

**SUPPORTING
TRANSNATIONAL
FAMILIES:**
*Improving Remittance and
Banking Services for
Immigrants in New Haven*

Report and Recommendations
Presented by
**JUNTA FOR PROGRESSIVE
ACTION**

in collaboration with
**THE TRANSNATIONAL
DEVELOPMENT CLINIC**
Yale Law School

Prepared by
Charanya Krishnaswami • Ariel Stevenson • Celso Perez Carballo

Supervised by Muneer Ahmad & Ray Brescia

ACKNOWLEDGMENTS

We would like to thank **Muneer Ahmad**, Clinical Professor of Law at Yale Law School, who first conceived of this project (and our clinic) years ago and made both a reality. **Ray Brescia**, Visiting Clinical Associate Professor of Law at Yale Law School, provided integral feedback and support on all aspects of the research and report.

This report was made possible by the generous support of **The Robina Foundation**. We would also like to extend our heartfelt thanks and appreciation to the following people, without whom this research would never have begun—let alone culminated in the form of a policy report. Thank you for your invaluable support, advice, inspiration, and encouragement throughout this process.

- **Natalia Xiomara-Chieffo, Latrina Kelly, Celia Carvalho**, and the staff of Junta for Progressive Action
- **Rebecca Rouse**, Innovations for Poverty Action (and the staff of IPA)
- **Francis Calpotura**, TIGRA
- **Father James Manship**, St. Rose of Lima Church, New Haven, CT
- **The Yale Law School Transnational Development Clinic**, past and present (especially **Paige Wilson, Corinne Bell, Diala Shamas, Grace Armstrong, Miguel de Figueiredo**, and **Andrea Nill**)
- Yale undergraduates who helped with survey collection.

We would also like to thank the following remittance, access to banking, and immigration experts whose input was helpful to the writing of this report:

- **Annette LoVoi**, Appleseed
- **Ann Baddour**, Texas Appleseed
- **Bob Kettle**, Connecticut Appleseed
- **Annie Harper**, Yale University
- **Lynn Smith**, START Community Bank

Any errors in the report are our own. We welcome feedback for this report; you can reach us via e-mail at the following addresses: celso.perezcarballo@clinics.yale.edu; ariel.stevenson@clinics.yale.edu; and charanya.krishnaswami@clinics.yale.edu. You may contact Professor Ahmad at muneer.ahmad@yale.edu.

Charanya Krishnaswami '13
Celso Perez Carballo '14
Ariel Stevenson '14
Yale Law School, May 2012

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EXECUTIVE SUMMARY

According to the World Bank, in 2010 immigrants working in the United States sent over \$51 billion back to their home countries.¹ These cross-border money transfers, known as **remittances**, form a vital lifeline for recipients in low-income countries and regions. Remitted funds are used for everything from food to education to business investments, playing a key role in alleviating poverty and building human capital. Recognizing this, Junta for Progressive Action, a non-profit service and human rights organization, worked with the Transnational Development Clinic at Yale Law School to undertake a study examining the remittance and banking practices in New Haven's vibrant immigrant community. Based on the information gathered, we sought to determine what kinds of improvements remittance senders would like to see made to the current system, as well as what kinds of improved practices among remittance providers would result in more informed and efficient consumer financial practices. From this, we developed key policy interventions to promote lower remittance fees, greater transparency in remittance providers' practices, and increased financial stability of remittance senders.

We collected surveys and conducted focus groups in the neighborhood of Fair Haven, a neighborhood densely populated by newer migrants. From surveys, we learned important information about respondents' remittance habits. Notably:

- The majority of survey respondents reported sending money back to their home country once or twice a month, with 41% sending once a month and 20% sending twice a month.
- Fifty-three percent of respondents reported sending \$200 or less each time, with 29% sending up to \$100, 24% sending \$101-\$200. Fifteen percent reported sending \$201-\$400, and 11% sending \$401-\$600.
- Fourteen countries were represented among the recipient destinations, the most common being Mexico (36%), Ecuador (25%), and the Dominican Republic (11%).
- When asked how remitted funds were used by the recipients of those funds, by far the most common answer was to purchase food, with 54% reporting this as an important purpose of remittances. Other important uses included healthcare (37%), home maintenance (36%), and education (28%). (Respondents could indicate more than one response to this question.)

We also learned about respondents' general banking habits:

- Forty-eight percent of respondents reported having a bank account.

¹ *Migration and Remittances: Migrant Remittance Outflows*, WORLD BANK, [http://siteresources.worldbank.org/INTPROSPECTS/Resources/334934-1110315015165/RemittancesData_Outflows_Apr12\(Public\).xlsx](http://siteresources.worldbank.org/INTPROSPECTS/Resources/334934-1110315015165/RemittancesData_Outflows_Apr12(Public).xlsx) (last visited May 8, 2012).

- Twenty-seven percent of respondents reported using no financial products at all (financial products included credit cards, prepaid cards, check-cashing services, etc.).

The focus groups enabled us to draw a more textured picture of banking and remittance habits and perceptions regarding available banking services and barriers to access to those services. Key takeaways regarding remittances included:

- When asked why they send money, focus group respondents spoke of both a *need* from relatives back home, and a corresponding sense of *obligation* to help these relatives.
- The decision of which money-sending service to use is driven by many factors, including proximity and convenience to recipient, reliability, and cost.
- Many focus groups participants complained about the *high and unpredictable cost* of remittances.
- Relatedly, participants complained about the *lack of information* and *transparency* around remittance fees, reporting that they are not provided with enough information to accurately predict how much money would arrive on the other side.

The study also considered the perceived and actual barriers to access to banking, in light of the important relationship between banking, financial stability, and the size and reliability of remittance flows. Unbanked remittance senders are subject to higher risk of money loss and theft, and also lack access to credit and savings instruments. As such, they are much more vulnerable to high, unpredictable remittance costs. Key focus group takeaways related to access to banking included:

- Many people did not have bank accounts because they could not maintain the minimum account balance, they lacked the proper identification, or they did not understand the exact identification requirements.
- Others faced barriers to banking because banks did not employ Spanish-speaking staff, or do not provide documents and contracts in Spanish.
- Those that did possess bank accounts tended to favor large, national banks over smaller, community-oriented banks.

The study revealed persistent problems related to the *cost* of remittances, unclear remittance cost *disclosure* and *dispute resolution* requirements, as well as barriers to *access to banking*. Based on discussions with local advocates and remittance experts, we formulated several policy recommendations around each of these areas. These include:

- **Educating consumers** around *new rights* relating to disclosure and dispute resolution under the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank”);
- **Advocating for disclosure of exchange rate spreads** used by remittance providers to regulators, which would enable regulators to ensure fair pricing;
- **Ensuring compliance** with Dodd-Frank disclosure requirements;

- **Lowering prohibitively high minimum account balance requirements;**
- **Educating consumers about banking options,** particularly smaller, community-oriented banks;
- **Ensuring the availability of non-English language materials** at banks;
- **Increasing the use and acceptance of municipal ID cards,** in this case, the Elm City Resident Card; and
- **Building trust in smaller banks** through market research, publicity, and partnerships.

These recommendations are targeted at interested community groups, local policymakers, consumer protection advocates, and banks. Although the research focused on New Haven specifically, the information and policy recommendations may be useful for anyone interested in issues related to consumer advocacy, immigrants' rights, access to banking, or transnational development. We intend for this report to start the conversation about immigrants' access to finance in the New Haven community, and hope it sparks further research and discussion of these important issues.

PART ONE: BACKGROUND

INTRODUCTION TO THE PROJECT

BACKGROUND

Remittances—small, cross-border payments between migrant workers in wealthier countries to families and friends back home—provide vital support for transnational family households and play a key role in broad-based poverty reduction and development. Recognizing this, and finding current information regarding financial practices within the New Haven migrant community lacking, Junta for Progressive Action and the Transnational Development Clinic at Yale Law School set out to better understand remittance and banking practices in New Haven.

This report provides research findings as well as program and policy recommendations based on the gathered information. Although it is the culmination of one stage of research, it also points to important avenues for future research and advocacy in order to better leverage key financial flows, and to better support transnational families.

Through surveys, focus groups, key informant interviews, and secondary research this project aimed to:

- 1) ***Develop understanding.*** To date, no study of banking and remittance practices in the New Haven community has been conducted. To fill that gap, this project sought to develop a better understanding of remittance and banking practices in the New Haven immigrant community as well as the community's satisfaction with current services.
- 2) ***Identify key problem areas.*** Based on the information gathered, the project sought to determine what kinds of improvements remittance senders would like to see made to current money-sending and banking services.
- 3) ***Propose policy interventions.*** After identifying the key problem areas with remittances and banking in the New Haven community, the project sought to identify key policy interventions to promote lower costs, greater transparency, and increased financial stability among immigrant remittance senders.

HISTORY

Prior to the data collection component of this study, the Transnational Development Clinic undertook preliminary research on barriers faced by immigrant communities to remitting money home. That research focused on barriers to banking and access to financial institutions more generally. It was implemented through interviews with key community members, including representatives of START Community Bank, Connecticut Appleseed, Junta for Progressive Action, the Ecuadoran Consulate of Connecticut, and Connecticut Association for Human Services, among others.

From these interviews, the Clinic identified several important areas for further investigation. These included examining perceived and actual barriers to opening a bank account in New Haven, as well as understanding why or how remittance senders choose between various remittance providers. The study described herein attempted to address these questions as well as others related to banking and remittance services.

NEW HAVEN'S IMMIGRANT LANDSCAPE

New Haven has a rich and diverse history of immigration. The city, the second most populous in Connecticut, is home to several immigrant communities. In recent years, Connecticut in general, and New Haven in particular, has seen a surge in its immigrant population. Notably:

- In 2007, one out of eight (approximately 16%) of residents in New Haven were foreign-born.²
- *Nearly a third* of Connecticut households speak a language other than English at home.³
- *Over a quarter* of New Haven residents live below the poverty line.⁴

Poverty, race, and immigrant status often intersect, as seen in the neighborhood of Fair Haven.

