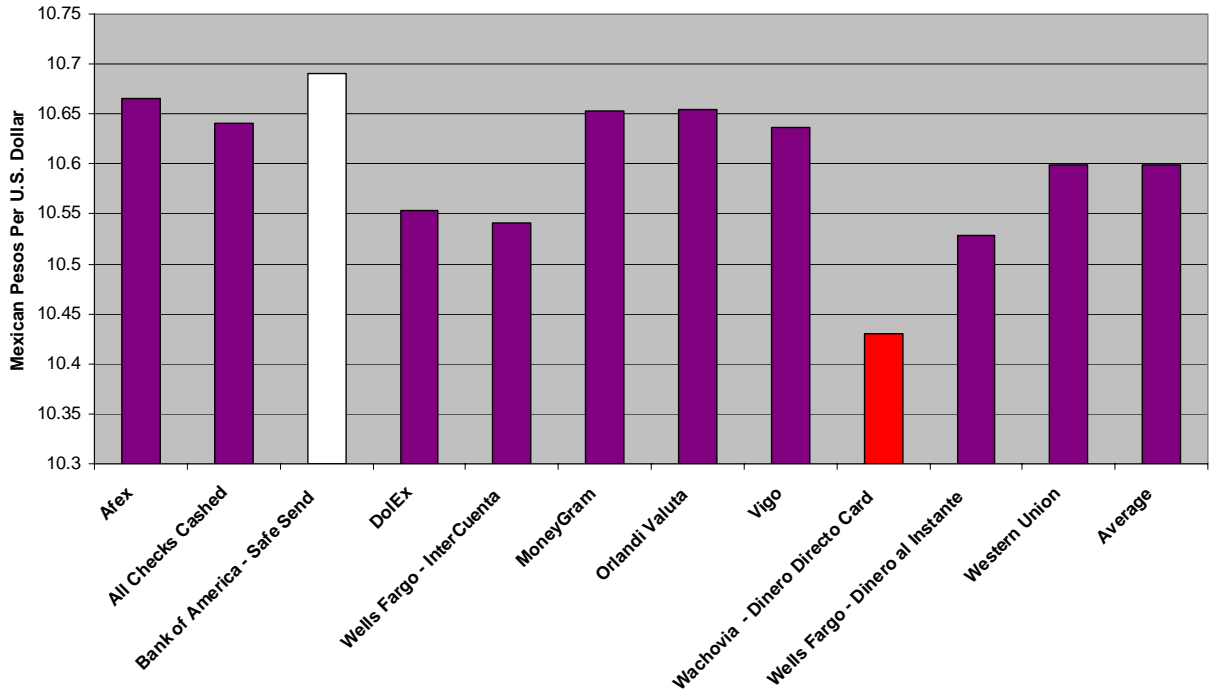
**Chart 1: Georgia Exchange Rates
June 13-24 2005**



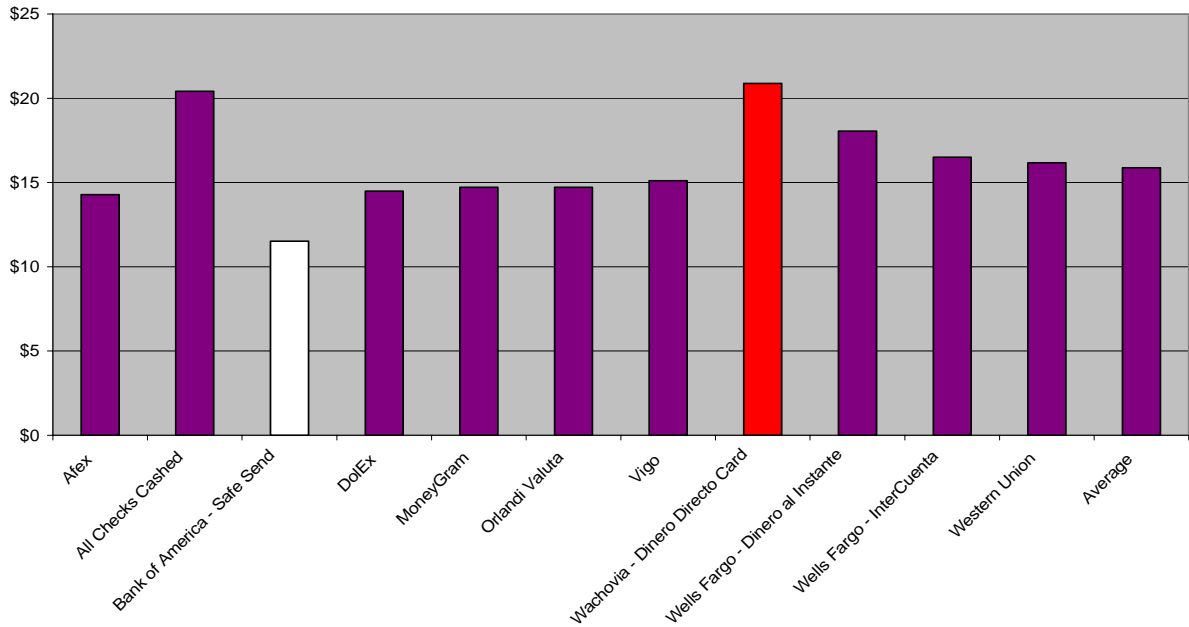
**Chart 2: Georgia Total Cost to Send \$300
June 13-14 2005**



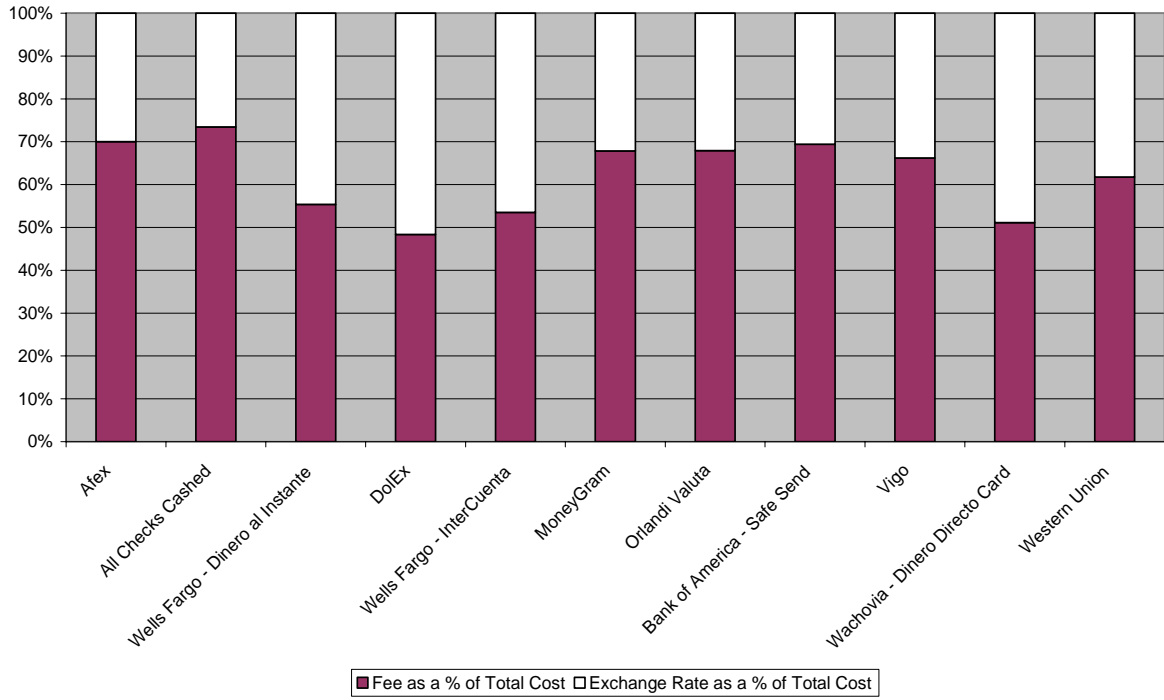
**Chart 3: Georgia Average Exchange Rates by Service Provider
June 13 - 24 2005**



