Banking in a Global Market

A Financial Institution Guide for Offering International Remittance Services

Appleseed

Project made possible through funding from
Annie E. Casey Foundation and Levi Strauss Foundation.

ACKNOWLEDGEMENTS

This report is generously supported by grants from the Annie E. Casey Foundation and the Levi Strauss Foundation. We thank them for their support but acknowledge that the findings and conclusions presented in this report are those of the authors alone, and do not necessarily reflect the opinions of these foundations. We would also like to thank all of the financial institutions, organizations and individuals who contributed to this report, with special thanks to Michael Frias, Ivan Lee, Elizabeth McQuerry, Manuel Orozco, and Kathy Scott.

Appleseed Immigrant Access to Financial Institutions Project

Executive Director:
Betsy Cavendish

Report Contributors:
Ann Baddour, Senior Policy Analyst, Texas Appleseed *
Shay Farley, Advocacy Staff Associate, Alabama Appleseed
Eric Gutiérrez, Immigration Policy Director, Appleseed
Sharon Hill, Executive Director, Georgia Appleseed
Annette LoVoi, Field Director, Appleseed
José W. Meléndez, Policy & Research Associate, Chicago Appleseed Fund for Justice
Michael Pahr, former Program Associate, Appleseed
Amy Saltzman, Communications Director, Appleseed
Darcy Tromanhauser, Director, Immigrant Integration and Civic Participation Program, Nebraska Appleseed
Jordan Vexler, Program Associate, Appleseed

* Primary author

Pro Bono Support:
Shearman & Sterling LLP
White & Case LLP

Appleseed, a nonprofit network of 16 public interest justice centers in the United States and Mexico, uncovers and corrects social injustices through legal, legislative and market-based structural reform. Appleseed and Appleseed Centers bring together volunteers from the law, business and academic professions to devise long-term solutions to problems affecting the underprivileged and underrepresented in such areas as education and financial access. For more information, visit: www.appleseednetwork.org.

Praise for Appleseed's Work

"This report will be very welcome by the industry as it draws on the experiences of a diverse set of financial institutions, providing valuable information that others can apply to their own needs and objectives."
Elizabeth McQuerry, Assistant Vice President,
Retail Payment Office, Federal Reserve and
Member, Fair Exchange Committee

"This is an excellent guide. Financial institutions will find it very useful."
Michael Frias, Community Affairs Officer,
FDIC, Chicago Region

"This guide offers very practical recommendations on how to consider adopting a remittance transfer service. In a world increasingly relying on banking and international flows, this tool will help inform banks' decisions to broaden their financial scope.
Manuel Orozco, Director, Remittances and Development Program,
Inter-American Dialogue

Foreword

Appleseed

Appleseed is entering the fifth year of a project that builds wealth in Latin American immigrant communities by increasing positive financial service opportunities, advocating for improved remittance products and educating recent immigrant communities about the money-saving options available to them.

Our multifaceted strategy has included working with financial institutions to develop products and services that meet the needs of Latino immigrant consumers; providing financial education brochures to migrant groups to help them understand and trust financial services; and examining the transparency of remittance pricing to ensure that consumers are getting a fair deal. In short, we are creating tools and programs that make the market work for Latino immigrants, so that they can save, build credit and move up the economic ladder. Our end-goal is to enable low-income and immigrant communities to build assets within this country's financial mainstream and reap the benefits of economic inclusion – key to a united and productive society.

Through this market-based, policy research and consumer education approach, Appleseed expands options to build assets, develop communities, and support the economic integration of low-income communities here in the United States and in Mexico. The Financial Access Project is coordinated by the national office of Appleseed, but Appleseed Centers in Alabama, Chicago, Connecticut, Georgia, Louisiana, Massachusetts, Mexico, New Jersey, Nebraska, New Mexico, New York, South Carolina, Texas and Washington have all been integral to the program's success.

Betsy Cavendish

Betsy Cavendish
Executive Director
Appleseed

TABLE OF CONTENTS

EXECUTIVE SUMMARY

One in ten U.S. residents is an immigrant. Over half of those immigrants are from Latin America. Financial institutions have an opportunity to reach these new Americans by offering competitive and convenient remittance options. Forty states and the District of Columbia each sent over $100 million dollars in remittances to Latin America in 2006, demonstrating that there is an existing market opportunity throughout the United States. More than 60 percent of Latin American immigrants living in the U.S. today remit money on a regular basis and, though bank participation varies from community to community, on average, 63 percent of Latin American immigrants do not have bank accounts. Since immigrants remit 13 times per year on average, remittance products offer a tool for attracting and retaining Latin American and other immigrant customers.

Financial institutions can use this guide to evaluate remittance program options. The 11 financial institutions surveyed asserted that offering remittance services is an important step towards establishing long-term relationships with immigrant customers. The most successful programs embrace serving immigrant markets and offering remittances from top management down. The guide provides an assessment of the U.S.-Latin America remittance market and offers essential information to implement a remittance program:

1) A step-by-step guide for implementing a remittance transfer program;
2) An overview of six remittance product approaches; and
3) Recommendations for an effective marketing program for remittance products.

Approximately 100 banks and credit unions in the United States currently offer and actively market consumer remittance products – a fraction of the number that could be providing remittance services to growing immigrant communities. Among Latin American immigrants, 70 percent of remittance senders use cash-to-cash transfer services through money transfer operators such as Western Union and MoneyGram; estimates of remittances sent through banks vary from five to 19 percent of transfers.