Poverty, race, and immigration status often intersect, as seen in the neighborhood of **Fair Haven**, a community of predominantly Latino immigrants, many hailing from countries such as Mexico, Ecuador, and the Dominican Republic. Advocates estimate the undocumented population in Fair Haven to be between 3,000 and 5,000.⁵

In recent years, New Haven has embraced its burgeoning immigrant population, without regard to immigration status, through a variety of initiatives, the most visible of which is the **Elm City Resident Card**. The Resident Card was, in addition to a symbol of the city's inclusivity of all its residents, a response to burgeoning crime targeted predominantly at undocumented immigrants, who were seen as "walking ATMs."⁶ This was because, lacking government ID to open a bank account, undocumented immigrants would often carry their earnings in the form of cash. These undocumented immigrants were also less likely to report being victims of crime, thus exacerbating the problem. In 2007, the city established a municipal identification card—the first of its kind—that any city resident, regardless of immigration status, could obtain.

Immigrants have become a vital part of the social, economic, and cultural fabric of New Haven.

Today, the city stands solidly on one side of an increasingly divided national debate on immigration policy. The city's immigrant-friendly policies are contrasted by immigrant-unfriendly policies at the state and federal levels across the country, including retaliatory

² Kica Matos, *The Elm City ID Card: New Haven Reaches out to Immigrants*, FED. RES. BANK OF BOSTON: NEW ENG. COMM. DEV'LS. (2008), at 2, available at <http://www.bos.frb.org/commdev/necd/2008/issue1/elmcitycard.pdf>.

³ *Id.*

⁴ *Id.*

⁵ Jennifer Medina, *New Haven Welcomes a Booming Population of Immigrants, Legal or Not*, N.Y. TIMES, Mar. 5, 2007, <http://www.nytimes.com/2007/03/05/nyregion/05haven.html?pagewanted=all/>.

⁶ Matos, *supra* note 2.

raids by U.S. Immigration and Customs Enforcement agents following the establishment of the Elm City Resident Card⁷ as well as the highly controversial Secure Communities Program. The city stands in stark contrast to other states and localities (including Arizona, Alabama and Georgia, and towns such as Hazelton, Pennsylvania) that have responded to growing immigrant populations through ratcheting up identification requirements and placing harsh sanctions on undocumented immigrants and their employers.

Despite the political uncertainties, it is clear that immigrants have become and will continue to be a vital part of the cultural, social, and economic fabric of the city.

REMITTANCES: A BRIEF PRIMER

Remittances are *cross-border payments of relatively small amounts sent by migrant workers back to families and households in home countries*. Although they are sent between many countries worldwide, they can represent a particularly important lifeline for families in low-income countries and for poor households in middle-income countries.

Remittances are used for virtually anything on which a single-country household would spend money. This includes:

- recurring daily expenses such as *rent, food or clothing*;
- human capital investments expenses such as *education and healthcare*; and
- *savings and long-term business investments*.

According to research collected by the International Fund for Agricultural Development, consumption, healthcare, and education comprise 80-90% of remittance spending.⁸ The remaining 10-20 percent includes formal and informal savings and investments.⁹ Recipient family members often rely on remittances sent by family members working in high-income regions, which constitute a vital means of support. According to an Applesseed survey of 742 remitters, 80% of respondents reported an annual income of less than \$30,000 a year, and sending a median amount of \$350 per month.¹⁰

According to the World Bank Migration and Remittances Unit, officially recorded remittance flows to developing countries are estimated to have reached \$372 billion in 2011, up 12.1% from \$325 billion in 2010.¹¹ They comprise a significant proportion of the gross domestic product for many developing countries. For example, in 2010, remittances provided:

- 15.7% of the GDP of El Salvador;

⁷ *Diaz-Bernal v. Myers*, No. 3:09-cv-1734-SRU (D. Conn.) (“[P]laintiffs state that the defendants ... were opposed to the Elm City Resident Card program, and purposefully engineered the raid to demonstrate that New Haven was not a safe haven for undocumented immigrants.”).

⁸ *Sending Money Home: Worldwide Remittance Flows to Developing and Transition Countries*, IFAD (Dec. 2009), <http://www.ifad.org/remittances/maps/brochure.pdf> (last visited Apr. 14, 2012) [hereinafter *Sending Money Home*].

⁹ *Id.*

¹⁰ *Remittance Transparency: Strengthening Business, Building Community*, APPLESEED NETWORK, <http://www.applesseednetwork.org/Portals/0/Documents/Publications/FE%20Final.pdf> (last visited Apr. 14, 2012) [hereinafter *Transparency*].

¹¹ *Migration and Remittances*, WORLD BANK, <http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTDECPROSPECTS/0,contentMDK:21121930~menuPK:3145470~pagePK:64165401~piPK:64165026~theSitePK:476883.00.html> (last visited May 14, 2012).

- 15% of the GDP of Honduras;
- and 10% of the GDP of Guatemala.¹²

All together, remittance flows to developing countries are larger than overseas development aid inflows, and in the past ten years have surpassed private debt and portfolio equity inflows.¹³ Further, for the first time since the global economic downturn, remittance flows to developing regions have increased in 2010.¹⁴ The World Bank forecasts that they will continue to increase in the coming years.¹⁵

HOW ARE REMITTANCES SENT?

Remittances are commonly transmitted via **money-sending services** such as Western Union or MoneyGram¹⁶ and less commonly through banks.¹⁷ Alternative financial service providers are becoming increasingly common, filling the service vacuum left by banks unwilling to reach out to migrant populations.¹⁸ These businesses are often corridor-specific remittance providers; that is, they serve a particular set of communities, linking a group of senders in a specific geography of one country to recipients in a specific geography of another. Competition between money-sending services in a community increases according to the size of the migrant population in that community. For example, there is a great deal of competition among remittance providers servicing corridors such as New York-Dominican Republic, or Los Angeles-Oaxaca, Mexico. According to research conducted by the Inter-American Development Bank, as competition between providers increases, fees typically decrease.¹⁹ Despite this finding, costs remain high for many remittance senders.

Various factors affect remittance senders' decisions to use one money sending agency over another. These can include trust in the provider, reputation, security, reliability based on past experience, and convenience to the recipient.²⁰ This last factor becomes particularly

¹² *Migration and Remittances: Migrant Remittance Inflows*, WORLD BANK, [http://siteresources.worldbank.org/INTPROSPECTS/Resources/334934-1110315015165/RemittancesData_Inflows_Apr12\(Public\).xlsx](http://siteresources.worldbank.org/INTPROSPECTS/Resources/334934-1110315015165/RemittancesData_Inflows_Apr12(Public).xlsx) (last visited May 14, 2012).

¹³ *New Rivers of Gold: Remittances from Unlikely Places are Helping Poor Countries in the Downturn*, THE ECONOMIST, Apr. 28, 2012, <http://www.economist.com/node/21553458>.

¹⁴ *See id.* ("In 2009, when economies around the world crashed, remittances to poor countries fell by a modest 5%, and by 2010 had bounced back to record levels.")

¹⁵ *Id.*

¹⁶ JORDAN VEXLER, MAUREEN ROCCHIO, JAMAL SALEM & REBECCA VELAZ, IMMIGRANT USE OF FINANCIAL SERVICES AND UNMET NEEDS: A SURVEY OF MEXICAN IMMIGRANTS IN CHICAGO 3 (Dec. 2008), available at <http://www.appleseednetwork.org/bPublicationsb/RecentReports/tabid/522/Default.aspx>.

¹⁷ There have been noteworthy efforts, particularly by the U.S. and Mexican governments, to encourage banks to enter the remittance market. A program titled Directo a México aims to assist banks in the U.S. to remit customers' funds to Mexico in a secure and low-cost way by promoting the use of the Automated Clearing House channel. The program is a joint effort between the central banks of Mexico and the U.S. *See Directo a México: Frequently Asked Questions*, FEDERAL RESERVE BANK SERVICES, <http://www.frbservices.org/files/help/pdf/DirectoMexicoFAQ.pdf> (last visited May 14, 2012).

¹⁸ *Sending Money Home*, *supra* note 8, at 7.

¹⁹ MANUEL OROZCO, CHANGES IN THE ATMOSPHERE? INCREASE OF REMITTANCES, PRICE DECLINE AND NEW CHALLENGES (Feb. 2003), available at <http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=35076878> (last visited May 14, 2012).

²⁰ MARIANNE A. HILGERT & JEANNE M. HOGARTH, FED. RES. BANK OF ATLANTA, BANKING ON REMITTANCES: EXTENDING FINANCIAL SERVICES TO IMMIGRANTS (2008), available at

important where the recipient family members live in rural areas with limited access to banks or other financial resources. Fees and exchange rates also play into the decision, though consumers will often pay more to ensure reliability and convenience.²¹

The World Bank estimates that reducing the cost of sending remittances by 5% would save up to **\$16 billion per year.**

The cost of sending remittances should be kept as low as possible so that remittance recipients can devote the maximum amount of remitted funds to anti-poverty and human capital investments. The cost of sending money can range greatly, in certain corridors rising as high as 22% of the total amount being remitted.²² Remittance costs include both the flat fee charged by the service provider as well as the exchange rate spread created in the conversion of dollars to local currency. Money sending services profit from both the flat fee as well as the exchange rate spread, i.e., the difference between the exchange rate they apply to the funds and the exchange rate they, in turn, are charged. Sending money

from the U.S. to Mexico can range from \$3.13 per \$200 (1.5%) sent via Bank of America, to \$16.49 per \$200 (8%) sent via Western Union. Similar fee ranges are reported throughout the U.S.-Latin America corridor.²³ The World Bank estimates that cutting remittance costs by 5 percent would save up to \$16 billion per year to be used for poverty-reduction and basic needs in low-income households worldwide.²⁴

PROBLEMS FOR REMITTANCE SENDERS

Remittance senders face various hurdles in maximizing the monies they send home. Certain barriers directly affect the size and flow of remittances, while others affect general financial security of low-income immigrant populations.