**Chart 4: Georgia Average Total Cost to Send \$300
June 13-24 2005**

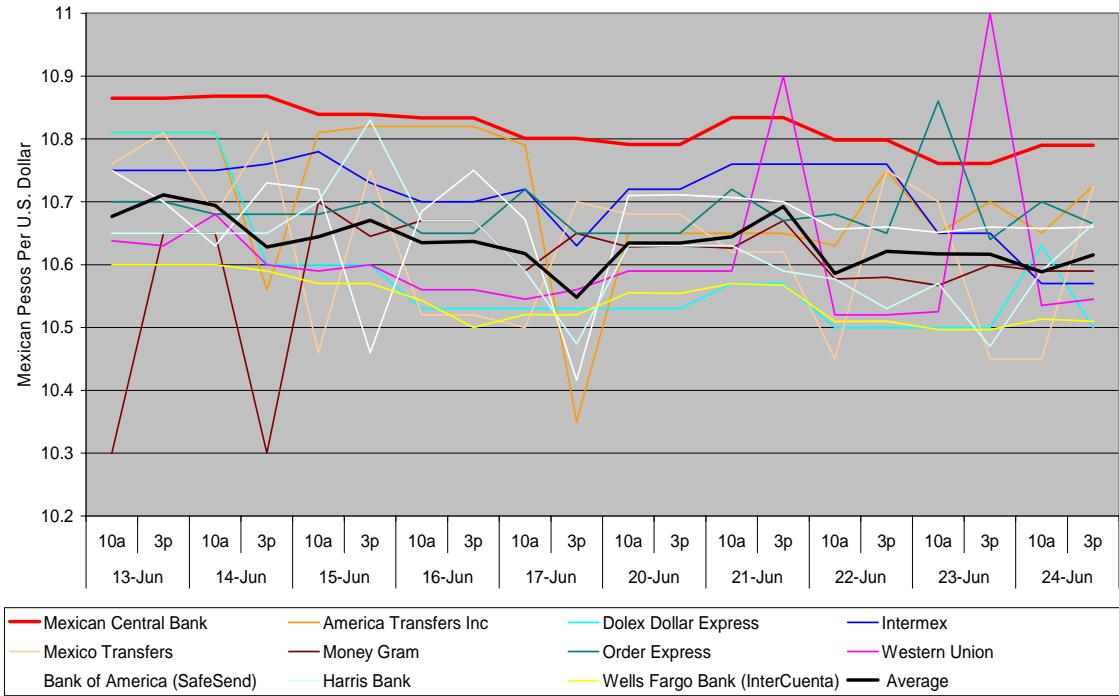


**Chart 5: Georgia Fee and Exchange Rate as a Percentage of Cost of Transfer
June 13-24 2005**

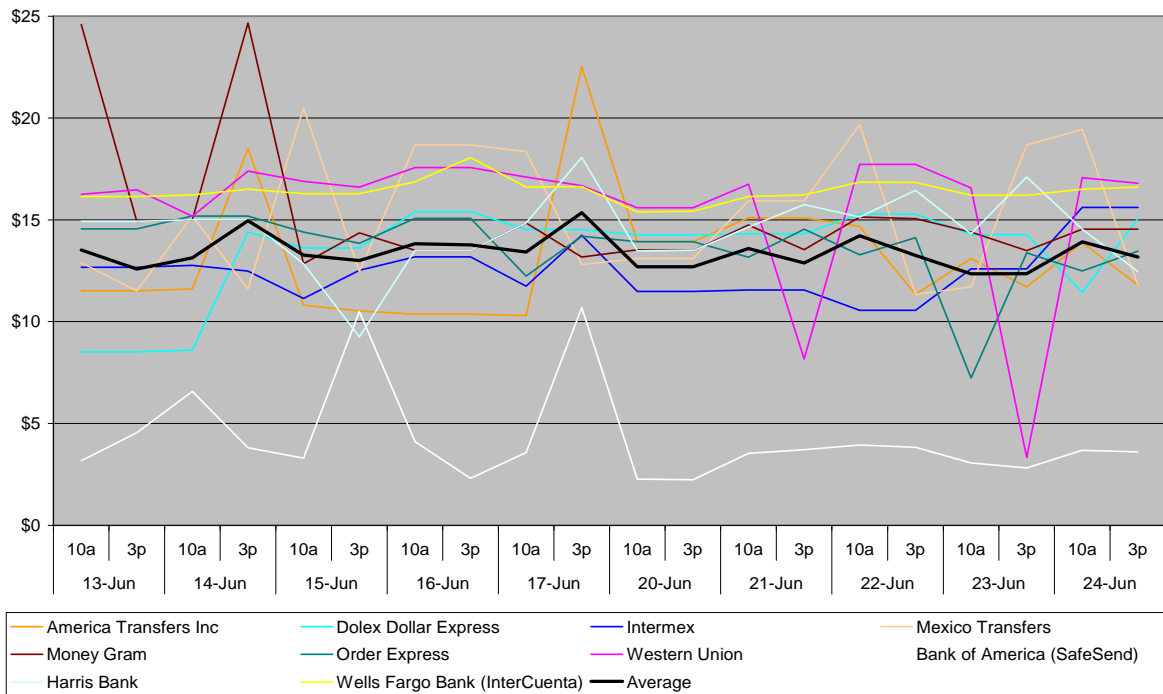


**Appendix B:
Detailed Charts of the Illinois
Exchange Rate Study Data**

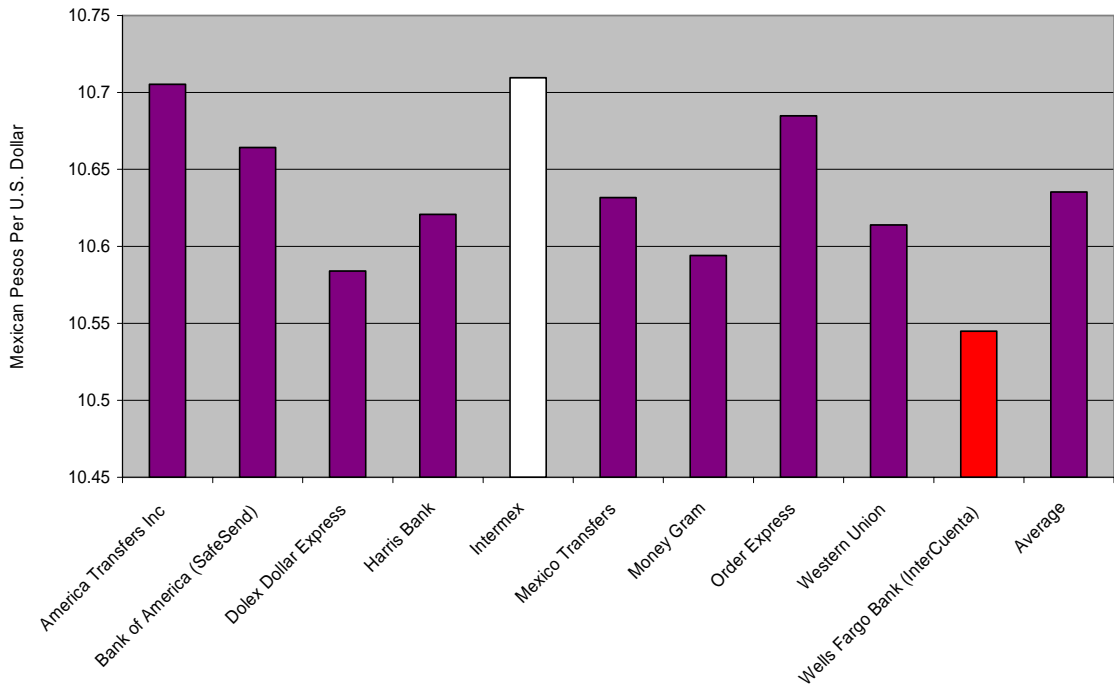
**Chart 1: Illinois Exchange Rates
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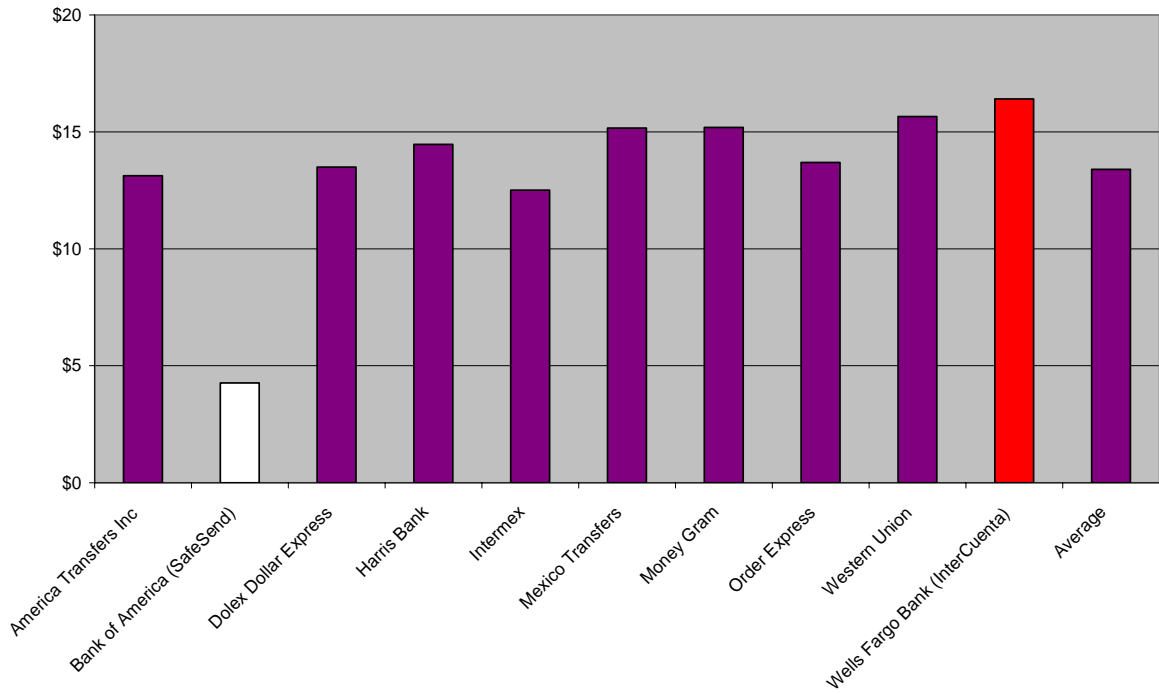
**Chart 2: Illinois Total Cost to Send \$300
June 13-24 2005**