Appleseed has worked over the past four years to educate immigrant consumers about the U.S. financial services system and to educate financial institutions about the needs of immigrant communities. When new immigrants use financial institutions, they have a safe place to keep savings; they can benefit from reduced transaction fees, and they have opportunities to build credit. Using banks and credit unions for remittance transactions may also have the added benefit of connecting remittance recipients to formal financial services, increasing the economic development impact of remittances in remittance receiving countries.

This guide will help open up a new customer base for banks and credit unions that have not historically participated in the consumer remittance market. It will assist banks in becoming key players in this dynamic and growing area.

Financial Institutions Offering International Remittance Programs: Summary of Program Profiles

Name	Assets	Product Description	Cost of Transfer	Monthly Volume	Target Customers
Solo Remittance Platform					
Harris, N.A.	$42.5 Billion	Account-to-account; in-person pick up or home delivery of funds	$10	Over 1000	Mexican immigrants
Well Fargo	$540 Billion	Account-to-account, account-to-cash, or cash-to-cash. Options vary by destination	Most from $5 to $8	Business growing at triple digit rates	Remitters to China, El Salvador, Guatemala, India, Mexico, the Philippines, and Vietnam
Partnership with Money Transfer Operator					
U.S. Bank	$222 Billion	MoneyGram International	$9.99 for most transfers.	N/A	Primarily remitters to Latin America; service available for 170 countries.
Directo a México					
Citizens State Bank	$180.2 Million	Account-to-account transfer to Mexico	$5	25-50	Mexican immigrants
Pinnacle Bank	$2 Billion	Account-to-account transfer to Mexico	Under $10	N/A	Mexican immigrants
Dual ATM Card Account					
First Bank	$10.2 Billion	Free checking account with two ATM cards	$3 per withdrawal	400 Accounts	Latin American immigrants
United Americas Bank	$189 Million	ATM account, free check cashing, money orders and online banking	$10 monthly fee. $1-$3 per withdrawal	N/A	Latin American immigrants
Stored Value Card					
Central Bank of Kansas	$140.3 Million	Customer mails stored value card to family	$5 for card; $2.50 to load	40 cards	Latin American immigrants
Multiple Remittance Service Approach					
BankCherokee	$275 Million	Account-to-Account and Western Union	$12 for account-account ; Western Union fees vary	Over 50 per month	Mexican immigrants
Latino Community Credit Union	$52 Million	Directo a México and Vigo	$3 for Directo a México; Vigo-$10	520	Latin American immigrants
Mitchell Bank	$81.8 Million	Directo a México; also dual ATM, money transfer operator partnerships, and stored value card	Directo a México-$2.50; prices vary for other products.	400-500	Latin American immigrants

Banking in a Global Market

A Financial Institution Guide for Offering International Remittance Services

INTRODUCTION

Offering an international remittance product is an essential way for financial institutions to reach out to an important and growing market: immigrants. International remittances have gained significant attention among financial institutions since the 2000 U.S. Census documented a large increase in immigrant communities in the U.S., particularly Latin American immigrants.

In 2006, there were over 37.5 million immigrants in the U.S., with 20.1 million from Latin America.[1] The Inter-American Development Bank estimated that remittances from the U.S. to Latin America reached $45 billion in 2006, with $23 billion to Mexico alone.[2] While remittance totals are significant, it is important to note that the Inter-American Development Bank estimates that 90 percent of remitters' income remains in the U.S., benefiting U.S. communities and also serving as a potential source of new deposits for financial institutions.

This growth in population and in the overall volume of remittances translates to an increase in buying power and economic importance for many communities. Latino immigrants make up nearly half of the total U.S. Latino population of 44.3 million.[3] According to a University of Georgia study, Latino community purchasing power in the U.S. increased 8.1 percent from 2006 to 2007, reaching $863.1 billion.[4] With immigrants representing an estimated one-third to one-half of total Latino purchasing power, their current and future economic importance is clear. Other immigrant groups also show growing purchasing power. For example, the buying power of Asian communities has topped $10 billion in eleven states. Remittances from the U.S. to Asian countries in 2006 are estimated at over $24 billion for the major destination markets: China, India, the Philippines, and Vietnam.[5]

This guide provides financial institutions with key market and consumer information necessary to evaluate options and opportunities for offering a remittance program. The market information focuses on Latin American immigrants. However, a number of the programs and approaches described can also be adapted to reach other immigrant communities.

The following topics are covered in this guide:

> Information about the current status of the remittance market, including market options, remittance volumes and consumer preferences;
> A step-by-step guide to evaluating and implementing a remittance program;
> Six approaches to offering remittance services: a solo platform; a partnership with a money transfer operator; Directo a México (FedACH International Mexico); dual ATM cards; stored value cards and the option of offering multiple remittance choices; and
> Ideas for marketing remittance services.

Appendix A includes snapshots of 11 profiled financial institutions implementing six remittance service approaches. The financial institutions range from small community banks and a small credit union to banks with a national presence. The full profiles may be viewed at: www.appleseednetwork.org. Appendix B addresses regulatory issues. It is a preliminary guide to help financial institutions begin to examine the regulatory requirements involved with launching a remittance program.