Remittance cost. As mentioned above, **remittance costs** tie up a significant amount of money that could be used for poverty reduction, education and healthcare. Increasing competition is one way to lower costs. Regulations that prevent businesses from entering the financial services market decrease competition and thus increase costs.²⁵

Remittance service providers may also be engaging in price gouging, particularly through the exchange rate they provide to customers.

Because remittance providers are not currently required to release information about their exchange rate spread, it is impossible to know if unfair pricing is occurring.

Lack of transparency. In addition to high costs, **lack of transparency** regarding cost information has made it difficult for remittance senders to compare services and choose the most competitive provider. A study conducted by Appleseed in 2005 revealed that inconsistent

The 2009 Dodd-Frank Act mandates the disclosure of fees paid by remittance senders—a recognition of the economic importance of remittances.

http://www.frbatlanta.org/pubs/partners/partners-vol_15_no_2-banking_on_remittances_extending_financial_services_to_immigrants.cfm?redirected=true.

²¹ APPLESEED NETWORK, IMPROVING THE MARKET FOR INTERNATIONAL REMITTANCES 7 (Apr. 2007), available at <http://www.aecf.org/upload/PublicationFiles/fair%20exchange.pdf>.

²² *Remittances Prices Worldwide*, WORLD BANK, <http://remittanceprices.worldbank.org/> (last visited Apr. 14, 2012).

²³ *Id.*

²⁴ *Id.*

²⁵ *Sending Money Home*, *supra* note 8, at 7.

exchange rates, unpredictable pre-transaction fees, and lack of cost transparency made comparison shopping difficult.²⁶ The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) contains new federal legislation mandating disclosure of fee information to consumers. The regulations are scheduled to take effect in February 2013. The new rules are explained in greater detail below.

The unbanked and underbanked. Many commentators additionally cite **perceived and actual barriers to banking** as a major contributor to financial insecurity for the immigrant population. Unbanked immigrants are more vulnerable to theft and loss of cash on hand, and are also more likely to utilize check-cashing services that charge high fees. The use of bank accounts benefits low-income migrants by enabling the creation of a financial and credit history, and by providing access to credit and savings instruments. Because unbanked and underbanked immigrants are the most financially vulnerable members of the population, harmful remittance practices (such high costs and lack of transparency) hit them the hardest. Increasing the use of bank accounts and other products that promote financial security will improve the financial stability of remittance senders, thus engendering a larger and more stable flow of remittances to recipient households to be used for poverty alleviation and human capital development.

HOW ARE REMITTANCES REGULATED?

State and Federal Regulations. New remittance regulations were promulgated pursuant to Section 1073 of the **Dodd-Frank Act**, which required the Federal Trade Commission **Consumer Financial Protection Bureau** (CFPB) to create *cost disclosure* and *dispute resolution* requirements for international money transfer agencies. In addition to this federal legislation, the regulatory framework governing money-sending agencies includes a diverse web of state-level licensing rules that can create barriers to entry for smaller businesses. In addition, the USA PATRIOT Act of 2001 targets Anti-Money Laundering/Counter Financing of Terrorism (AML/CFT) by imposing certain requirements on money-sending businesses. These federal AML/CFT laws restrict transfers to or from certain persons.²⁷ Most notably, they require banks and money-sending businesses to obtain certain types of personal identification from customers before sending money. For undocumented immigrants, this can prove difficult.

Recent reforms. Regulations recently promulgated by the CFPB pursuant to the Dodd-Frank Act are intended to improve the *predictability* and *transparency* of remittance costs, as well as to improve dispute resolution when errors occur. These requirements, which come into effect in February 2013, mandate that money-sending service disclose the following information to customers:

- The *total cost* of the transfer, including fees and taxes imposed on the sending end as well as the receiving end;
- The *exchange rate* used (this may be an estimate);
- The *amount of currency* to be delivered to the recipient; and
- And the *date* that the funds will be available on the receiving end.

²⁶ *Transparency*, *supra* note 9, at 2.

²⁷ *Electronic Funds Transfer (Regulation E)*, 77 FR 6194, at 6195, available at <https://federalregister.gov/a/2012-1728>.

The information must be provided prior to making the payment and consumers will have thirty minutes after making the payment to cancel the transaction. In addition to fee disclosure, the regulations require providers to investigate disputes and to remedy errors.²⁸ The regulations promulgated to govern remittance transactions utilize intentionally broad definitions of “remittance” and “remittance transfer provider” in order to cover a large swathe of the international remittance market:

(e) *Remittance transfer*—(1) *General definition*. A “remittance transfer” means the electronic transfer of funds requested by a sender to a designated recipient that is sent by a remittance transfer provider. The term applies regardless of whether the sender holds an account with the remittance transfer provider, and regardless of whether the transaction is also an electronic fund transfer...

(f) “Remittance transfer provider” or “provider” means any person that provides remittance transfers for a consumer in the normal course of its business, regardless of whether the consumer holds an account with such person.

In addition to disclosure requirements, the Dodd-Frank Act authorizes the CFPB to supervise large financial institutions and their affiliates, which could include remittances service providers—particularly larger ones such as Western Union or MoneyGram. Although specific oversight rules have yet to be promulgated, there is space for regulators to ensure fair remittance costs by requiring remittance businesses to report pricing practices and exchange rate spreads. Current requirements, however, do not require remittance services to reveal their exchange rate spread information, neither to consumers nor to regulators. This is likely due to a variety of reasons, including comments received from remittances providers arguing against further disclosure requirements. Without information about exchange rates, it is difficult for regulators to understand fully how costs operate in the remittance marketplace.

Despite the current lack of mandated exchange rate disclosure, Section 1073 of the Dodd-Frank Act represents a significant improvement in federal regulation of remittance services by mandating general cost disclosure and dispute resolution mechanisms. The disclosure requirements will ensure greater transparency, allowing remitters to make more educated decisions about the most cost-effective financial service. Doing so may increase pressure on service providers to offer lower fees to customers, thereby making more funds available for poverty-reduction and to support transnational families.

²⁸ *Id.*, 77 FR 6194.

PART TWO: FINDINGS

The project was conducted in two parts. First, a **short survey** instrument was used to gather demographic information as well as information about the remittance and banking practices of the Fair Haven immigrant community. Next, researchers conducted a series of **focus groups**, asking in-depth questions about remittance and banking habits as well as perceptions and opinions about current financial services.

METHODOLOGY IN BRIEF

This section briefly summarizes the methodology used in conducting surveys and focus groups. For a more detailed description of methodology, please see Appendix A.

Surveys. In all, the project collected surveys from 145 respondents. Surveys consisted of fifteen questions, ten write-in and five multiple choice.²⁹ They were conducted in Spanish, some orally and some provided in writing with researchers standing available to answer questions and clarify uncertainties. In an effort to mitigate selection bias, surveys were collected in three different settings: evening ESL courses, focus groups, and Sunday mass at St. Rosa de Lima Catholic Church. The ESL courses and focus groups were operated through Junta for Progressive Action. Due to strong ties to Junta, it is likely that surveys collected during ESL classes and focus groups represent a sample of individuals who are well connected to community services, particularly those provided by Junta. The surveys collected during Sunday mass at St. Rosa de Lima likely represent a broader sampling of the population in terms of access to services.

The survey responses were entered in Excel according to a simple code, and then various graphs were created to capture descriptive statistics and sample demographics.

Focus Groups. Four focus groups of 7-9 people each were conducted at the Junta offices in Fair Haven. Conversations were conducted in Spanish and ran for approximately one hour. Focus groups were moderated by students at Yale Law School and volunteer staff from Innovations for Poverty Action. Moderators followed a predetermined framework for the conversation, asking follow up questions based on responses. About two thirds of the conversation was spent discussing remittances and the rest was spent discussing banking practices. All sessions were audio recorded and transcribed.

Participants were recruited through Junta staff, fliers posted at local businesses, and advertisements in community publications. In exchange for their involvement, participants received refreshments and a \$25 gift certificate to C-Town, a local supermarket.

²⁹ The survey instrument is included in Appendix C.

SURVEY RESULTS

DEMOGRAPHICS OF SURVEY RESPONDENTS

The survey population consisted of **53% women** and **37% men**, with 10% of the sample declining to reveal their gender. The majority of respondents fell between the ages of 20-49, with 14% between 20-29, 31% between 30-39, and 25% between 40-49.³⁰ Although we asked survey respondents their weekly earnings, 40 out of 145 declined to answer. Of those who responded, 37% earned \$101-\$300 per week, and 32% earned \$301-\$500 per week. *See* Figure 1.

Figure 1: Weekly Earnings

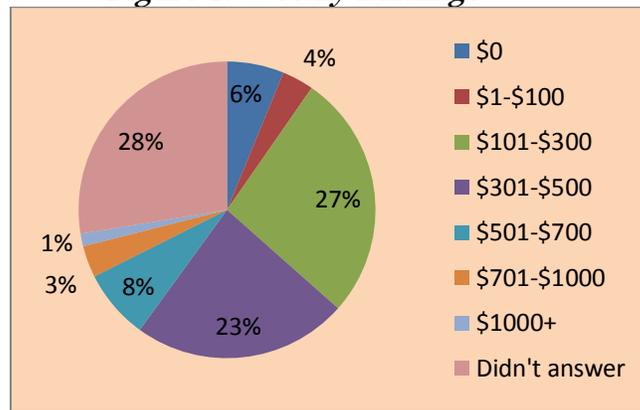
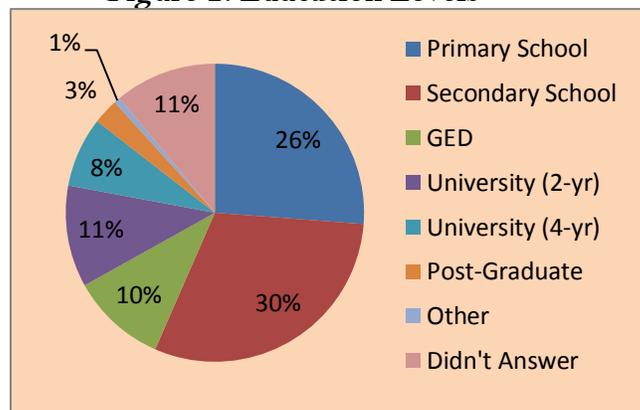


Figure 2: Education Levels



Twenty-six percent of respondents reported having completed primary school, and 40% reported completing secondary school or earning a GED. *See* Figure 2. The majority of respondents have lived in the United States for more than five years, with 26% reporting being in the U.S. for 5-10 years, 19% for 11-15 years, and 22% for more than 16 years.³¹

³⁰ *See* Appendix B, Fig. 1B for a more detailed breakdown of ages of respondents.

