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New Appleseed Survey Finds That Federal Regulations are Protecting Money Sent Abroad and Making Local Economies Stronger

But Appleseed Centers Call for Stronger Disclosure and Complaint Resolutions Measures

WASHINGTON, D.C. Landmark federal safeguards adopted in 2013 are protecting money sent abroad and the U.S. residents who send it, resulting in a stronger economy at home, according to a new survey released today by the Appleseed Network (“Appleseed”). Before Consumer Financial Protection Bureau (“CFPB”) regulations increased pricing transparency for remittances used by immigrants and others to send money overseas, customers had inadequate up-front information about fees and exchange rates needed to compare the cost of different services.

The report is significant in part because more than \$600 billion was sent abroad using remittances last year, a number that is rapidly growing, with the U.S. topping the list of remittance sending countries, at \$56 billion at the end of 2014, the latest year for which national data is available. Both figures dwarf the \$46 billion in foreign assistance spent by the U.S. government in 2015.

The new Appleseed report, *Sending Money: The Path Forward*, is based on data from a survey of international remittance customers’ preferences and behavior, administered by Appleseed in five states from September 2015 through December 2015. Appleseed Centers in Connecticut, Kansas, Nebraska, Texas and Washington surveyed a total of 702 customers about their typical remittance transactions, comparison shopping behaviors, past problems with remittances, knowledge of their rights, and overall confidence in remittance services.

“The good news is that the vast majority of individuals sending money abroad are receiving required pricing disclosures and are now using them to shop for the best value” said Annette LoVoi, Appleseed’s Director of Financial Access and Asset Building. “Thanks to the CFPB, a functioning remittance market with real price transparency and competitive pricing is the new normal.”

Furthermore, the majority of respondents indicated that prices are stable or declining, and confidence in remittance services is up over the last year, especially among certain subsets of these consumers. Appleseed is a network of 17 centers across the U.S. and Mexico, deeply rooted in their communities, that advances justice and opportunity to help low-income people build better lives. Appleseed has been committed to protecting consumers who send money to family and friends in other countries

(i.e., international remittances) for well over a decade. Greater pricing transparency can lead to lower prices for transactions, resulting in savings for remittance senders and their families.

“A good deal of these savings will remain in the U.S.,” says Darcy Tromanhauser, Program Director, Immigrant and Communities Program, Nebraska Appleseed. “The Inter-American Development Bank released a survey early in Appleseed’s work that showed that approximately 90 percent of the money earned by Latin American immigrants stays in the United States, boosting local economies.”

Appleseed played a lead role in advocating for the first U.S. federal consumer regulations for this important consumer financial service. The regulations were issued by the Consumer Financial Protection Bureau (“CFPB”) based on the authority contained in Section 1073 of the 2010 Dodd-Frank Act and became effective October 28, 2013. The intent of these regulations was to increase the transparency of the remittance process by mandating uniform disclosures so that consumers are better equipped to compare different remittance providers and make the most informed choice about which provider to use. The regulation also requires that the disclosures be in the foreign languages principally used by the remittance transfer provider to advertise, solicit, or market remittance transfer services.

“These regulations make prices clear and addresses language needs,” according to Bob Kettle, Executive Director of Connecticut Appleseed. “These are recurring needs among low-income Connecticut residents we hear from.”

This study is a first look back at the consumer impact of the 2013 regulations. Appleseed developed a survey to assess the effectiveness of the new regulations in helping consumers make more informed choices. The questions tested the core purpose of the regulations: Are people comparing prices? Has consumer confidence in the remittance process improved over the last year?

The evidence provided here shows that the CFPB issued fair and achievable regulations based on balanced and effective rulemaking. The CFPB heard and addressed industry and consumer concerns, weighed and carefully factored this information into the final regulations, which mandate that specific information be provided to consumers in a uniform manner so they can make informed choices.

Among the report’s other key findings:

- **Consumers are receiving pricing disclosures.** About 84% of consumers confirmed that they receive written disclosures before completing their transactions, and 83% reported that they understand the disclosures either “well” or “very well.” Similarly, 72% of consumers confirmed that they received written receipts following transactions.
- **Customers are choosing lower fees.** More than *half* of customers compare fees between money transfer services and always choose the service that has the lowest fee; *two-thirds always or sometimes* choose the service with the lower fee.
- **Consumers report stable or decreasing prices.** Three of four remittance senders report that prices remained stable (69%) or decreased (6%).
- **Consumers say their confidence has improved over last year or stayed the same.** When asked if they had experienced a *shift* in confidence over the past year, 18% of customers reported that their confidence had improved, 74% reported no change in confidence, and only 1% reported that their confidence had worsened. Consumers say that receiving a statement of rights on how to correct errors was the single best predictor of confidence in remittance services

- **Half of customers do not know how to file a complaint.** This results in a small number of complaints filed.
- **Language matters.** If information also is provided in the consumer's primary language, the survey showed an association with greater attention to fees and exchange rates on the disclosures.

People who send remittances, businesses, the CFPB, and nonprofit organizations and academics should adopt a range of recommendations, according to the report. These include:

- **Recommendation One:** All consumers should be given clear and conspicuous legally-required disclosures for all remittance transactions including prominent error resolution notices/statements of rights required in the Dodd-Frank Act to increase consumer confidence.
- **Recommendation Two:** Measures should be enacted to promote better customer understanding of disclosures.
- **Recommendation Three:** The complaint process should be improved and consumers should receive assurances that complaints will be resolved where possible.

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RESOURCES:

Sending Money: The Path Forward

<http://www.appleseednetwork.org/remittance-transfer-resources/sendingmoney/>

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