MARKET OVERVIEW: REMITTANCES IN THE U.S. AND ABROAD

Trends in remittance markets are important to consider when launching a remittance product. Consumer remittances to Latin America are currently dominated by cash-to-cash transfers through money transfer operators, such as MoneyGram, Western Union and a large number of smaller market players. Competition for sending remittances from the U.S. to Latin America has increased over the past decade. For example, at the end of 2005, there were 56 money transfer operators offering remittance services to Mexico, with many thousand agent locations across the country.[6]

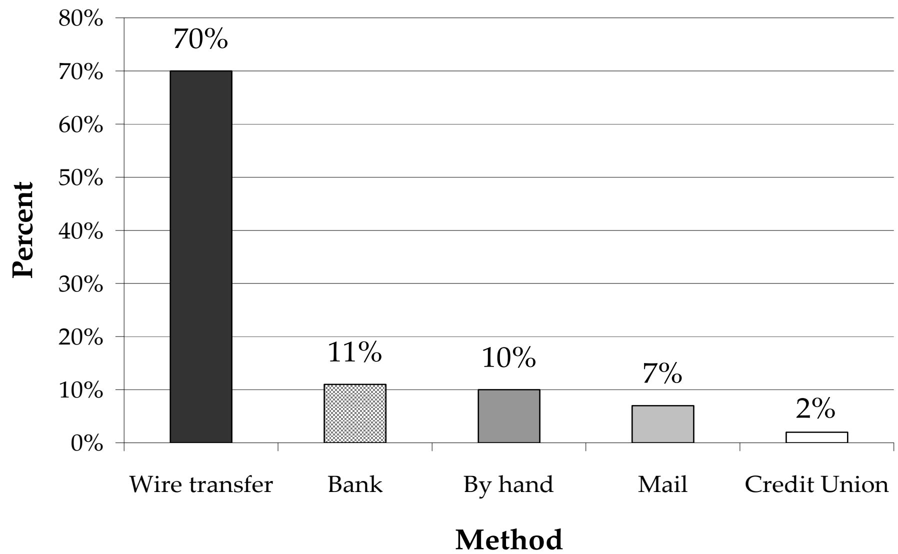
Financial institutions have been slower to gain a foothold in remittance markets. The number of financial institutions offering remittance services has increased over the past six years, with many of the largest banks offering remittance options beyond the traditional bank wire, designed for small-dollar consumer transactions. One estimate indicates that approximately 100 banks and credit unions, out of the total of over 15,000 insured financial institutions in the United States, offer consumer remittance services with meaningful transfer volume.[7] Based on this estimate, there is tremendous potential for growth.

How have financial institutions fared in consumer remittance markets?

Banks and credit unions are expanding remittance offerings. Anecdotally, there has been mixed success. **All of the banks and credit unions profiled in this report feel strongly that offering remittance services is a key part of serving immigrant communities and of developing a long-term relationship with those customers.** However, financial institutions face challenges to convince remittance senders to use new services or change from tried and true methods. Statistics vary regarding the volume of remittance transactions that are initiated at banks or credit unions. The chart on page 4 reflects a general break down of how money is transferred to Latin America. Recent media stories of immigrants losing life savings to border and customs officials, because of improper declarations, provide compelling examples of how immigrants benefit from using financial institutions and formal money transfer systems.[8]

Other studies indicate that as little as under five percent to as much as 19 percent of remittances are currently being sent through banks and credit unions.[9] Regardless of the exact percentage, it is clear that financial institutions can gain remittance market share and with that, gain new customers who will use more bank products and services as they become more established in the United States. **The challenge is to reach immigrant customers and offer them not just remittances, but a full range of products and services that meet their needs and make it worthwhile for them to engage in mainstream financial services.**

Remittance Methods[10]



Note: "Wire transfer" refers to transfers through money transfer operators.

Market Pricing: The Cost of Sending Remittances

Knowing local pricing as well as broader pricing trends is essential to evaluate options for offering a remittance service. Pricing differs based on the destination country. Over the past five years, average pricing for remittances to Latin America has decreased. Cost is usually divided into two components: the fee, often based on the transaction amount, and the exchange rate spread, the difference between the price paid for currency and that offered to consumers. **In 2005, the average total cost of a remittance transaction to Latin America was 5.6 percent of a $200 transaction.**[11]

Average Cost to Send $200
December 2005[12]

Country	Average Cost	Population in the U.S.
Mexico	$12.00	10,969,941
El Salvador	$10.40	987,499
Cuba	$24.00	895,861
Dominican Republic	$12.80	700,845
Guatemala	$11.20	625,652
Jamaica	$16.40	592,125
Colombia	$10.00	556,407
Haiti	$13.40	476,725
Honduras	$11.60	378,605
Peru	$9.20	371,716

What is the Market Potential for Remittances in Each State?

Predictably, the highest volume of remittances originates in traditional immigrant destination states like California and Texas. However, as a result of changes in immigration patterns, most states today have a significant remittance-sending market. Forty states and the District of Columbia had remittance totals that exceeded $100 million in 2006.[13] Also of note is the per capita amount of remittances sent based on the Latin American immigrant population in each state. Though California and Texas have the highest total dollar amount of remittances to Latin America, Georgia and Washington, D.C. have the highest per capita dollar amount. The table on the following page shows the dollar amount of remittances to Latin America by state.

Trends and Innovations in Remittance Products

Over the past five years, options for sending remittances have increased. Money transfer operators now offer cash-to-cash, cash-to-account, and even cash-to-card or card-to-card remittance options. Though card-based remittances, using stored value cards, have not significantly penetrated immigrant markets, they are being offered with more frequency and appear to be gaining market share.[14] Internet-based remittance options are also expanding.