³¹ *See* Appendix B, Fig. 2B for a more detailed breakdown of number years lived in the United States.

REMITTANCES AND BANKING PRACTICES

The majority of survey respondents send money back to their home country once a month or twice a month. Fifty-three percent of respondents reported sending \$200 or less each time, with 29% sending up to \$100, 24% sending \$101-\$200. Fifteen percent reported sending \$201-\$400, and 11% sending \$401-\$600. *See* Figures 3 and 4.

Figure 3: Frequency of Remitting

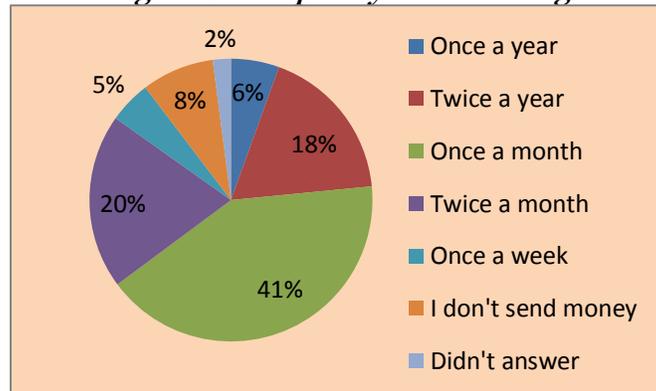
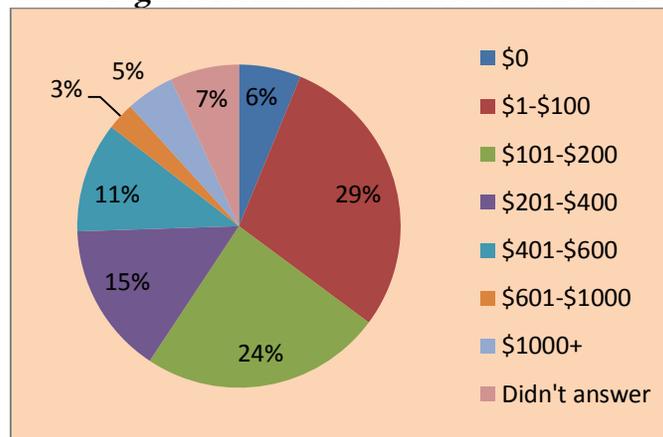


Figure 4: Amount Remitted Each Time



Fourteen countries were represented among the recipient destinations, the most common being Mexico (36%), Ecuador (25%), and the Dominican Republic (11%).³² The most common remittance recipients are parents of senders, followed by children of senders. *See* Figure 5.

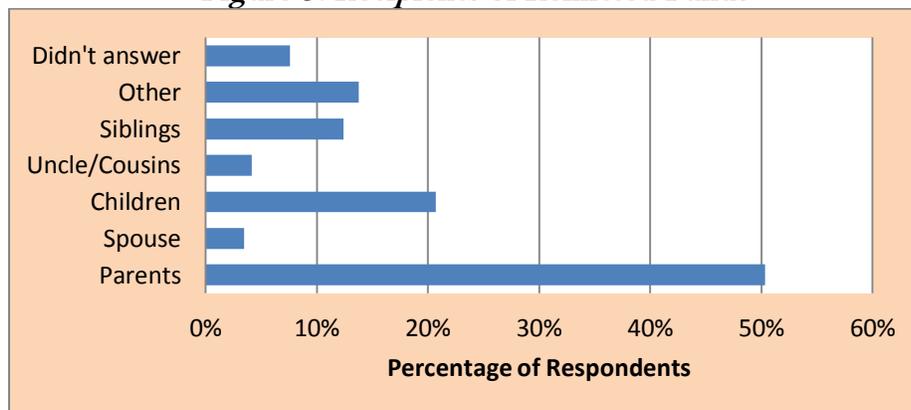
Respondents were also asked about the use of remitted funds. By far the most common answer was that remitted funds were used by recipients to purchase food, with 54% reporting this as an important purpose of remittances. Other important uses included healthcare (37%), home maintenance (36%), and education (28%).³³ These findings suggest that remittance funds

³² See Appendix B, Fig. 3B for a more detailed breakdown of recipient countries.

³³ See Appendix B, Fig. 4B for a more detailed breakdown of the uses of remitted funds.

are predominantly used for basic consumption and human capital investments, thus likely mitigating the most deleterious effects of poverty.

Figure 5: Recipients of Remitted Funds*

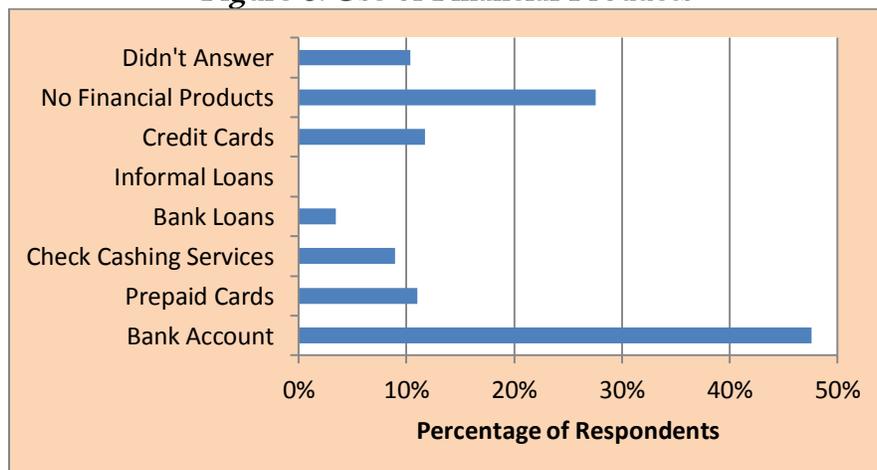


*Note: Respondents could check more than one answer for this question.

Respondents reported using a number of different money sending services. The top three reported by name were Bancomer (19%), MoneyGram (18%), and DolEx (17%). However, more respondents (29%) reported using various other unnamed services, including small corridor-specific remittance providers as well as banks.³⁴

Respondents exhibited varying levels of use of financial products. Forty-eight percent have bank accounts, while 27% use no financial products at all. Smaller percentages reported using prepaid cards, bank loans, credit cards, and check-cashing services. See Figure 6.

Figure 6: Use of Financial Products*



*Note: Respondents could check more than one answer for this question.

³⁴ See Appendix B, Fig. 5B for a more detailed breakdown of respondent's remittance service providers.

SURVEY CONCLUSIONS

The survey data reveal that in the aggregate a very large sum of money is being redistributed within transnational households, serving as a *vital support system* for migrants' families in developing countries. Extrapolating from the data in this sample, if the average remitter is sending \$200 once a month this results in \$348,000 per year to be used for targeted poverty reduction among the 145 families of the respondents. In addition to the information on remittance practices, the survey revealed that *only 48% of respondents currently use a bank account*. This means that *52%* of the sample population is subject to increased financial insecurity due to heightened risk of money loss or theft and lack access to credit and savings instruments. Without a bank account, these individuals are unable to build credit history, making it difficult or impossible to purchase a home or car. All of these findings point to important target areas for policy and program interventions aimed at streamlining remittances and increasing the use of financial products.

FOCUS GROUP RESULTS

REMITTANCES FINDINGS

Why do remitters remit?

When asked why they sent money abroad, nearly all participants responded that the primary reason was to *help family members* back in participants' countries of origin. Participants all expressed *strong ties* to their native countries. Many had parents, siblings or children still living there, while others had members of their extended family whom they helped support. A few mentioned close friends whom they considered like family.

Participants described both a *need* and an *obligation* to send remittances to relatives in low-income home countries.

Participants described both a *need* from relatives back home, and a corresponding sense of *obligation* to help these relatives. "We come from poor countries [...] and those back there expect remittances from us," said one participant. Numerous participants described the financial struggles of family and friends in their respective countries of origin. They also described having opportunities in the United States not available to those back home. Accordingly, participants indicated a desire to help their respective families improve their economic situation through money transfers.

Additionally, participants recognized a tension in meeting their immediate needs and sending money to friends and relatives. "It's hard because sometimes there is enough work to send money. Other times, there is no work. Then I have to make adjustments and send what I can," said one participant. These tensions did not deter people from sending money altogether. Rather, it led them to adjust their sending patterns.

Overall, respondents expressed a common desire to improve their own lives and those of relatives through money transfers.

When asked what recipients used the money for in their home countries, respondents gave various answers. Most said the money was used for basic needs such as healthcare, food, and rent. Others sent money for education. As one woman explained: "In my country there is a

lot of unemployment. I send money so that my nephew can finish his university studies.” A few participants also sent money for personal investments. One couple was in the process of building a house in their home country and had family abroad administer the construction. One woman said she rented out apartments in her home country and used the money she earned in the U.S. to maintain them. Overall, respondents expressed a common desire to improve their own lives and those of their relatives through these money transfers.

How do remitters choose a service provider?

Most participants reported using a number of different commercial remittance providers including *Western Union*, *MoneyGram*, *DolEx*, and *La Nacional*. Some did not know the name of their provider but said they sent money at a local “agency.” While unclear whether or not remittance senders felt allegiance to a particular national company or storefront, the conversation tended to center around national companies, suggesting that they associated more commonly with the brand name and less with the particular shop or bodega used. A few participants used banks to transfer money from a U.S. bank account

Most respondents made their choice of provider based on past experiences or personal recommendations.