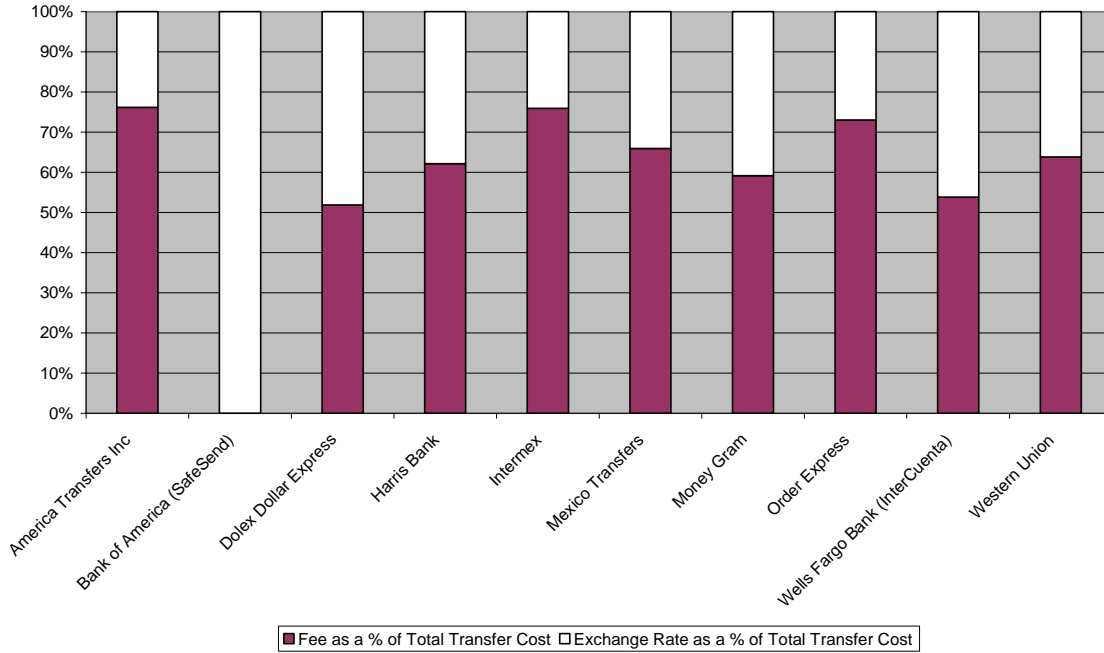
**Chart 3: Illinois Average Exchange Rates
June 13-24 2005**