Two remittance initiatives directly target financial institutions: the World Council of Credit Union's International Remittance Network (IRnet) and the Federal Reserve and Banco de México's Directo a México. These programs have not yet gained significant market share but have potential to strengthen the currently underutilized link between sending remittances and gaining access to broader financial services:

> IRnet is an initiative available to credit unions through a partnership with Vigo, a large money transfer operator.[15] Established in 2000, the distinguishing feature of this program is that it allows members to send money for pick up at credit unions around the world, in addition to the already established network of paying agents.
>
> Directo a México, a FedACH product for account-to-account transfers to banks in Mexico, is available to all U.S. financial institutions. At a cost to the bank of $0.67 per transaction, any amount of money can be transferred to an account in Mexico. This program is unique for its low cost and guaranteed exchange rate spread of 0.21 percent. A new feature allows customers using Directo a México at U.S. banks to pre-open an account for the remittance recipient in Mexico through Bansefi, a Mexican government development bank. This innovation is designed to help overcome the barrier of low bank participation among Mexican remittance recipients.

2006 Remittance to Latin America by State[16]

State	Total Amount ($ Millions)	Increase Since 2004	Adult Latino Immigrants	% Sending Money Regularly	Sent Annually Per Capita
Alabama	$219	47%	75,654	78%	$2,895
Alaska	$33	n/a	15,184	70%	$2,173
Arizona	$1,378	127%	701,863	57%	$1,963
Arkansas	$253	122%	87,573	78%	$2,889
California	$13,191	37%	5,829,226	63%	$2,263
Colorado	$646	19%	328,960	57%	$1,964
Connecticut	$301	133%	159,753	74%	$1,884
DC	$154	64%	44,148	88%	$3,488
Delaware	$105	n/a	30,240	88%	$3,472
Florida	$3,083	26%	1,370,345	70%	$2,250
Georgia	$1,736	83%	465,786	85%	$3,727
Hawaii	$34	n/a	15,974	70%	$2,128
Idaho	$142	48%	65,752	70%	$2,160
Illinois	$2,583	69%	935,656	73%	$2,761
Indiana	$386	103%	147,652	68%	$2,614
Iowa	$138	100%	52,690	68%	$2,619
Kansas	$215	128%	81,999	68%	$2,622
Kentucky	$161	203%	55,501	78%	$2,901
Louisiana	$208	241%	71,861	78%	$2,894
Maine	$22	n/a	11,530	74%	$1,908
Maryland	$921	84%	264,193	88%	$3,486
Massachusetts	$579	10%	307,158	74%	$1,885
Michigan	$337	75%	125,709	71%	$2,681
Minnesota	$292	98%	108,912	71%	$2,681
Mississippi	$100	n/a	34,428	78%	$2,905
Missouri	$166	58%	63,692	68%	$2,606
Nebraska	$154	92%	58,748	68%	$2,621
Nevada	$618	38%	314,722	57%	$1,964
New Hampshire	$32	n/a	16,998	74%	$1,883
New Jersey	$1,869	36%	712,207	79%	$2,624
New Mexico	$370	260%	188,698	57%	$1,961
New York	$3,714	4%	1,444,224	77%	$2,572
North Carolina	$1,221	47%	376,272	84%	$3,245
North Dakota	$15	n/a	5,821	68%	$2,577
Ohio	$214	98%	79,881	71%	$2,679
Oklahoma	$226	45%	115,340	57%	$1,959
Oregon	$383	75%	177,190	70%	$2,162
Pennsylvania	$517	187%	148,452	88%	$3,483
Rhode Island	$130	n/a	69,279	74%	$1,876
South Carolina	$322	117%	111,211	78%	$2,895
South Dakota	$23	n/a	8,795	68%	$2,615
Tennessee	$407	151%	140,611	78%	$2,895
Texas	$5,222	64%	2,832,784	47%	$1,843
Utah	$258	58%	131,650	57%	$1,960
Vermont	$9	n/a	4,969	74%	$1,811
Virginia	$1,110	89%	318,436	88%	$3,486
Washington	$504	43%	233,272	70%	$2,161
Wisconsin	$335	121%	125,174	71%	$2,676
Wyoming	$33	n/a	15,244	70%	$2,165

One of the newest developments around remittance transactions is initiatives to allow people to transfer money using their cell phones.[17] This approach, though still in its early stages, is intriguing because cell phone usage is becoming increasingly common both among remittance senders and recipients, indicating that it would be accessible to the target market.

A pilot program launched by the Groupe Spéciale Mobile (GSM) Association, which represents many of the world's wireless phone operators, in conjunction with MasterCard will allow immigrants to send money home using their phones. GSM and MasterCard believe that such use of cellular networks could increase the value of remittances to over $1 trillion in the next five years.[18]

The GSM pilot could change how remittances are sent in the long-term. As options expand, consumer choices will likely shift. However, none of the shifts are happening quickly. Consumers still prefer cash-to-cash services. The majority of remittances to Latin America are picked up at bank branches (followed closely by retail outlets), but few people deposit the money they receive into accounts. Changes in banking access in the recipient countries, increased access to banking services and comfort in using accounts here in the U.S. could be the most important contributors to a market shift.

Pricing Transparency: A New Market Trend

An important way that market players are distinguishing themselves is in improved pricing disclosures for remittance transactions. A 2005 Appleseed study of pricing and disclosures in the U.S.-Mexico remittance market found inconsistency in the disclosures provided and difficulties in obtaining total transaction costs for some services.[19] As a result of those findings, Appleseed launched a market-based pilot called The Fair Exchange:[20]

> Five pilot participants, including Wells Fargo, Mitchell Bank, GroupEx and Viamericas, posted a pricing and service disclosure for remittance transactions in particular markets.
>
> In addition to its participation in the pilot, Wells Fargo announced that it would provide remittance customers with a disclosure of the exchange rate spread on the transaction receipt.