Participants sending to rural areas have limited provider options. In rural Ecuador, one participant’s family “ha[s] to walk two or three hours to take the bus to town” to receive remittances.

to a foreign account. Of those participants using commercial remittance providers, almost all reported sending money at local stores or businesses. Some had heard about the possibility of remitting money online, but none had made use of these services. Most respondents made their choice of provider based on past experiences and recommendations from family and friends.

utilized at least two providers when transferring money to their respective country of origin. However, even at the country level, senders’ choices were often determined by the distribution networks available in receiving countries. For those receiving money in urban centers, it was not hard to collect the payment in a number of different places. These recipients often had a choice of where to receive the money, and correspondingly senders had a choice of the service with which they could send money. In some corridors, such as the Dominican Republic, senders even had the option of having the money delivered right to a recipient’s home.

Participants reported common issues affecting their choice of provider. The first series of concerns related to the delivery of the money transfer. This included several dimensions. *First*, respondents were limited by the geographic reach of a given provider, as certain providers covered only particular corridors. Most participants

Participants sending to rural areas, on the other hand, were more limited in their choices. As one man said about his family in rural Ecuador, “They have to walk two or three hours to take the bus to town [to get the money].” In these situations, there was often only one provider available to senders. Participants also cited other factors concerning the delivery of the money that influenced their choice of provider. These included the time it took to complete the transfer, store hours in the recipient’s country, and the recipient’s customer service experience.

A second series of concerns centered on the cost of the transfer. As one participant put it, “Sometimes it’s a little complicated because agencies don’t pay what is fair.” Senders

Senders repeatedly expressed a feeling of paying excessive transfer fees.

repeatedly expressed a feeling of paying excessive transfer fees. Most participants reported shopping around between two or more providers for the lowest fees available. However, cost was balanced against other considerations, such as time to complete the transfer or ease of access to the recipient. In case of an emergency, for instance, some participants used a provider charging a higher fee if they were guaranteed a faster transfer.

Exchange rates were also a significant consideration. Participants diverged on whether it was best to send money in U.S. dollars or local currency. Some preferred to have the remittance provider exchange the money into the local currency. Even if they did not get the most favorable exchange rate, they said it was easier and safer to transfer the money that way. Others preferred to transfer the money in U.S. dollars and then have recipients shop for a more favorable exchange rate, considering this more economical. As with fees, participants reported weighing getting a favorable exchange rate against what was practicable for those receiving the money.

What are the most common concerns and complaints with providers?

Participants voiced several complaints from their past experiences with remittance providers. *First*, most considered the fees charged to be too high. This was a greater concern for those sending to restricted corridors or rural areas where provider options were limited, but almost all senders complained of paying too much in fees. Additionally, a subset of those who considered the fees excessive also expressed some uncertainties about hidden fees on the receiving end of the transaction. Senders acknowledged receiving a receipt specifying the fees charged and the amount of money transferred. However, some were unclear exactly from where the fees were coming.

Several participants experienced unforeseen mishaps regarding the amount transferred: “I sent her \$100 and they only paid her \$50 in Ecuador.”

Second, several participants experienced *unforeseen mishaps* regarding the amount transferred or the expected delivery date. A couple of senders had their transfers unexpectedly delayed or cancelled for various reasons. One person suggested this was more common during seasons with a high volume of money transfers. “They take advantage [of us] at Christmas,” she said. Another participant said that a week after sending the money he was told: “The money got held up, but I don’t know why.” Another participant reported his mother had not received the correct amount. “I sent her \$100 and they only paid her \$50 in Ecuador,” he explained. Almost all participants reported keeping their receipts to avoid these types of complications.

One consumer complained that a bank “withheld the money for over eight days. They told me I had to provide a letter explaining . . . how I got the money.”

Indeed, most participants who did experience difficulties were able to solve these using the confirmation number on their receipts. A few were unsatisfied with their provider’s response, and changed providers as a result of these problems. New Dodd-Frank requirements focused on dispute resolution are intended to address this category of complaints.

A final set of complaints centered around proper identification on both the sending and receiving ends of the transaction. Participants reported that some recipients had had trouble withdrawing money

because the name on their identification did not perfectly match the name provided when the money was sent. These problems were eventually sorted out. Other participants complained about the identification required when they sent money. A couple of respondents sending large sums of money were asked for additional documentation stating how they had procured the money. As one sender explained, “[They] withheld the money for over eight days. They told me I had to provide a letter explaining where I worked and how I got the money.” At least one respondent cancelled his transaction as a result of these additional requirements. Others provided the requisite documents or sent smaller quantities that did not require additional documentation.

ACCESS TO BANKING FINDINGS

What are the banking practices of remitters?

A number of participants had used or were using bank accounts in the United States. Most used larger financial institutions such as Bank of America, TD Bank, First Niagara, Citizen’s Bank, People’s (United) Bank, Citibank, and Chase. Few had heard of smaller local banks, and none reported using these. As with remittances services, most participants reported making their choice of provider based on past experiences and recommendations from family and friends.

Many participants reported that larger institutions seemed more trustworthy and “inspired confidence.”

Several factors influenced participants’ decision of what bank to use. Among these were hours, banking locations, whether staff spoke Spanish, and fees charged. However, participants’ decisions also seemed significantly influenced by brand name and subjective perceptions of banks’ reliability. Participants reported favoring larger national or regional financial institutions because these were perceived as less likely to fail. Only a couple of respondents recognized local institutions such as START Community Bank. When asked directly about START, one participant said she had heard about the bank through workshops at Junta, but the bank did not “inspire confidence.” When asked why, she said, “I don’t know. I’ve seen in the news, for example, that this or that bank [...] disappears overnight. I have to wait until [START] is more well-known.” Others in the group expressed similar feelings that their money was better protected from bank failure in larger institutions.

Banks were generally used for checking accounts and cashing checks. Few respondents reported having savings accounts in the United States. A few had put savings into banks abroad or were sending money abroad to be invested in homes or real estate. Very few participants reported using loans, credit cards or mortgages. Likewise, few participants reported using non-bank financial services such as check cashing.

A number of participants did not have bank accounts at all. When asked why they had not opened accounts, a couple said they did not have enough money to justify opening the accounts. Instead they stored their money in cash at home.

A number of participants did not have bank accounts at all. When asked why, they stated they did not have enough money to justify opening the accounts.

Language and identification requirements were the two most common reported barriers to banking.

What are the most common barriers to banking?

Participants pointed out two main barriers to accessing and utilizing banking services: language and identification requirements. Almost all participants expressed greater comfort communicating in Spanish. Several participants stated that their banking decisions were directly affected by the availability of bilingual representatives at the banks they frequented. As one woman said, “Sure I know English, but I would like it if they explained everything clearly in Spanish.” However, bilingual representatives were not always available at banks. Moreover, participants also explained that brochures, contracts, and other financial documents were not always available in Spanish. In light of this, several participants expressed varying degrees of frustration trying to understand the financial services offered at banks.

Participants also stated that identification requirements limited access to banks. Most respondents with bank accounts said they had used either licenses or passports to open bank accounts. However, when respondents were asked about the Elm City Resident Card, the conversation turned towards the difficulties of undocumented workers in accessing financial services. A number of participants expressed doubt or distrust about the Elm City Resident Card. “I heard that was for people who didn’t have papers,” said one person. Several said they had heard rumors about the cards being used by the state and federal government to identify and detain undocumented workers. One woman said she had gotten an Elm City Resident Card to show support for those without documentation. “At my church, they told us to support these people. They told us all to get the ID, no matter our immigration status,” she said. Regardless of whether they had the card, many respondents did not know they could use the card to open an account at certain local banks.

Regarding the Elm City Resident Card, one participant said, “I heard that was for people who didn’t have papers.” Others had heard rumors that the card was used to gather information about the undocumented.

FOCUS GROUP CONCLUSIONS

Focus groups revealed information that ran counter to some conventional understandings about immigrant access to banking. First, participants had more contact with large banks than was initially expected. It was surprising that participants favored larger institutions, given that local banks often have policies and services tailored to low-income communities. It was particularly surprising that individuals were so strongly committed to brand names, even after attending financial literacy classes aimed at providing accurate information about bank stability. Likewise, rumors and stigma surrounding the Elm City Resident Card were also unexpected. It was hard to know the source of these rumors. Regardless, it was clear that there was widespread suspicion about the card among participants.

Focus groups revealed surprising misconceptions about smaller, consumer-friendly banks as well as initiatives like the Elm City Resident Card.

Data provided by the focus groups was limited due to the study’s structure and participant concerns regarding immigration status. On the one hand, recruitment posed some limitations to the representativeness of the data. Participants were largely contacted through Junta. Thus, they were more likely to be engaged in the

community, and have greater awareness of remittance and banking services. It is possible that the conversations omitted the perspectives of individuals less connected to community networks in Fair Haven. Additionally, most of the groups included family members or married couples. While we had 7-9 participants per group, there were often fewer family units represented. This suggested an even narrower range of experiences voiced during these sessions.

The completeness of the data was limited by the lack of discussion concerning immigrant status. To protect focus group participants, moderators did not ask about participants' immigration status. None of the respondents identified themselves as undocumented. The question of immigration status only came up following the conversation of the Elm City Resident Card. It was hard to tell whether people had first-hand experiences with the challenges faced by undocumented migrants, or whether these comments were hearsay. Thus, it is likely that the full range of potential barriers of access to financial services faced by undocumented workers was not fully discussed.

Further research is necessary to confirm the information gleaned from these conversations.

PART III: RECOMMENDATIONS

Based on our survey and focus group findings, we identified three key, interrelated problems most commonly experienced by remittance senders.

- **Cost.** Cost was one of the most commonly cited problems in our focus group discussions regarding remittance satisfaction. Several consumers felt either as though fees were unreasonably high, such that providers were taking advantage of senders, or that they were unsure why transferring money is so costly.
- **Information Disclosure.** Although the Dodd-Frank Act requires disclosure of useful information to remittance senders, the information must be clearly explained in order to ensure effective comparison shopping. Additionally, many consumers were unsure about exactly *what* disclosures are legally required under the Dodd-Frank Act and what their rights are under the new regulations.
- **Barriers to banking.** More broadly, both surveys and focus group data reveal that there is a persistent lack of use of banking services. Banks contribute to this problem with unclear ID requirements, prohibitively high minimum account balances, and a failure to reach out to immigrant communities through non-English language documents and bilingual staff.