**Chart 4: Illinois Average Total Cost to Send \$300
June 13-24 2005**



**Chart 5: Illinois Fee and Exchange Rate as a Percentage of Cost of Transfer
June 13-24 2005**



**Appendix C:
Detailed Charts of the Nebraska
Exchange Rate Study Data**

Chart 1: Nebraska Exchange Rates
June 13 - 24 2005

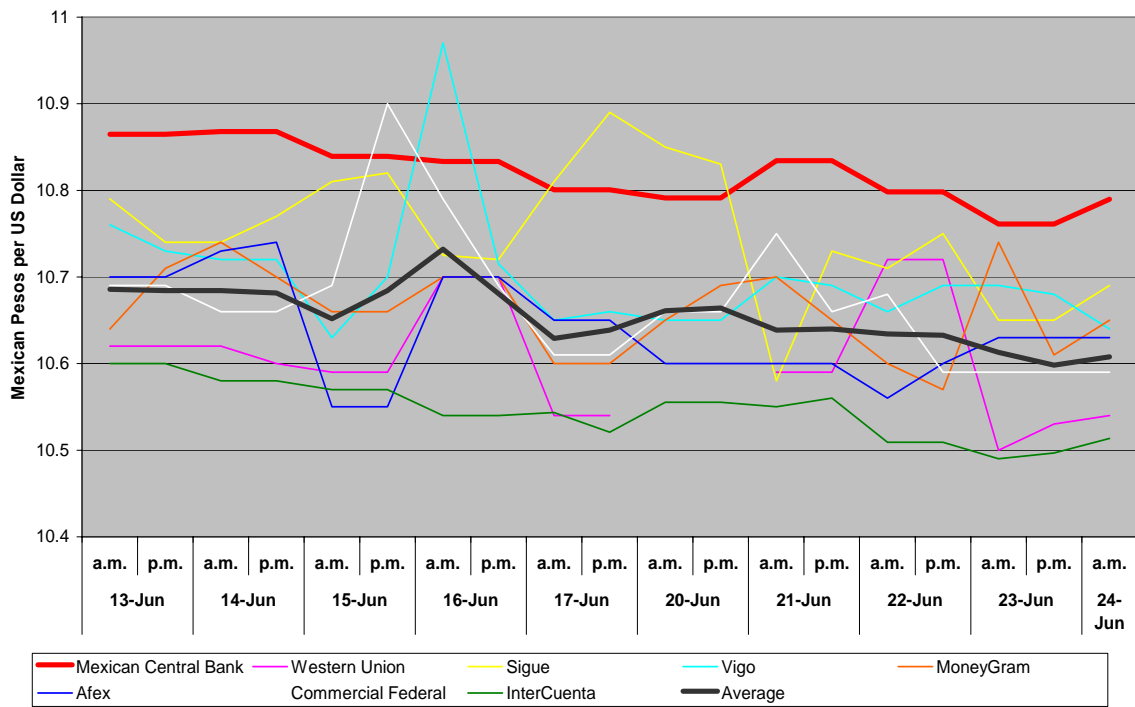
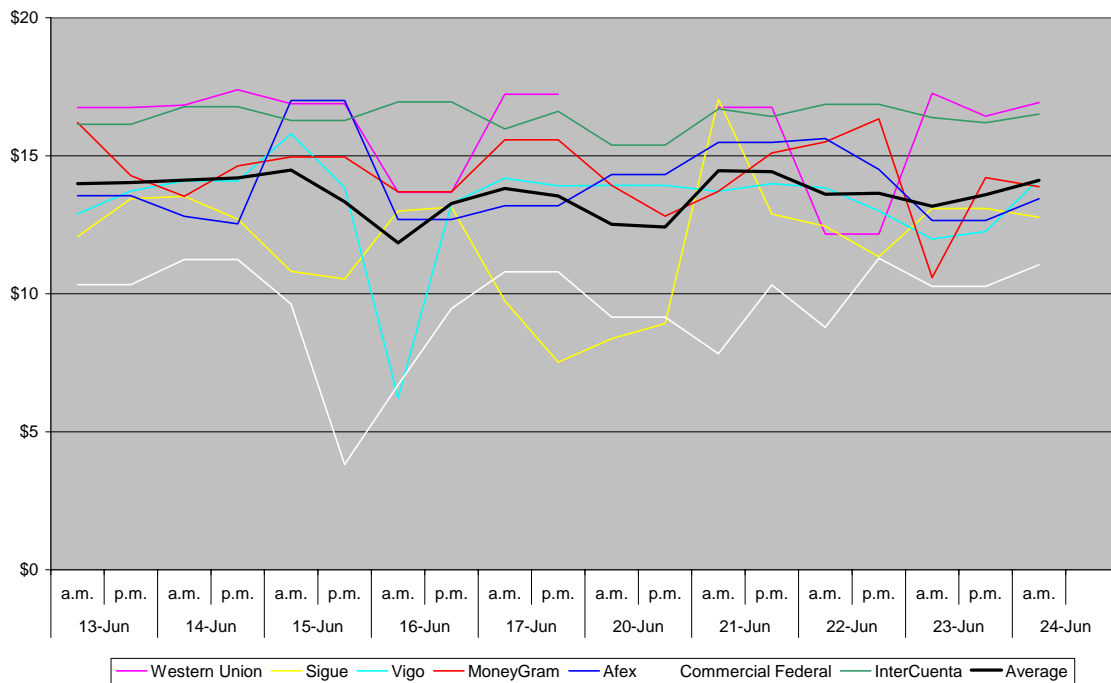
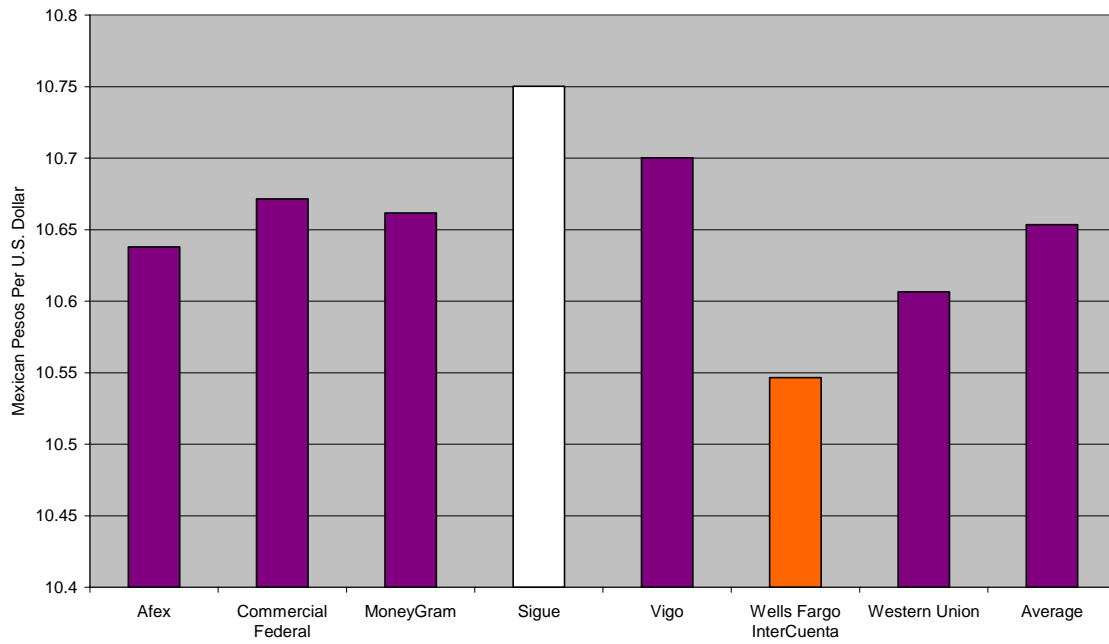


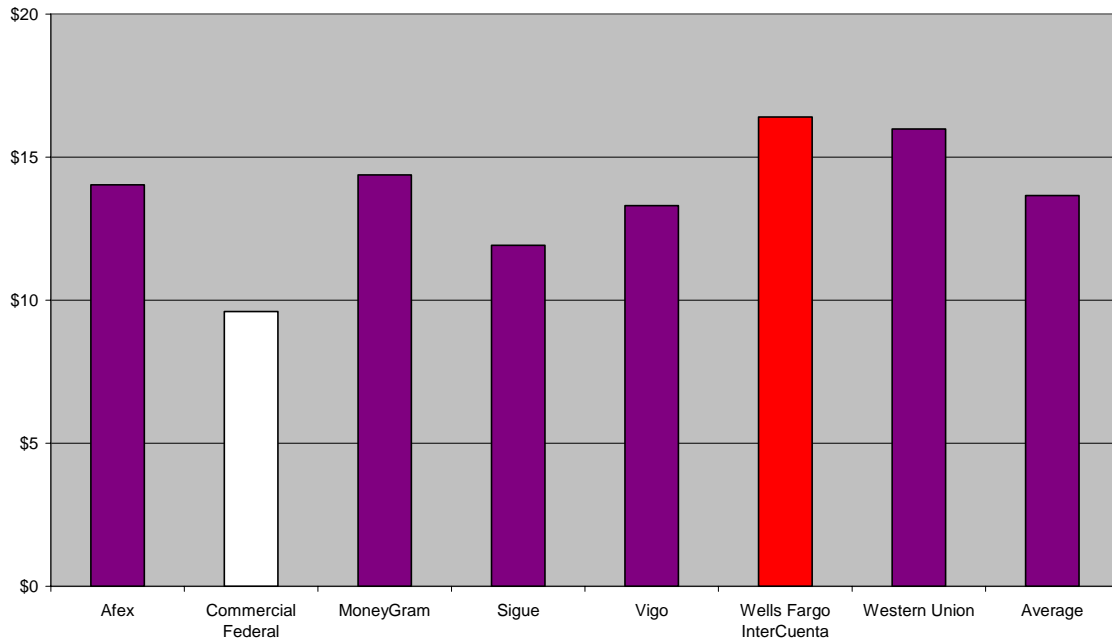
Chart 2: Nebraska Total Cost to Send \$300
June 13-24



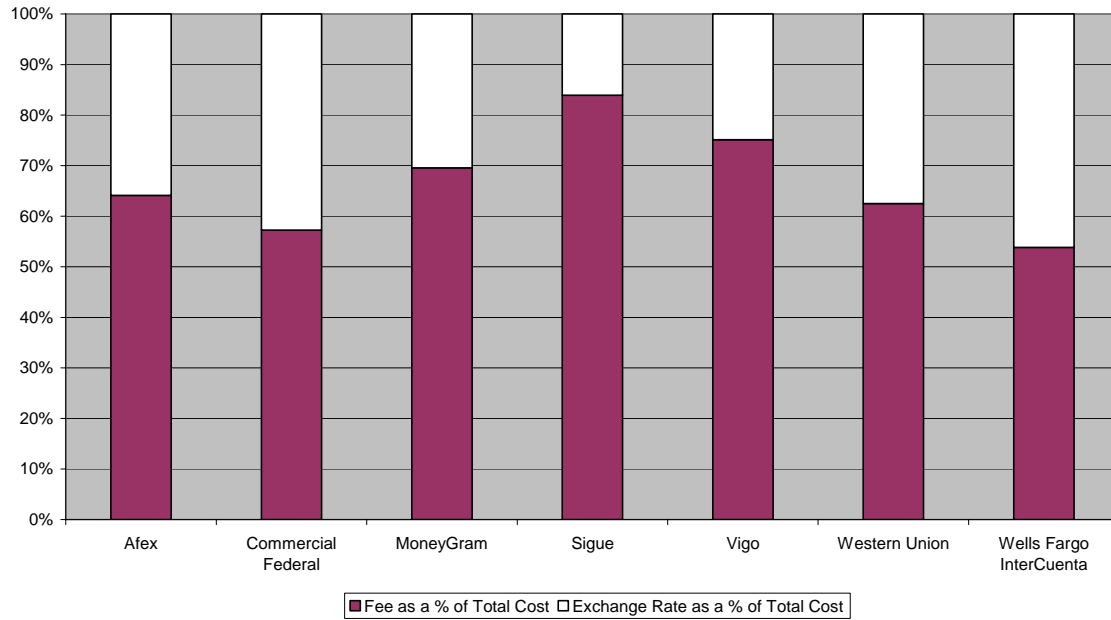
**Chart 3: Nebraska Average Exchange Rates
June 13-24**