These efforts are setting higher disclosure standards in the market. Participants in recent focus groups in four states consistently indicated that they would prefer to use a business that provides upfront information about fees, exchange rates and services terms.[21] **Upfront cost and service disclosures highlight competitive pricing.**

KNOW YOUR CLIENTELE: REMITTANCE SENDERS AND RECIPIENTS

Knowing the customer is important from a regulatory perspective, but also is key to understanding the type of remittance product that will be most attractive to consumers and the appropriate marketing of such products.

Remitters' Priorities

Recent focus groups in four immigrant communities provide insights into consumer priorities for international remittance transactions. The focus groups included fifty participants who regularly remit money to family members in seven countries in Latin America, with the majority remitting to Mexico. They also included variations in gender, age, education and income:[22]

- The majority of participants had monthly incomes of $2000 or less;
- One-quarter had only an elementary school education, while 42 percent had a middle school or high school level education;
- Just over half of the participants sent amounts between $100 and $300 per transaction to family members in Latin America; and
- Sixty-five percent of participants sent money at least once per month.

Participants were asked to rank a variety of factors affecting remittance transactions on a scale from most important to least important. Participants could rate more than one factor as most important. **Of the factors presented, the top four were speed, security, reliability and low cost.** Sixty-one percent ranked security (personal security from robbery) as most important, 57 percent ranked reliability (funds arriving in the amount and at the time promised) as most important and 50 percent gave low cost the highest ranking.[23] The table on the following page details these findings.

Who Sends Remittances?

More than 60 percent of the Latin American-born immigrants living in the United States today remit on a regular basis.[24] On average, these immigrants remit 12.6 times a year. The majority of remitters who send money to Latin America send between $100 and $300 per transaction,[25] with an average of around $200 each time, though some providers report average amounts of $400 or more per remittance.[26] Although immigrants are more likely to send regular remittances in the years immediately following their arrival in the U.S., 23 percent of immigrants living in the U.S. for 20 to 30 years continue to remit.[27]

Focus Group Participant Priorities in Choosing a Money Transfer Service*

Most Important Factors

Money Available Quickly

Most Important	61%
Very Important	35%
Important	4%
Not Important	0%

Service is Secure

Most Important	61%
Very Important	33%
Important	7%
Not Important	0%

Service is Reliable

Most Important	57%
Very Important	35%
Important	9%
Not Important	0%

Sending Fee

Most Important	50%
Very Important	33%
Important	17%
Not Important	0%

Exchange Rate

Most Important	49%
Very Important	29%
Important	13%
Not Important	9%

Important Factors

Convenient Pick Up Locations

Most Important	34%
Very Important	49%
Important	13%
Not Important	4%

Convenient Sending Location

Most Important	35%
Very Important	33%
Important	20%
Not Important	13%

Comfortable for Recipient

Most Important	36%
Very Important	30%
Important	32%
Not Important	2%

Agent Speaks Sender's Language

Most Important	30%
Very Important	43%
Important	15%
Not Important	13%

Lesser Priorities

Sender Long-time Service User

Most Important	24%
Very Important	26%
Important	43%
Not Important	7%

Convenient Hours for Sender

Most Important	20%
Very Important	35%
Important	30%
Not Important	15%

Comfortable Sending Environment

Most Important	19%
Very Important	36%
Important	36%
Not Important	9%

No Other Options for Sender

Most Important	16%
Very Important	34%
Important	30%
Not Important	20%

*** Focus group participants ranked each of the factors in this table by level of importance to them. Participants could designate the same ranking level to multiple factors.**

Source: Appleseed, April 2007.

Immigrants need not be considered wealthy by their new country's standards to transfer money back to their country of origin. Forty-six percent of remittance senders make less than $30,000 a year. Thirty-two percent make between $30,000 and $50,000, and 19 percent make over $50,000.[28]

The majority of Latin American immigrants do not yet send remittances through banks. There are many reasons for this pattern:

> Sixty-three percent of Latin American immigrants living in the United States do not have a bank account.[29] This percentage varies depending on national origin. According to a recent survey, Mexicans are unbanked in the United States at an even higher rate than other Latino immigrant groups.
>
> Immigration status and income relate to the use of banking services. Immigrants who become citizens and those making higher incomes are the most likely to be banked.
>
> Consumers use non-bank remittance services for many reasons, including competitive pricing, convenience, reliability and broad distribution networks.
>
> An important percentage of remittances go to rural communities where banking services are limited and few options exist for receiving remittance payments.
>
> Banks are relatively recent players in the consumer remittance market.

Based on these trends, important lessons for banks and credit unions include:

1. Many remitters are still unbanked.
2. Securing customers is important, as immigrants who move into citizenship or higher incomes are likely to establish a banking relationship.
3. Financial institutions will have a better chance of tapping into the remittance market if they establish relationships with pick up locations in rural areas as well as the easier to reach urban markets.