We have grouped our policy recommendations around each of these problem areas. For the most part, these recommendations are aimed primarily at policymakers, local advocacy groups, and local banks—although we hope that all interested community members will be able to use them to advocate for improved financial services for immigrant and low-income populations.

PROBLEM: HIGH COST

Many focus group respondents cited the cost of sending remittances as a primary financial concern. Lowering the cost of sending remittances involves targeting the pricing practices of money sending businesses. This could involve local community-based advocacy, as well as regional and state programs and policy changes, all the way up to expanded federal regulation of remittance sending services.

A national survey of remittance senders and businesses conducted by Appleseed in 2005 found that consumers sending money from the U.S. to Mexico paid an estimated \$350 million in exchange rate fees alone.³⁵ Money sending businesses are not required under the Dodd-Frank Act or any other law or regulation to disclose the exchange rate spread being used, and thus the profit margin for remittance providers is unknown. Due to this lack of transparency, the opportunity for gouging of low-income remittance senders looms large.

Consumers remitting from the U.S. to Mexico paid an estimated \$350 million in exchange rate fees alone.

³⁵ ANN BADDOUR & SONJA DANBURG, APPLESEED, CREATING A FAIR PLAYING FIELD: THE NEED FOR TRANSPARENCY IN THE U.S.-MEXICO REMITTANCE MARKET, (Dec. 2005), <http://www.appleseednetwork.org/LinkClick.aspx?fileticket=aBGSinPYIVg%3d&tabid=510>.

Indeed, various individuals have brought suits against money sending businesses such as Western Union and MoneyGram alleging anti-competitive pricing practices under the Racketeer Influenced and Corrupt Organizations Act (RICO) as well as state anti-fraud laws.³⁶

In order to reduce the cost of sending remittances, these exchange rate transactions must be better understood by regulators. We propose several policy or program recommendations to achieve these ends.

PROPOSED RESPONSE: ADVOCATE FOR DISCLOSURE AND REGULATION OF EXCHANGE RATE SPREAD USED BY REMITTANCE SERVICE PROVIDERS.

The exchange rate spreads used by remittance service providers are hidden and unregulated. This information should be disclosed in order for regulators and consumer protection advocates to determine whether unfair or anti-competitive pricing practices are occurring. This becomes particularly important as remittance providers begin to merge and the marketplace moves from a highly competitive environment to one of decreasing competition.³⁷ Once this information is revealed, regulators will be better able to determine whether remittance providers are engaged in unfair pricing, and will enable regulators to determine if further information-gathering or rulemaking is necessary.

The Dodd-Frank Act has granted the Consumer Financial Protection Bureau (CFPB) the authority to supervise financial institutions with assets totaling more than \$10 billion, as well as their affiliates and service providers.³⁸ Remittance sending services such as MoneyGram and Western Union that work through large banking institutions fall under this supervisory authority. Pursuant to this provision of the Dodd-Frank Act, the CFPB may collect information on the exchange rate spreads used by larger remittance providers. They may also require smaller remittance providers to register and provide exchange rate spread information.

Advocacy groups and community organizations should advocate for the creation of regulations mandating the disclosure of exchange rate spread by money sending services. This can be done at the national level through submitting comments on the financial institution supervision rules proposed by CFPB under the Dodd-Frank Act. According to the Office of Information and Regulatory Affairs, further proposals related to this provision of the Dodd-Frank Act are expected in September 2012.³⁹ This advocacy could also occur at the state level, for example, through the Connecticut Department of Banking, Consumer Credit Division. This agency is responsible for licensing and regulation of in-state financial services, including remittance providers.

³⁶ See *Covarrubias v. Bancomer, S.A.*, 814 N.E.2d 947 (Ill. App. Ct. 2004) (on appeal, the court held that a money sending business' failure to reveal the exchange rate spread was sufficient action for which to allege a cause of action for a deceptive practice). *But see* *In re Mexico Money Transfer Litig.*, 267 F.3d 743, 747 (7th Cir. 2001) (reviewing a settlement, the court states that disclosure of the exchange rate was not mandated by the California Financial Code).

³⁷ Telephone interview with Annette LoVoi, Director, Financial Access Program, Appleseed, and Ann Baddour, Senior Policy Analyst, Texas Appleseed (Apr. 27, 2012).

³⁸ Supervision of Larger Depository Institutions and Affiliates (RIN: 3170-AA08), OFFICE OF INFO. AND REG. AFF., OFFICE OF MGMT. & BUDGET, EXEC. OFFICE OF THE PRESIDENT, *available at* <http://www.reginfo.gov/public/do/eAgendaViewRule?pubId=201110&RIN=3170-AA08> (not yet codified in C.F.R.).

³⁹ *Id.*

Policymakers should work to write and pass legislation that mandates the disclosure to regulators of exchange rate spreads. Ultimately, the disclosure of the exchange rate information could inform the creation of a regulatory system designed to prevent unfair pricing practices among remittance providers. This could operate for example through a benchmark system of acceptable rates provided in money sending transactions.

PROBLEM: INFORMATION DISCLOSURE AND EFFECTIVE USE OF DODD-FRANK ACT REQUIREMENTS

Based on focus group discussions, and supported by secondary research and key informant interviews, there is a lack of information around disclosure requirements, particularly those enacted pursuant to the Dodd-Frank Act. New disclosure requirements mandated by the Act will help consumers to compare remittance services, but further consumer education is necessary to ensure that senders are able to effectively utilize the provided information. Likewise, further education is necessary to notify consumers of their error resolution rights.

PROPOSED RESPONSE: ENSURE COMPLIANCE WITH DODD-FRANK ACT DISCLOSURE REQUIREMENTS.

Much of the Dodd-Frank Act became effective January 21, 2012. The Consumer Financial Protection Bureau will implement provisions pertaining to remittances through its Remittance Rule, which becomes effective February 7, 2013. The CFPB is currently seeking comments on the rule. In its current form, the rule requires companies to disclose to consumers the total cost of sending the funds (including fees and taxes), the exchange rate used, the amount of money delivered in foreign currency, and the date of delivery. However, the rules allow providers to rely on estimates of the exchange rate, certain taxes and fees, and the principal until July 2015, subject to a 5-year extension. In order to ensure consumers have access to accurate information, **consumer protection groups and community organizations should submit comments advocating a shorter timeline for the mandatory use of accurate exchange rates.**

It is necessary to work with consumers to ensure that they understand the information guaranteed under the new Dodd-Frank Act.

In the focus groups, consumers expressed uncertainty as to total fees charged and the exchange rate received. Participants' responses suggested some discrepancies between estimates provided in receipts and the amounts received abroad. Several participants mentioned they feared that taxes and fees were being added in recipient countries, further reducing the amount of money received. The Dodd-Frank Act requirements will mandate the disclosure of this information to a money sender prior to initiating a remittance transaction, including fees added in recipient countries.

In order to benefit fully from the Dodd-Frank Act disclosures, it is necessary to work with consumers to ensure that they understand the information they are guaranteed under the new disclosure requirements. **Consumer advocates, community organizations, and money-sending services should create educational information for remittance senders**

explaining exactly what information they should be receiving. Money-sending services and banks should strive to provide clear information to remittance senders.

Although the new Dodd-Frank Act requirements will ensure disclosure of valuable cost information, they do not guarantee an explanation of potential divergence between estimated and actual amounts. **Further research is needed to determine if this difference between these two figures is of significant concern for consumers.**

PROPOSED RESPONSE: EDUCATE CONSUMERS ABOUT THEIR DISPUTE RESOLUTION RIGHTS UNDER THE DODD-FRANK ACT.

The Dodd-Frank Act also requires providers to follow certain error resolution procedures. These come into play when a consumer notifies the provider of an error within 180 days from the promised delivery date, as stated in the receipt. Within 90 days of notice, providers must either specify to the sender in writing that there was no error and provide an explanation or: 1) refund the amount tendered; 2) make available the funds necessary to resolve the error; or 3) provide another appropriate remedy.

Several focus group participants reported problems in sending money related to the accuracy of the amount received or delays in delivering the money. While most seemed to resolve their complaints with providers directly, several were unsatisfied with the error resolution procedures. **Advocacy groups, community organizations, and money-sending services should provide materials to consumers to make them aware of their error resolution rights under the Dodd-Frank Act. Money-sending services in particular should strive to provide clear and accurate information to consumers about how to resolve disputes.**

PROBLEM: ACCESS TO BANKING

Data collected in this study revealed that *access to banking services* continues to be a key issue for immigrants. Banking the unbanked likely will affect remittances in several ways. Using a bank account increases financial security and reduces the incidence of money theft and loss. Bank accounts also provide access to credit and savings instruments, enabling wealth accrual and stable consumption over time, despite potential downturns in income. By increasing financial stability, banking unbanked immigrants may positively affect the regularity and size of remittance flows. Banks can also be used to a limited degree to send money, although these transactions are often more expensive in the smaller amounts sent by the average remitter, and are subject to very limited withdrawal networks in recipient countries. Despite the benefits that bank accounts would provide for low-income immigrants, and despite new initiatives like Bank on Connecticut—“a statewide, private-public partnership created to increase access to affordable banking products for people who do not currently use traditional financial institutions”⁴⁰—a high proportion of Fair Haven residents remain unbanked. Among survey respondents, 27% reported using no financial services of any kind.

⁴⁰ *Bank on Connecticut*, JOINBANKON.ORG, <http://joinbankon.org/programs/connecticut> (last visited Apr. 30, 2012).

While encouraging access to banking on a broad-scale level will require a paradigm shift, smaller, easily implementable changes may encourage the immigrant population to open bank accounts. These proposed responses are based on data collected in our focus groups.