**Chart 4: Nebraska Average Total Cost to Send \$300
June 13-24 2005**

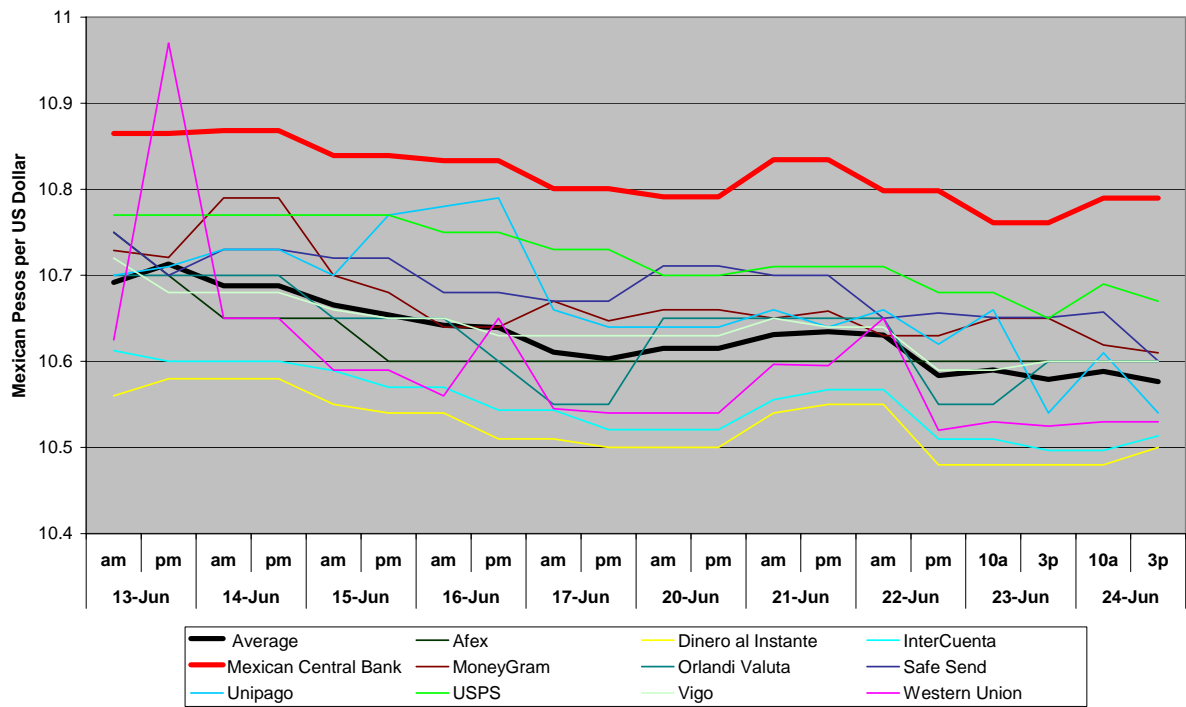


**Chart 5: Nebraska Fee and Exchange Rate as a Percentage of Cost of Transfer
June 13-24 2005**

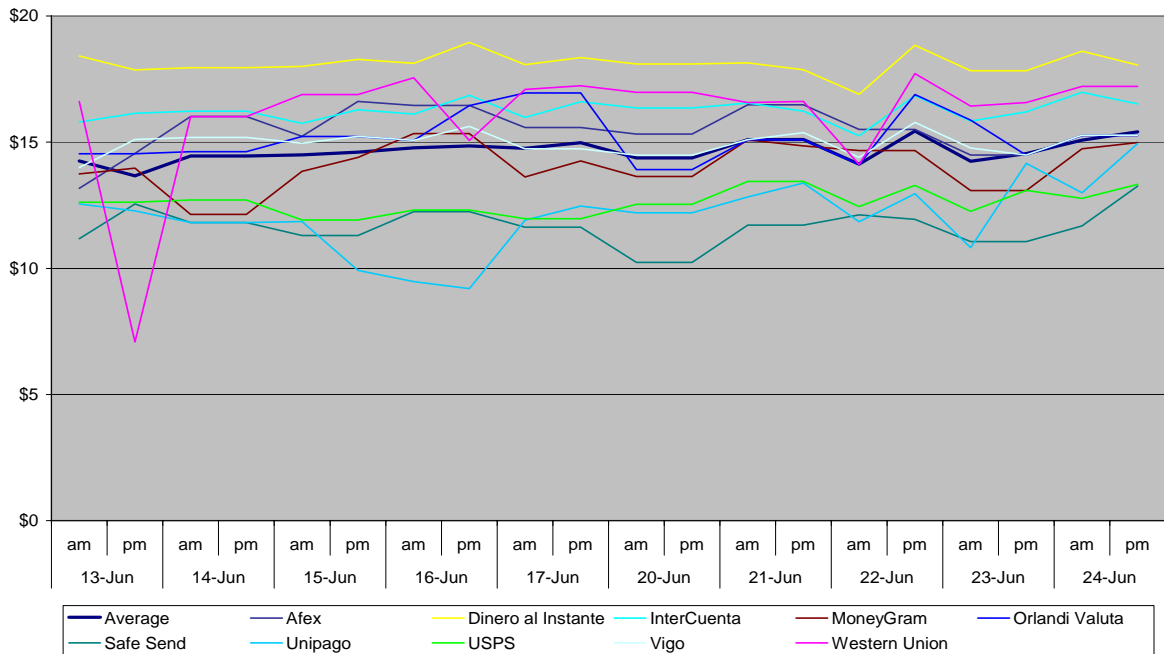


**Appendix D:
Detailed Charts of the Texas
Exchange Rate Study Data**

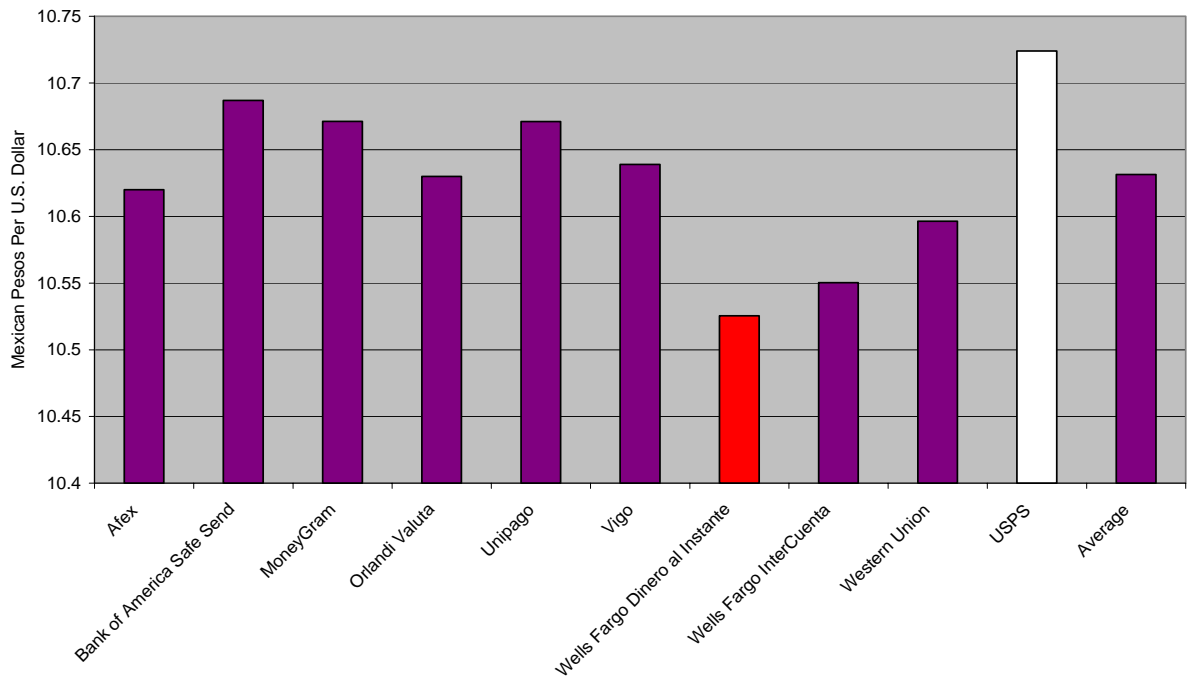
**Chart 1: Texas Exchange Rates
June 13-24 2005**