The Internet is increasingly integrated into banking services and could become an important platform for consumer remittance transactions. A 2006 survey indicated that Internet use among Latin American immigrants varied by country of origin. Immigrants from Mexico, Nicaragua and Guatemala were least likely to use the Internet and those from Jamaica and the Dominican Republic most likely.[30]

Internet Use by Latin American Immigrants[31]

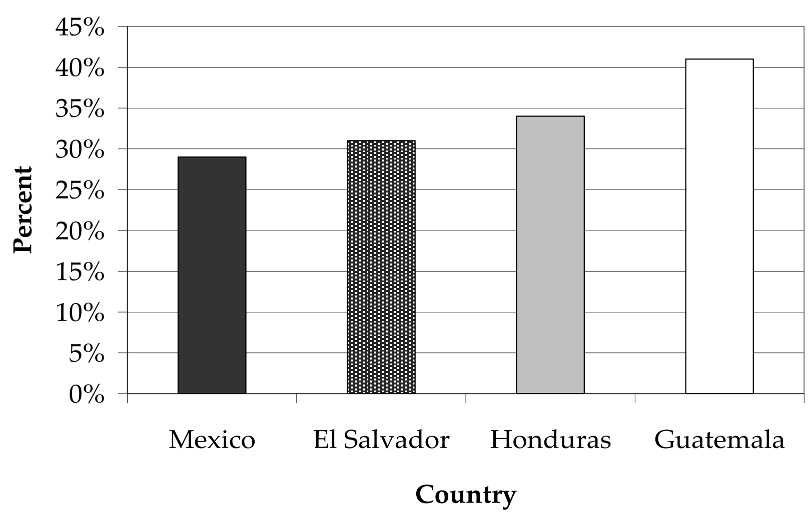
Country of Origin	% Using Internet
Jamaica	77%
Dominican Republic	63%
Bolivia	36%
El Salvador	31%
Mexico	24%
Nicaragua	24%
Guatemala	23%

Who Receives Remittances?

Knowing about the remittance recipient is an essential component of a successful remittance strategy. This knowledge can determine the kind of product most suited to the market being served and assist in targeted marketing and education efforts.

Perhaps the most important information to know about remittance recipients is where they tend to pick up remitted funds and whether or not they are banked. Recent surveys by the Inter-American Development Bank indicate that increasing numbers of remittance recipients are using bank accounts. The chart below shows the recent data on usage of financial institutions by remittance recipients in Mexico and Central America based on consumer surveys.

Percent of Remittance Recipients with Bank Accounts [32]



Banks are the pickup location of choice for the majority of remittance recipients in most Latin American markets.[33] Recipients generally do not deposit remittance funds in banks. However, their interaction with the banking system presents an opportunity to increase bank participation in remittance receiving communities. **Understand how people pick up money to create a relevant and useful remittance alternative for the target immigrant community. It is important to consider options that address the needs of both urban and rural remittance recipients.**

The large numbers of Latin American immigrants coupled with the low rate of financial institution-offered remittance services in the U.S. presents an opportunity for financial institutions in areas of immigrant concentrations. Though competition in remittance markets has increased, each market has varying levels of competition and presents unique opportunities.

Locations Where Remittance Recipients Pick Up Funds[34]

Country	Bank	Credit Union or Popular Bank	Retail	Other
Colombia	40%	0%	47%	14%
Dominican Republic	39%	2%	48%	10%
El Salvador	68%	6%	16%	10%
Guatemala	24%	3%	73%	0%
Haiti	51%	1%	39%	10%
Honduras	62%	1%	27%	11%
Jamaica	27%	13%	46%	14%
Mexico	55%	2%	40%	4%
Peru	51%	4%	35%	11%

Knowing about the market, remitters and remittance recipients is important when developing a financial institution remittance program. The next section provides information about options for launching a remittance program and steps to take in evaluating the various alternatives.

NUTS AND BOLTS: CHOOSING THE RIGHT REMITTANCE APPROACH

This section presents practical information for developing a remittance approach that can be tailored to individual financial institutions. It provides a series of steps and questions to increase understanding of the demand for remittance services in local communities and how best to supply new options that will appeal to consumers. To implement the steps most effectively, it is essential to have support for offering remittance services and serving immigrant communities from the top management down to the branch staff.

Step 1: Know the Market

Launching a new remittance program starts with assessing the needs of the target consumers and analyzing the existing competition. That includes supplementing general Latino or immigrant market information with an understanding of the specific characteristics of the immigrant community or communities in a financial institution's footprint.

Critical information to assess target consumers includes:

Determining their country(ies) of origin and, if possible, specific corridors where people remit within those countries;

Learning about the types of services they currently use to remit funds;

Determining the number of potential remittance customers who currently use other services at your financial institution; and

Ensuring that your branch locations, hours, and staff language capabilities are appropriate to reach the target community.

If it is possible to conduct consumer focus groups, they can be helpful in obtaining the above information. For example, studies in the Chicago market have indicated that most Mexican immigrants remit to six states in Mexico. Knowing this level of information is an asset in both shaping a remittance program and in marketing it. Other resources include bank staff from the target immigrant communities, community and religious organization, chambers of commerce and business customers who may employ or provide services to the target community.

The best way to analyze existing competition is to go out into the community and visit locations that offer remittance services. It is helpful to know:

The remittance options that exist for the target market(s);

The service cost, including the sending/transaction fee and exchange rate;
Service features, including network of available locations to pick up funds in the destination country, delivery options and how long it takes for money to be available;
Identification requirements to use the service; and
The hours of operation.

This information helps to identify your competition and what kind of outreach and education is needed for a new remittance program.