PROPOSED RESPONSE: LOWER PROHIBITIVELY HIGH MINIMUM ACCOUNT BALANCE REQUIREMENTS AND EDUCATE CONSUMERS ABOUT BANKING OPTIONS.

One problem referred to repeatedly throughout the focus groups was the prohibitively high minimum amount banks require to keep bank accounts open. Because many people in the immigrant community cannot afford or are intimidated by the requirement of maintaining a monthly minimum, they instead choose not to open bank accounts at all.

We suggest that banks that currently require a minimum account balance consider lowering or eliminating the minimum balance necessary to keep bank accounts open, particularly for first-time consumers who might find the minimum intimidating or difficult to maintain. Community-oriented banks such as START Bank and Connecticut Bank & Trust Company already provide free checking accounts with no minimum required balance. **Community organizations should continue to work to educate consumers about the benefits of banking with smaller, community-centered banks.**

PROPOSED RESPONSE: ENSURE THE AVAILABILITY OF NON-ENGLISH LANGUAGE MATERIALS.

Several focus group participants noted that many banks in the area did not provide informational materials in both Spanish and English. This included important contracts with terms of service, such as minimum account balances and maintenance fees. Focus group respondents who had bank accounts repeatedly noted that a key factor in deciding which bank to use was whether or not the bank carried Spanish-language materials, or employed bilingual staff to provide in-person services.

Because many people in the migrant community cannot afford to maintain a monthly minimum, they choose not to open accounts at all.

Banks should print all materials in the predominant languages of their client population, in this case, English and Spanish. Considering the compounding effect of low literacy faced by many low-income immigrants, English-language contracts would be effectively unintelligible. Many community-oriented banks, such as START Bank, employ fully bilingual staff in order to address this common barrier to access. **Community organizations should ensure that immigrant populations are aware of the banks that are making efforts to reach out to their communities.**

Policymakers at the city, state, and federal levels should push for regulations that require important bank information—particularly contracts and fee information—to be made available in the predominant languages of the community. Consumer protection groups should advocate for these regulations as well.

PROPOSED RESPONSE: INCREASE THE USE AND ACCEPTANCE OF MUNICIPAL ID CARDS.

Another key problem identified by the focus group participants related to the required identification needed to open a bank account. Several participants used passports to open bank accounts at larger banks, while others were unaware that this was an option. Yet others were afraid to open accounts because they felt they lacked the necessary documentation to do so. New Haven's Elm City Resident Card is available to all residents, regardless of immigration status,⁴¹ and is accepted as a valid form of identification at several banks in New Haven.⁴² Despite this, several focus group respondents expressed a reluctance to utilize the card because they feared being placed on a list of undocumented individuals, or because of the stigma attached to the card as an ID specifically for undocumented immigrants.

The City of New Haven is currently exploring options to expand the usefulness of the Elm City Resident Card, including the possibility of attaching a debit card function.

Currently the Elm City Resident Card appears to be in infrequent use because its *only* purpose is identification. Documented immigrants and citizens are more likely to use other forms of identification, such as drivers' licenses. The City of New Haven is already exploring options to expand the usefulness of the Elm City Resident Card, including the possibility of attaching a debit card function. The first incarnation of the card was also a parking card, which could be used to feed parking meters in the area. **The findings of this study support these efforts by the City. Further market research is necessary to determine other linked uses that would most effectively encourage broader use of the card.** For example, perhaps local businesses could provide an Elm City Resident Card discount to consumers.

Additionally, local community organizations and advocacy groups should work to make clearer where the Elm City Resident Card serves as an acceptable form of identification. The first step will likely be creating a list of banks that accept the Elm City Resident Card. A better understanding of what documentation is accepted where will help consumers feel safer and increase access to banking.

PROPOSED RESPONSE: BUILD TRUST IN SMALLER BANKS THROUGH MARKET RESEARCH, PUBLICITY, AND PARTNERSHIPS.

Finally, focus group participants reported problems relating to *trustworthiness* of smaller, local banks. Those who did possess bank accounts were more likely to bank with large national banks like Bank of America or Citibank. For START Community Bank in particular, even though the bank offers lower fees and more consumer-friendly policies than some of the larger banks, several focus group participants were wary of its "newness." Name recognition played a big role in the decision to bank with larger institutions.

⁴¹ See discussion in Introduction.

⁴² Interview with Dr. Chisara Asomugha, Administrator, City of New Haven Community Services Administration (May 3, 2012).

Further market research is necessary in order to better understand the reluctance among the New Haven immigrant community to open accounts at smaller banks. Given the importance of social group recommendations, it is possible that smaller banks simply must reach a “tipping point” in terms of market saturation before significant numbers of community members perceive them as reliable. In addition to collecting further market research to better understand banking decisions, shifting the community from larger to smaller banks may simply take time and persistence. START Community Bank’s partnership with Bank On Connecticut and Junta for Progressive Action should serve as a model to other community banks intending to serve low-income communities. **Community-oriented banks such as START Bank should continue advertising their lower-cost services and partnering with local community organizations that service low-income immigrant communities.**

CONCLUSION

Remittances form a vital lifeline for recipient households in low income countries, and are a powerful tool of poverty alleviation and human capital development. Despite the tremendous positive impact of these small cross-border money transfers, they have yet to realize their full impact due to high, hidden costs and financial instability faced by unbanked immigrants working in high-income countries.

Although this project focused on New Haven, the broader implications can be applied to low-income immigrant populations throughout the United States. Remittance senders should have access to the necessary educational materials to fully understand how their money is being sent and how to protect themselves from service errors. Further, they should be protected from unfair pricing practices that take advantage of a complex and somewhat mysterious financial service marketplace. Banks should recognize the importance and potential benefits of reaching out to low-income, immigrant communities, who are responsible for billions of dollars in money transfers each year.

While we hope these recommendations will be successful, we know that they are just a start, and that further research will be necessary to make these recommendations a reality. Ultimately, we hope that this research represents the beginning of an important dialogue about access to finance within the migrant community in New Haven and elsewhere.

APPENDIX A

Survey and Focus Group Methodology

SURVEY METHODOLOGY

Surveys were administered during March 2012 in Fair Haven, a neighborhood in the eastern part of New Haven, Connecticut. They were conducted in Spanish. In all, the project collected surveys from 145 respondents. The survey consisted of fifteen questions, ten write-in and five multiple choice. It took between ten and fifteen minutes to complete each survey. They were conducted in Spanish, some orally and some provided in writing with researchers standing available to answer questions and clarify uncertainties. Survey administrators were students at Yale Law School and Yale College, as well as volunteer staff from Innovations for Poverty Action.

In an effort to mitigate selection bias, surveys were collected in three different settings: evening ESL courses, focus groups, and Sunday mass at St. Rosa de Lima Catholic Church. The ESL courses were conducted by Junta for Progressive Action, and were held at Fair Haven School on the evening of Wednesday, March 7, 2012. The focus groups took place at Junta on two consecutive Saturdays, March 24 and 31, 2012. The focus groups were advertised at Junta programs and through their community networks. Due to strong ties to Junta, it is likely that surveys collected during ESL classes and focus groups represent a sample of individuals who are well connected to community services, particularly those provided by Junta. The surveys collected during Sunday mass at St. Rosa de Lima likely represent a broader sampling of the population in terms of access to services. Surveys were collected on Sunday, March 25, 2012, directly following morning mass, at 12:00pm, and evening mass, at 7:00pm.

Survey respondents at St. Rosa de Lima were offered free coffee and donuts. Focus group participants received free breakfast or lunch (depending on the time of day) as well as a \$25 gift card to C-Town supermarket for their participation in the focus groups. It is likely that they viewed filling out the survey as a component of participating in the focus groups for which they were being compensated.

Upon completion, the surveys were stored according to time, date, and location of collection. All survey responses were anonymous, with no identifying information of any kind. The following table lists the number of surveys collected during each survey event. The survey responses were entered in Excel, and various graphs were created to capture descriptive statistics and sample demographics.

Figure 1A: Location and Amount of Survey Collection Data

Site	Day, Time	No. of Surveys
ESL Courses	3/7, 7:00pm	24
Focus Group #1, Junta	3/24, 11:00am	8
Focus Group #2, Junta	3/24, 1:00pm	7
St. Rosa de Lima	3/25, 12:00pm	65
St. Rosa de Lima	3/25, 7:00pm	23
Focus Group #3, Junta	3/31, 11:00am	9
Focus Group #4, Junta	3/31, 1:00pm	9
TOTAL		145

FOCUS GROUP METHODOLOGY

Focus groups were conducted in March 2012 at the Junta offices in Fair Haven. Conversations were conducted in Spanish. Focus groups were moderated by students at Yale Law School and volunteer staff from Innovations for Poverty Action. Besides the moderator, two additional team members were present at every session for technical support. Four separate focus groups were conducted: two on March 24, 2012, and two on conducted on March 31, 2012.

Participants were recruited through Junta staff, fliers put up at local businesses, and advertisements in community publications. In exchange for their involvement, participants were promised refreshments and a \$25 gift certificate to C-Town, a local supermarket.

Each group consisted of between 7 and 9 participants. All participants were first or second generation immigrants to the United States. Almost every focus group included two or three siblings. Almost every focus group also included at least one married couple.

Each session was an hour long. Before starting the discussion, participants were asked to complete the survey instrument described above. Moderators followed a predetermined framework for the conversation, asking follow up questions based on responses. (See Figure 1.) About two thirds of the conversation was spent discussing remittances and the rest was spent discussing banking practices.

FOCUS GROUP DATA ANALYSIS

All sessions were audio recorded and transcribed. Team members also took additional notes during the sessions. Data was coded and compiled by one of the focus group moderators. Findings were reviewed by all team members.