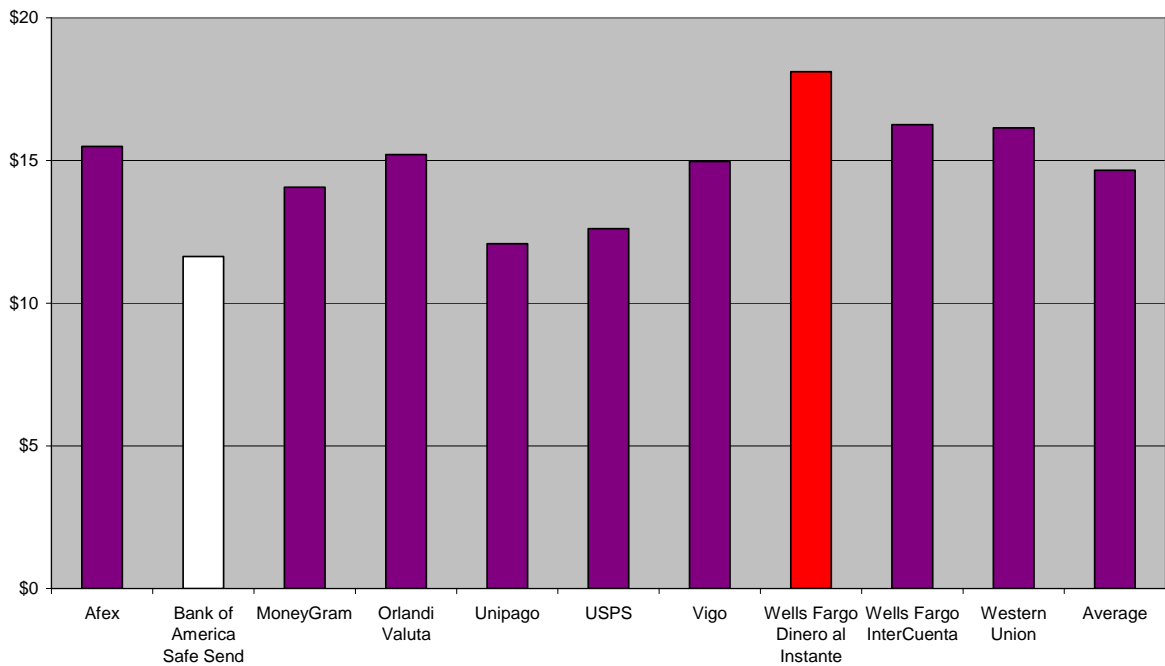
**Chart 2: Texas Total Cost to Send \$300
June 13-24 2005**



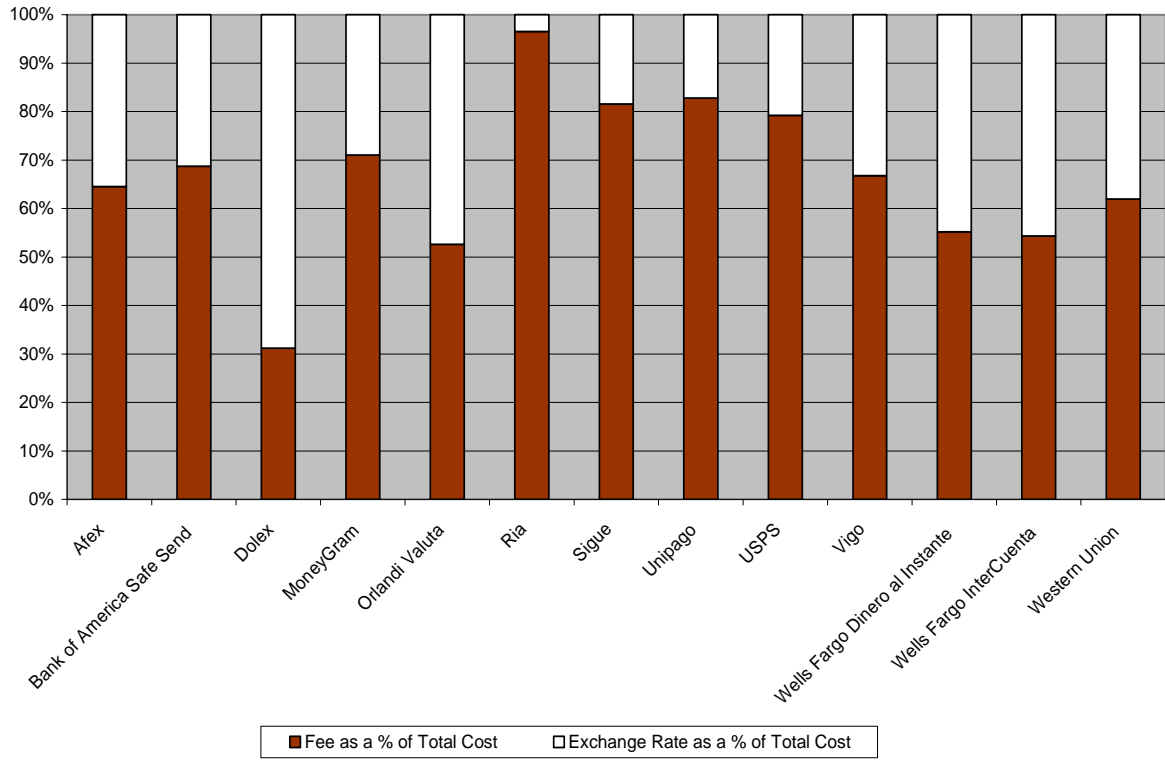
**Chart 3: Texas Average Exchange Rates
June 13-24 2005**



**Chart 4: Texas Average Total Cost to Send \$300
June 13-24 2005**



**Chart 5: Texas Fee and Exchange Rate as a Percentage of Cost of Transfer
June 13-24 2005**



Appendix E: Summary of Provider Information

GEORGIA: SUMMARY OF BASIC SERVICE PROVIDER INFORMATION

SERVICE PROVIDER	Customer Service Number	Service Fee for \$300 (as of June 13, 2005)	Payment Options	Type of Transfer	Recipient Pick-Up Location	Accounts Necessary *BANKS ONLY	When Can the Money be Picked Up in Mexico	Identification Needed to Send the Money	Website	What happens to money if not picked up?
All Checks Cashed Peachtree Street Memorial Drive	404-523-2274 404-659-7455	\$30 if paid by cash; \$40 if paid by credit card -- \$15 quoted	Cash, credit card	Wire	Bank or Western Union office		1 hour	Government issued ID		Operator unable to answer
Afex	800-767-2339	\$10	Cash	Wire	Banks (including smaller branches)		A few hours	Government issued ID or passport	www.afex.com	Sender can cancel order
Bank of America (SafeSend)	866-723-3736	6/13/05: \$8/transaction up to \$1500; 6/15/05: \$10/transaction in U.S. + 3% exchange rate/transaction	Visa/MC/BO A account	Bank to bank	Deposited In U.S. then recipient can use card at any "Plus" or "red" ATM in Mexico	No	Depends, 6 minutes up to a day; card is mailed to recipient in 10-15 days	To start account sender in U.S. must be over the age of 18, have valid SSN or approved photo ID (which may be ID issued by Mexican Consular or other state issued ID) - includes consular-issued ID, state ID or driver's license, or passport; U.S. address of sender must be valid, cannot be P.O. Box; also, name and phone number of recipient required; recipient must be over age 18	www.bankofamerica.com	Money goes back onto SafeSend card

SERVICE PROVIDER	Customer Service Number	Service Fee for \$300 (as of June 13, 2005)	Payment Options	Type of Transfer	Recipient Pick-Up Location	Accounts Necessary *BANKS ONLY	When Can the Money be Picked Up in Mexico	Identification Needed to Send the Money	Website	What happens to money if not picked up?
Dinero al Instante	800-556-0605	\$10/year plus \$8 deposit under \$3000	Cash, check or money order (must deposit into WU account in the U.S.)	Wire	Bank	Yes	Next day	Social Security Number and driver's license number	www.wellsfargo.com	Operator unable to answer
DolEx 4166 Buford Highway 4186 Buford Highway Dalton	770-649-7835 706-272-9017	\$5-\$9/\$300; cash payment only; cash received	Cash only	No account-to-account; cash only (language barrier may have been issue here)	Bank		1-2 hours to transfer	Any ID to send and receive		Funds returned to DolEx; sender must cancel or designate different recipient
InterCuenta	800-556-0605	\$8 plus \$10 annual fee	Cash, check, charge, money order	Account-to-account	Bancomer, Banorte, or HSBC	Yes	Deposit before 4pm available next business day	Two forms of picture ID to send money; whatever required to open account in Mexico to receive money	www.wellsfargo.com	Operator unable to answer