Questions to Consider:

1. **What are the business/strategic reasons for offering a remittance product?**

2. **Who is the target market? Some examples include current customers who remit using other services outside the financial institution, customers with no previous banking relationship or employees of current business customers.**

3. **Are current branch locations accessible to the target markets?**

Step 2: Assess Other Relevant Product Offerings and Staffing

Remittance services at financial institutions are often part of a broader effort to reach new customers. Therefore, it is important to assess what other products and services offered by your financial institution are accessible and attractive to the target community. Below are some product features to consider:

Non-traditional, but legally compliant identification requirements for accounts and other services;
Offering low-cost check cashing and money orders as transitional services for customers with no banking relationship;
Offering accounts that do not require high balances to be opened or levy steep fees on overdrafts—high fees will turn customers away;
Low minimum-balance savings options; and
Credit building products for customers with little or no credit histories.

Staffing is another key component of product and service offerings. In addition to hiring staff who speak the language of the target community, here are other factors to consider:

Staff who spend time with new customers and help them understand and feel comfortable with remittance and other products will be more successful. Staff who does not speak the target community's language should also be trained to be welcoming.

Staff incentives should be adapted to accommodate the different customer profiles and needs. It may take more time to serve each customer, but successfully serving one customer will bring in others. Positive word of mouth is a powerful marketing tool.

Familiarity with the banking system in the destination country will also be an asset for staff, particularly for account-to-account remittance products where family members on the receiving end may need to open a bank account to access the funds.

Questions to Consider:

1. **Are staff members available from the target immigrant community or with cultural understanding of the target community to provide the necessary customer support for a remittance program?**

2. **How will the remittance program be made convenient and comfortable for customers?**

3. **Will new features be needed for account or loan products—such as expanded identification options—to better serve the target immigrant customers?**

Step 3: Choose a Remittance Service Option

After selecting the target market(s) and assessing complementary product and service offerings, the next step is to consider the various remittance service options. There are three important components of any remittance program:

1. The type of transfer—cash-to-cash, account-to-account and account-to-cash are some examples;

2. The size and location of the remittance distribution network in the recipient country; and
3. The amount of control a financial institution would like to have regarding the terms of the product and product branding.

Financial institutions can use six remittance program options:

1. Solo platform
2. Partnership with a money transfer operator
3. Directo a México, the FedACH International Mexico program
4. Dual ATM card account
5. Stored value card
6. A hybrid approach, offering multiple options.

All of these options have a regulatory compliance component. The compliance challenges may differ from option to option, but there are some issues that are helpful to consider no matter the option:

Setting maximum daily/weekly/monthly transaction amounts;
Identification requirements to use the service; and
Procedures for monitoring transactions to ensure proper processing and to target any suspicious activities.

Each approach entails different levels of cost, staffing time commitments and product features. **Appendix A offers snapshot profiles of 11 financial institutions** that have implemented remittance programs. The full profiles are available at: www.appleseednetwork.org.

Appendix B provides general information on regulatory considerations for the various remittance approaches. Offering a low-cost remittance service may be considered for Community Reinvestment Act credit. Any regulatory compliance decisions should be made in consultation with the financial institution's compliance officer, the financial institution regulator and/or an attorney.

Below is an overview of the main characteristics of each remittance program approach and a listing of the financial institutions profiled in Appendix A.

Solo Remittance Platform
Profiled Institutions: Harris Bank and Wells Fargo

A solo remittance platform is a proprietary remittance system developed for use by a particular financial institution. It is usually most appropriate for a larger financial institution. It entails:

- Developing a software platform for the remittance transactions;
- Negotiating relationships and legal agreements with a financial institution and other entities in the remittance receiving country;
- Coordinating terms for currency exchange; and
- Designing product features and charges.

The advantages of a solo platform are branding and control of product design. By creating a proprietary remittance system, it also allows the financial institution to better control the availability of funds and the total transaction cost paid by customers, including both the fee and the exchange rate spread.

However, this remittance approach has the highest front-end and maintenance costs. It is a viable approach for a long-term strategy, for markets with significant transaction potential and for a financial institution that has embraced immigrants as a core target market.

Market Insights

Harris Bank developed its remittance initiative in response to conversations with its customer base. In determining its remittance program focus, Harris Bank sought a solution that was safe, effective and did not require that customers change their behavior. Establishing relationships with correspondent banks in key remittance recipient locations provided the bank with the ability to offer competitive pricing and meet consumer needs.

Wells Fargo developed its own platform for most of its remittance programs. Wells Fargo preferred proprietary control over products and had the capacity to negotiate the agreements with the banks on the other side of the transaction to ensure convenient and accessible delivery of the funds. A five year commitment to the market is necessary to start to establish volume and see the fruits of a remittance initiative. Costs include staffing and training, technology development, regulatory compliance and the costs of expanding programs and negotiating relationships.

Partnership with a Money Transfer Operator

Profiled Institutions: U.S. Bank (see also BankCherokee, Latino Community Credit Union, and Mitchell Bank in Multiple Service Approach)

Partnering with a money transfer operator can take two forms:

1. Using a branded service, such as MoneyGram or Vigo; or
2. Using a service that provides the same distribution network and transaction infrastructure as a branded service, but allows a financial institution to brand the product. For example, Mitchell Bank, one of the profiled financial institutions, offers a remittance programs through the provider, Sales Orbit, but has created their own branding, calling the product: "Envios Mi Gente."

Each approach offers advantages. Branded services are already familiar to potential customers. Creating a new brand requires additional customer outreach efforts, but it allows the financial institution to customize the product identity and marketing.