APPENDIX B

Additional Graphs and Charts

Figure 1B: Age of Respondents

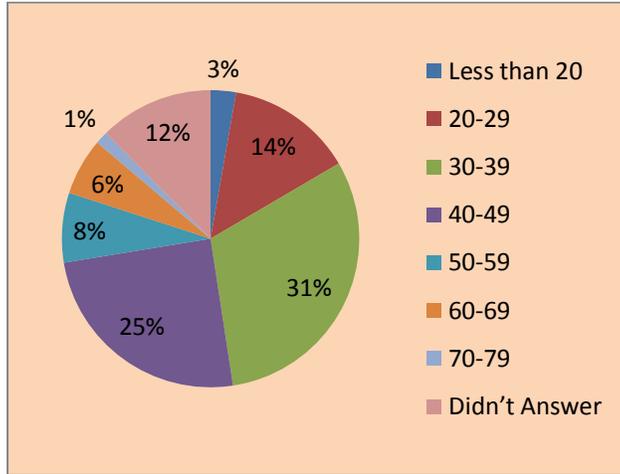


Figure 2B: Length of time in United States

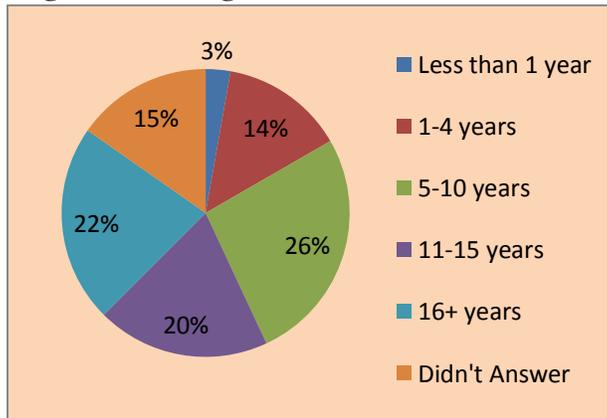


Figure 3B: Most Common Recipient Countries

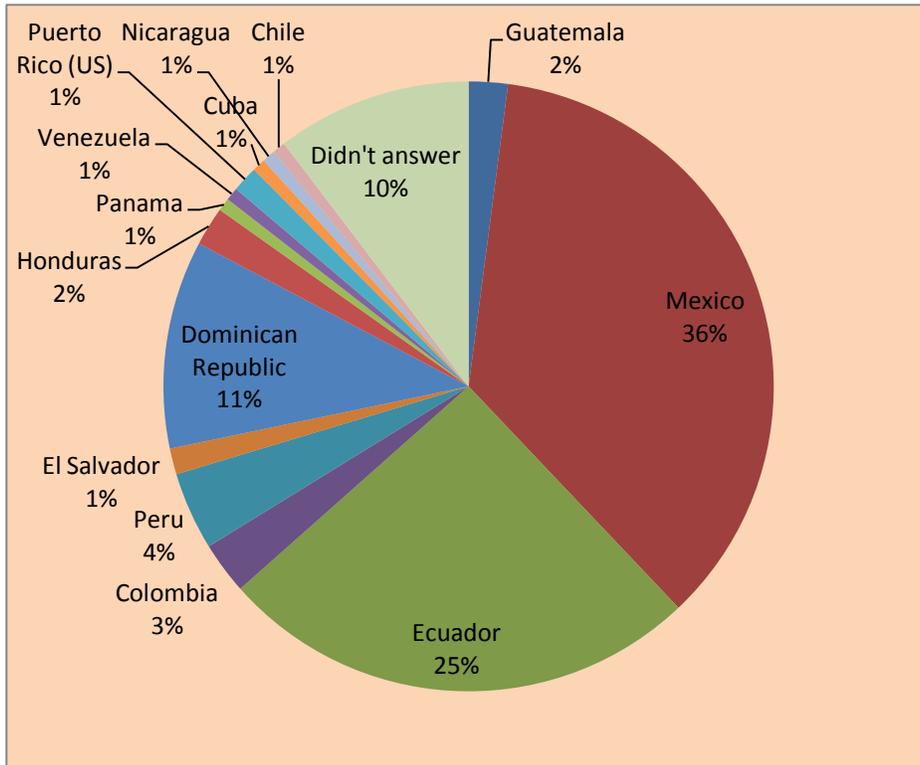
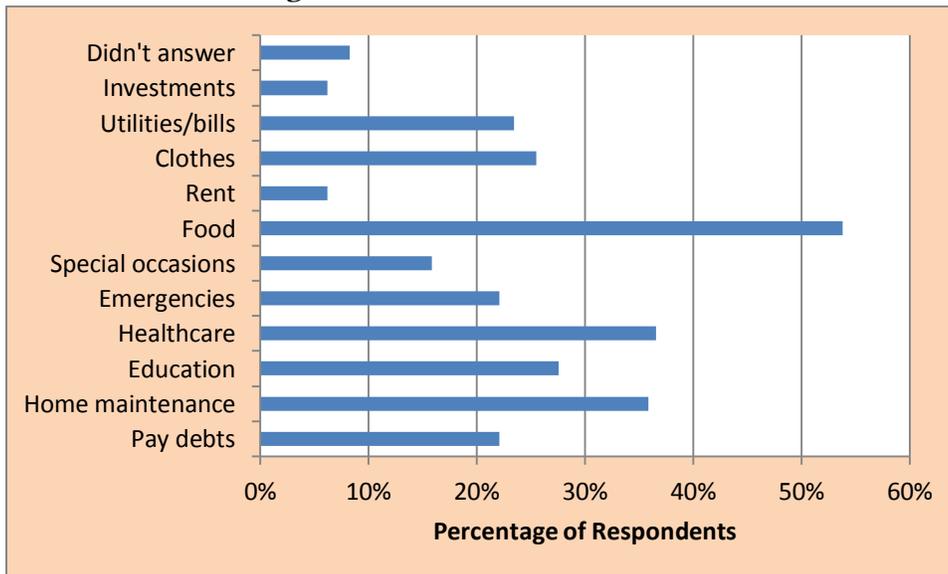
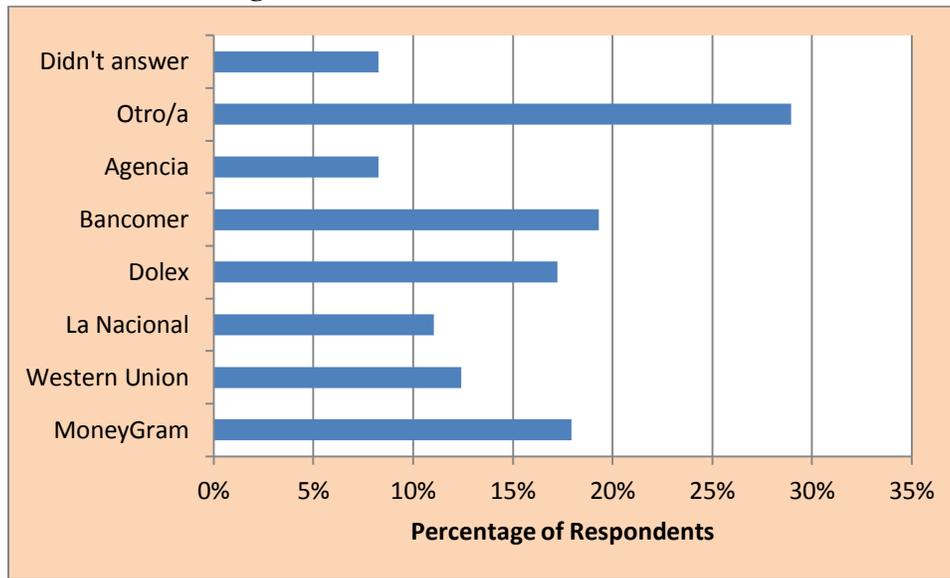


Figure 4B: Uses of Remittances*



*Note: Respondents could choose more than one response to this question.

Figure 5B: Remittance Services Used*



**Note: Respondents could choose more than one response to this question.*

APPENDIX C

Research Instruments

FOCUS GROUP QUESTIONS AND PROMPTS

Remittances Practices

1. Why do you remit money to your home country?
2. To whom do you send the money?
3. Where do you send the money to?
4. Do you send the money for a particular purpose? If so, what?
5. What service providers do you use and why?
6. What identification does your provider require?
7. How do you feel about the fees being charged?
8. Do you understand the exchange rate you are getting when you send money?
9. Have you had problems with your remittances provider?
10. What changes would you like to see from providers?

Banking Practices

1. Have you used formal banking services in the United States?
2. If not, where and how do you store your money?
3. Do you or your family have a bank account in your country of origin?
4. Do you cash your paycheck at a check cashing service?
5. If yes, how much do you typically pay to cash a check?
6. What other financial services do you use?
7. What identification does your bank require?
8. Have you faced language barriers in accessing banking services?
9. Have you had problems with your bank?
10. What changes would you like to see from banks?

SURVEY INSTRUMENT

1. **How often do you remit money home?**
 - Once a year
 - Twice a year
 - Once a month
 - Twice a month
 - Weekly
2. **How much money do you send on average each time? (\$USD)** _____
3. **Where do you send the money (Country, State, City/Town)?** _____
4. **To whom do you send the money?**
 - Parents
 - Spouse
 - Children
 - Other _____
5. **What do they use the money for? (Check all that apply)**
 - Debt repayment
 - Home maintenance
 - Education
 - Healthcare
 - Emergency
 - Special Occasion
 - Food
 - Rent
 - Clothes
 - Utilities
 - Investment
6. **Where do you send the money?**
 - MoneyGram
 - Western Union
 - La Nacional
 - DolEx
 - Bancomer
 - Other _____
7. **Which of the following financial products do you use? (You may choose more than one)**
 - Bank/checking account
 - Prepaid card
 - Check-cashing services
 - Bank loans
 - Informal loans
 - Credit cards
 - None
8. **How do you get paid?**
 - Cash
 - Check
 - Not working
9. **If you receive a check, do you use a check-cashing service?**
 - Yes
 - No
10. **If yes to question 9, do you send the money back home at the same time?**
 - Yes
 - No

11. About how much money do you earn per week? (\$USD) _____
12. How long have you been in the United States? _____
13. What is the highest level of education you have reached?
- Primary school
 - Secondary school
 - GED
 - Two-year college
 - Four-year college
 - Graduate
 - Other
14. What is your age? _____
15. What is your sex?
- Male
 - Female