



## Fairness for Migrants Sending Money Home

How can diaspora members be protected against fraud and abuse when sending money to their family and friends back home? Betsy Cavendish, President of Appleseed, discusses new regulations that improve remittance consumer protection.

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BY BETSY CAVENDISH ON AUGUST 13, 2012

One of the key reasons people migrate is the hope of earning sufficient money to help support loved ones in home countries. These migrants are faced with an entangled web of challenges when transmitting money – such as uncertainty about the most basic element of the transaction: how much money will actually get home?

Remittances are absolutely critical to millions of people and on a global economic scale. Consumers sent an estimated \$483 billion in remittances across national boundaries in 2011, \$351 billion of which went to developing countries. For its part, the U.S. accounts for the largest segment of the sending market, approaching \$50 billion remitted annually.

The Secretary's Global Diaspora Forum comes at an inflection point for migrants who send money home. The U.S. has recently adopted transformative rules that will empower consumers to shop for the best deal and will compel fair treatment in these vital transactions. We anticipate that the adoption of the Consumer Financial Protection Bureau's Final Remittance Rule will have a substantial global market impact. The new regulation helps ensure that the right amount of money ends up in the right hands at the right time. It goes into effect in early 2013.

The Final Remittance Rule could help drive down the cost of remittances by increasing transparency for consumers. The rule requires that money transfer providers tell consumers up front how much of the money they send will reach their families or other recipients. Empowered with this information, consumers who shop around will be able to save money and money transfer companies will face greater pressure to lower their fees and exchange rates.

The new rule will also help consumers after they enter into transactions. If a sender finds a better deal up the street and wants to cancel the transaction, she or he generally has thirty minutes to unwind the

transaction. The rule also benefits those who don't speak or read in English: if the remittance company markets in a foreign language, it must provide disclosures in that language.

One vexing problem for consumers has been the addition of surprise fees at pickup. Under the new rule, U.S. companies will be for the first time strictly liable for the acts of their agents abroad. For example, when you send \$200 from the U.S. to Mexico you might be provided a receipt showing 2,674 Mexican pesos available for pickup. You could then text your mother that she'll receive this amount. If she is only given 2,400 pesos, you will have remedies against the remittance company here in the U.S. You won't have to try to find the agent in Mexico to retrieve the missing 274 pesos.

We hope that the new rule will be emulated by other governments and that its norms of respect for those sending remittances will be adopted by companies around the world. If transparency helps drive down the price of sending money by just half of one percent, the global fee savings will approach \$2 billion, according to Edgeworth Economics. These savings would primarily be realized by low income families, who comprise a large segment of the remittance market.

The CFPB's new rule signals important improvements in consumer protections for remittances. Under the law, diaspora consumers will have an ability to exercise rights that afford greater accountability. Additionally, remittance companies will have an opportunity to embrace the new fairness provisions as part of an ethos of corporate responsibility to their customers.



**About the Author:** Betsy Cavendish is the President of Appleseed, a network of public interest justice centers. In that position, she has guided the organization on a number of ambitious programs related to social justice, particularly in the fields of financial access, education, and immigrant rights. Before joining Appleseed, Betsy developed extensive experience in nonprofit leadership. She also spent several years at the U.S. Department of Justice, served as an assistant professor of law at the University Of Illinois College Of Law, and clerked for Judge Gerhard Gesell. She is a graduate of Yale University and Yale Law School.

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