SERVICE PROVIDER	Customer Service Number	Service Fee for \$300 (as of June 13, 2005)	Payment Options	Type of Transfer	Recipient Pick-Up Location	Accounts Necessary *BANKS ONLY	When Can the Money be Picked Up in Mexico	Identification Needed to Send the Money	Website	What happens to money if not picked up?
MoneyGram Glenwood Avenue 4200 P-tree 4058 P-tree Ponce de Leon Moreland	800-666-3947 404-521-1434 404-233-6916 404-233-9666 404-888-0190 404-525-1668	\$9.99/\$300 if credit card over phone; \$15 if cash at physical location	Cash, credit card, bank account	Wire	MoneyGram branch location		Instantly	Government issued ID if paying w/cash in store location or credit/card over the phone	www.moneygram.com	After about 3 months, sender can request a refund (can cancel order)
Money Market of Atlanta	404-525-3599	\$14.99	Cash	Wire	Bank		Immediately next day, or 2 day	Government issued ID or passport		Question not posed
Orlandi Valuta	800-377-7088	\$10	Cash	Wire or direct deposit	Banamex Bank		A few hours	U.S. or Mexican government issued photo ID (Note: to receive funds recipient must show Mexican card required to vote)		Caller sent to voicemail in lieu of answer
Vigo	800-777-8784	\$10	Cash (depends on local Vigo branch; some accepted credit cards, some accept only cash)	Wire	Bank		1-1.5 hours	Government issued ID	www.vigo.com	After 30 days, money goes back to Vigo and the sender is sent a letter indicating that money was never picked up

SERVICE PROVIDER		Service Fee for \$300 (as of June 13, 2005)	Payment Options	Type of Transfer	Recipient Pick-Up Location	Accounts Necessary *BANKS ONLY	When Can the Money be Picked Up in Mexico	Identification Needed to Send the Money	Website	What happens to money if not picked up?
Wachovia (Dinero Directo Card)	888- 829-6272	6/13: \$40 for intn'l transfer; 6/14: \$20 for intn'l transfer IF you have student or free checking account (may be higher w/different kind of account); 6/23: \$10/deposit in U.S., 3%/transaction for currency conversion	6/13: cash, check or credit card (Visa/MC/Discover), check if transferor has account w/Wachovia; 6/14: for wire transfer sender must have adequate funds in Wachovia account; 6/23: check or credit card (over the phone)	Wire or bank draft	Any ATM location -- 6/13: bank draft can be sent to recipient's address, wire transfer must be picked up at bank; 6/23: any ATM location	6/13: No; 6/14: Yes; 6/23: No	7-10 days to get card initially; thereafter funds usually available within one day after deposit in U.S. -- 6/13: 2-3 business days; 6/14: at least 24 hours; 6/23: 7-10 days	Government issued ID to open account; only debit card and password needed to withdraw money from ATM location -- 6/13: bank draft can be prepared/mailed by Wachovia directly to sender's address, wire transfer requires Government ID; 6/14: "proper" ID to receive payment, account w/adequate funds needed to send wire; 6/23: Government ID	www.wachovia.com	Funds deposited back into sender's account
Western Union Jeffersonville, GA Robins AFB, GA Warner Robins 1 of 3 Warner Robins 2 of 3 Warner Robins 3 of 3	800-325-4045 478-945-3135 478-923-5536 478-923-3334 478-929-0752 478-922-3153	\$30/300 if cash; \$40 if Credit Card; \$14.99 same day; \$9.99 next day	Cash, credit card	Wire	Bank or WU office		Within minutes	Government issued ID or credit card if paying by phone or Internet	www.westernunion.com	Order good for 45 days; after that time, sender can request money back (less fee to send)

ILLINOIS: SUMMARY OF BASIC SERVICE PROVIDER INFORMATION

SERVICE PROVIDER	Customer Service Number	Service Fee for \$300 (as of June 13, 2005)	Payment Options	Type of Transfer	Form Money is Received In	Recipient Pick-Up Location	Accounts Necessary *BANKS ONLY	When Can the Money be Picked Up in Mexico	Identification Needed to Send the Money	Identification Needed to Pick Up the Money	Website	What happens to money if not picked up?
America Transfers Inc.	Multiple local locations	\$10	Cash only	Wire	Cash	Various Banks		3 hours later	Any ID that shows name	Any ID that shows name		Determined by bank where money sent
Bank of America SafeSend	Multiple local locations	\$8.00	Credit card, cash	Electronically adds value to card	Stored value card	ATMS or can be used to make purchases directly	No	Almost immediately	ID + credit card	None	www.bankofamerica.com	No pickup necessary
DoEx Dollar Express	Multiple local locations	Varies between \$4 and \$10 depending on what bank you send to in Mexico [for data collection an average of \$7 was used]	Cash, credit card	Wire	Cash	Banks		Depends on the bank but usually same day	None	Whatever ID required by bank		No one knew specific policy
Harris Bank	Multiple local locations	\$8.99	Cash or credit card	Wire	Cash	Local stores or banks	No	Next-day (within 24 hours)	None	Any ID	www.harrisbank.com	Unsure of policy

SERVICE PROVIDER	Customer Service Number	Service Fee for \$300 (as of June 13, 2005)	Payment Options	Type of Transfer	Form Money is Received In	Recipient Pick-Up Location	Accounts Necessary *BANKS ONLY	When Can the Money be Picked Up in Mexico	Identification Needed to Send the Money	Identification Needed to Pick Up the Money	Website	What happens to money if not picked up?
Intermex	773-334-7794	\$9.50	Cash; using a credit card costs an additional 5%	Wire	Cash	Local offices or bank		Transaction takes 15 mins (if sent before 4 pm, otherwise next day)	None (just give name)	Anything which shows name (voter's card was example given)		Money remains for pickup
Mexico Transfers	Multiple local locations	\$10	Cash only	Wire	Cash	Banks only		2 hours	None (for sending under \$1,000)	Government ID		No one knew specific policy
MoneyGram	Multiple local locations	\$8.99	Cash	Wire	Cash	Local stores		Next-day (within 24 hours)	None	Any ID with full name	www.moneygram.com	Did not know of a specific return policy; money would just remain for pickup
Order Express	Multiple local locations	\$10	Cash or credit card	Wire	Cash	Various banks		One hour later	None	Government ID		No one knew specific policy
Tajimaroa Envios, Inc.	Multiple local locations	\$8	Cash	Wire	Cash	Various banks		1/2 hour	None	Various are acceptable, including passport or drivers license		

SERVICE PROVIDER	Customer Service Number	Service Fee for \$300 (as of June 13, 2005)	Payment Options	Type of Transfer	Form Money is Received In	Recipient Pick-Up Location	Accounts Necessary *BANKS ONLY	When Can the Money be Picked Up in Mexico	Identification Needed to Send the Money	Identification Needed to Pick Up the Money	Website	What happens to money if not picked up?
Wells Fargo Bank InterCuenta	Multiple local locations	\$8 + \$10 annual fee	Must open a remittance account and money is transferred from there	Account-to-account	Pesos in bank account with affiliated banks	3 affiliated banks	Yes	If sent before 4 pm, it is available after 3 pm the following day	Government ID	ID required by local bank	www.wellsfargo.com	No pickup necessary
Western Union	Multiple local locations	\$9.99 (next day)	Cash only at this location (but varies based on the Western Union store used)	Wire	Cash	Stores or banks		24 hours later	Government ID (I.e. drivers license)	Depends on pick-up location	www.westernunion.com	Policy of pickup location

NEBRASKA: SUMMARY OF BASIC SERVICE PROVIDER INFORMATION

SERVICE PROVIDER	Customer Service Number	Service Fee for \$300 (as of June 13, 2005)	Payment Options	Type of Transfer	Form Money is Received In	Recipient Pick-Up Location	Accounts Necessary *BANKS ONLY	When Can the Money be Picked Up in Mexico	Identification Needed to Send the Money	Identification Needed to Pick Up the Money	Website	What if recipient does not pick up money?
Afex	Called local numbers for data. Cust. Serv.: 800-767-2339.	\$9.00	Cash	Wire	Cash	Banks or casas de cambio			None	Picture ID	www.afex.com	
Commercial Federal - Targeta Rapida	800-742-5772	\$4 monthly fee plus \$1.50 foreign ATM fee per withdrawal; additional surcharges from foreign ATM banks could apply. \$305 limit per day. (Exchange rate stays within 1.5% of wholesale market.)	Cash, check, transfer from other account	Account to card/acco unt	Card	Any ATM	Yes (sender only)	Immediately	Photo ID (matricula or other), another ID with your name (credit card, library card, work ID), SSN or ITIN, name and birthdate of the recipient, ID number for recipient (voter card, driver's license)	None - just the Rapida card and pin. Person in U.S. needs recipients' name and birthdate to set up account (plus their ID number for extra account security - but not necessary)	http://www.comfedbank.com/mvc/personal-checking-rapido.html	

SERVICE PROVIDER	Customer Service Number	Service Fee for \$300 (as of June 13, 2005)	Payment Options	Type of Transfer	Form Money is Received In	Recipient Pick-Up Location	Accounts Necessary *BANKS ONLY	When Can the Money be Picked Up in Mexico	Identification Needed to Send the Money	Identification Needed to Pick Up the Money	Website	What if recipient does not pick up money?
MoneyGram - Lincoln	Called local numbers for data. Cust. Serv. 800-666-3947.	\$10.00	Cash		Cash	Banks or casas de cambio		20 minutes	none	code #, ID	www.moneygram.com	You get your money back.
MoneyGram - Omaha	Called local numbers for data. Cust. Serv. 800-666-3947.	\$10.00	Cash		Cash	Banks or casas de cambio			none	government ID	www.moneygram.com	
Sigue - Lincoln	Called local numbers for data. Cust. Serv. 800-913-9599	\$10.00	Cash	Wire	Cash	Banks or casas de cambio		One hour later	None	Picture ID	www.siguecorp.com	You get your money back.
Sigue - Omaha	Called local numbers for data. Cust. Serv. 800-913-9599	\$10.00	Cash	Wire	Cash	Banks or casas de cambio			None for this amount	Picture ID	www.siguecorp.com	
U.S. Bank - Secure Money Transfer	800-742-5772	\$8 for U.S. Bank customer. \$10 for non-customer. \$5 delivery fee to send the card the first time.	Cash, credit card, check card	Account to card	Card	any ATM with PLUS or Visa logo, or any L@ Red de la Gente location	No	Within minutes	Matricula, passport, DL, state ID, U.S. military ID, U.S. perm. resident ID card	None - just the Secure Money Transfer card and pin #	http://www.usbank.com/cgi/w/cfm/creditcards/prepaid/secure_money_transfer.cfm	
Vigo - Lincoln	Called local numbers for data. Cust. Serv. 800-777-8784.	\$10.00	Cash	Electronic	Cash	Banks or casas de cambio		30 minutes	None	Government ID	www.vigo.com	
Vigo - Omaha	Called local numbers for data. Cust. Serv. 800-777-8784.	\$10.00	Cash	Electronic	Cash	Banks or casas de cambio			None	Government ID	www.vigo.com	

SERVICE PROVIDER	Customer Service Number	Service Fee for \$300 (as of June 13, 2005)	Payment Options	Type of Transfer	Form Money is Received In	Recipient Pick-Up Location	Accounts Necessary *BANKS ONLY	When Can the Money be Picked Up in Mexico	Identification Needed to Send the Money	Identification Needed to Pick Up the Money	Website	What if recipient does not pick up money?
Vigo - Grand Island	Called local numbers for data. Cust. Serv. 800-777-8784.	\$10.00	Cash	Electronic	Cash	Bancomer		Same day	None	ID	www.vigo.com	
Wells Fargo - Dinero al Instante	800-556-0605	\$10.00	Cash	Wire	Cash	Bancomer	No		Social Security Number and driver's license, or matricula	Local ID	www.wellsfargo.com	Sender can go back to the branch and cancel the transaction, get money back.
Wells Fargo - InterCuenta	800-556-0605	\$10 annual, \$8 to send up to \$3000	Cash, check, transfer from other account	Account to account	Into bank account	Bancomer, Bannorte, BanHSBC	Yes (but don't need standard WF account, this is a separate account)			Whatever necessary to open account	www.wellsfargo.com	
Western Union - any NE location	800-325-4045	\$9.99	Cash (credit costs more)	Wire	Cash	Any WU location		24-48 hours (same day is available but more expensive)	None for under \$1000	Government picture ID	www.westernunion.com	

TEXAS: SUMMARY OF BASIC SERVICE PROVIDER INFORMATION

SERVICE PROVIDER	Customer Service Number	Service Fee for \$300 (as of June 13, 2005)	Payment Options	Type of Transfer	Form Money is Received In	Recipient Pick-Up Location	Accounts Necessary *BANKS ONLY	When Can the Money be Picked Up in Mexico	Identification Needed to Send the Money	Identification Needed to Pick Up the Money	Website
Afex	866-873-2339	\$10.00	Cash	Wire	Cash	Bank		2 hours	None	Identification card	www.afex.com
Bank of America (SafeSend)	866-723-3736	\$8.00	Credit or check card	Checking account-card	Cash	Bank/ATM	No	Immediately	Driver's license or Social Security Number	Identification card	www.bankofamerica.com
Citibank	800-374-9700	\$5.00	Bank, ATM	Account-to-account	Cash	Bank	Yes	Immediately	Identification card, Social Security Number	Identification card	www.citibank.com
DolEx	Called individual stores	\$4.00	Cash	Cash-cash, Amigo Latino card	Cash	Bank			None	Identification card	www.dollexdollarexpress.com

SERVICE PROVIDER	Customer Service Number	Service Fee for \$300 (as of June 13, 2005)	Payment Options	Type of Transfer	Form Money is Received In	Recipient Pick-Up Location	Accounts Necessary *BANKS ONLY		Identification Needed to Send the Money	Identification Needed to Pick Up the Money	Website
Money Gram	800-666-3947	9.99	Cash	Wire	Cash	BanComer, Walmart, various stores		10 minutes	None	Identification card	www.moneygram.com
Orlandi Valuta	800-377-7088	\$9.99	Cash	Wire	Cash	Bank			None	Identification card	www.firstdata.com
Ria	800-772-7779	\$10.00	Cash	Cash-cash	Cash	Bank, select stores		2 hours	None	Identification card	www.riafinancial.com
Sigue	800-913-9599	\$10.00	Cash, check	Wire	Cash	Bank, agency locations		Immediately	Identification card., Social Security Number	Identification card	www.siguecorp.com

SERVICE PROVIDER	Customer Service Number	Service Fee for \$300 (as of June 13, 2005)	Payment Options	Type of Transfer	Form Money is Received In	Recipient Pick-Up Location	Accounts Necessary *BANKS ONLY		Identification Needed to Send the Money	Identification Needed to Pick Up the Money	Website
Unipago	Called individual stores	\$8.00	Cash	Wire	Cash	Bank		Next day	Identification card, Social Security Number	Identification card	
U.S. Post Office - Dinero Seguro	888-368-4669	\$10.00	Cash, ATM, debit, cashiers check	Wire	Cash	BanComer		15 minutes	none	Identification card	
Vigo	800-777-8784	\$10.00	Cash	Electronic	Cash	Bank, agency locations		1-2 hours	Identification card, driver's license	Identification card	www.vigo.com
Wells Fargo (Dinero al Instante)	800-556-0605	\$10.00	Cash, check, money order	Wire	Cash	Bank	No	15-30 minutes	Identification card, Social Security Number	Identification card	www.wellsfargo.com

SERVICE PROVIDER	Customer Service Number	Service Fee for \$300 (as of June 13, 2005)	Payment Options	Type of Transfer	Form Money is Received In	Recipient Pick-Up Location	Accounts Necessary *BANKS ONLY		Identification Needed to Send the Money	Identification Needed to Pick Up the Money	Website
Wells Fargo (InterCuenta Express)	800-556-0605	\$10 annually /\$8 transaction fee	ATM, bank	Account-to-account	Cash	Bank	Yes	Next day	Social Security Number, driver's license	Identification card	www.wellsfargo.com
Western Union	800-325-4045	\$9.99	Cash, debit card	Wire	Cash or check	Western Union locations, BanaMex		Next day	None	Identification card	www.westernunion.com