Partnering with a money transfer operator is similar to becoming an agent for the operator. Banks or credit unions may choose to coordinate regulatory compliance with the money transfer operator. Financial institutions may also decide to establish additional identification guidelines for the service, in line with their customer identification program. Compensation to the financial institution is negotiated with the money transfer operator. It is often provided on a per transaction basis.

Partnering with a money transfer operator usually does not include significant costs beyond staff training and marketing. The partner provides the necessary software platform and the distribution network in the receiving country or countries. Two issues are important to consider:

1. Some money transfer operators, particularly the largest ones, require exclusivity agreements. Such agreements could limit options in offering additional remittance services.

2. In general, when partnering with a money transfer operator, the operator sets the fee and the exchange rate for the transaction, taking some flexibility away from the financial institution.

Benefits include low upfront costs to the financial institution, capacity to provide remittance services to multiple countries, flexible paying options (including cash-to-cash transfers), quick availability of funds for the remittance recipient and an established distribution network for the remittances.

Market Insights

U.S. Bank recognized the high-level consumer demand for remittances and that traditional wires do not work well for the average remittance-sending customer. In finding a way to meet consumer demand for remittances, the bank wanted to provide a solution that had favorable fees for all consumers, whether they had a U.S. Bank account or not. The bank decided to partner with a money transfer operator because of competitive pricing, a broad distribution network and strong brand recognition in the United States and internationally.

The greatest regulatory challenge was incorporating the bank systems with those of the money transfer operator and ensuring that each part of the process was monitored, with clear responsibilities allocated to each party.

Directo a México

Profiled Institutions: Citizens State Bank and Pinnacle Bank (see also BankCherokee, Latino Community Credit Union, and Mitchell Bank in Multiple Service Approach)

Directo a México, created through a partnership between the Federal Reserve and Banco de México, is similar to the previous approach in that financial institutions can offer an account-to-account remittance product to Mexico simply through participating in the program. The program software is the same ACH software used by the bank or credit union for its domestic ACH payments. There is a $0.67 per transaction charge that financial institutions must pay and a guaranteed exchange rate spread for all transactions of 0.21 percent, which is one of the best rates available. Financial institutions can price the transfer as they see fit. There are minimal upfront costs to the program except for staff training and setting up procedures for the transfers.[35]

Directo a México has a new feature, added in 2006, that allows financial institutions participating in the program to pre-open an account in Mexico from a U.S. branch. The program, called the Beneficiary Account Registration (BAR) Website allows a financial institution to pre-open an account through Bansefi, a Mexican government development bank.

Bansefi has over 500 branches located across Mexico to provide services in areas where there is little or no commercial banking presence, mainly in lower income communities. It has grown from 850,000 savings accounts in 2001 to 3.3 million accounts in the first half of 2006. In order to promote a savings culture among the low-income segment, Bansefi provides accounts that are exempt from fees and pays market interest rates on balances that can be opened and maintained with $5. More recently, credit unions across Mexico affiliated with Bansefi in L@Red de la Gente are also available on-line for account pre-opening. L@Red de la Gente is a commercial alliance between Bansefi and regulated intermediaries in the microfinance sector (credit unions and savings institutions) that is currently the second largest financial network in Mexico.

Directo a México offers one of the lowest cost options for sending money to Mexico:

- The low fixed fee and the small exchange rate spread make the product extremely competitive from a pricing perspective.
- Because pricing never varies, no matter the amount sent, it provides flexibility to a financial institution in determining the most appropriate pricing system. Fees charged by banks usually range from $2 to $5 dollars per transaction. Any transaction charge above the $0.67 payment to the Federal Reserve is kept by the financial institution.
- Funds are available in Mexico the next business day.
- Participating financial institutions have the flexibility to set the maximum transaction amounts.
- The program provides ready-made marketing materials, including brochures, posters and a radio spot, which can be customized with a financial institution's name.

The primary limitations of this program are that it provides transfers only to Mexico and only through account-to-account transactions. It often requires that people change the way they are accustomed to sending money, which can require additional outreach and education to be successful. It is also helpful to have an employee who is familiar with the Mexican banking system to assist customers whose family members need to pre-open an account in order to receive the funds. Financial institutions may benefit from participation in the BAR program described above, which allows U.S. financial institutions offering Directo a México to pre-open accounts in Mexico for the remittance recipients.

Market Insights

Citizen State Bank looked at other options, but found Directo a México to be the best with regard to the convenience, speed of funds delivery and the low cost to the customer.

Despite their familiarity with the product, regulators working with **Pinnacle Bank** wanted to know how their Directo a México program complied with the Bank Secrecy Act and money laundering concerns. Since approval, the bank has not experienced any regulatory problems.

Directo a México is **Mitchell Bank's** most popular service, with 240 to 260 transactions per month at a value of more than $200,000. The majority of transfers are in the $300 to $400. The program continues to grow at a high rate.

Dual ATM Card Accounts

Profiled Institutions: First Bank and United Americas Bank (see also Mitchell Bank in Multiple Service Approach)

The dual ATM card approach has proven effective for financial institutions that want to offer a remittance option without adding new products. It uses existing accounts in a new way:

> Most dual ATM card accounts are basic transaction accounts established only for international transactions. This arrangement allows the account holder to control the amount of funds family members in the remittance destination country can access.
>
> The financial institution can choose to deliver the second ATM card to the account holder's designated family member in the remittance destination country or the burden can be on the account holder to mail or otherwise deliver the card. The second card provided in the recipient's name (rather than in the U.S. account holder's name) helps the recipient avoid hassles due to local errors.
>
> Some of the accounts have monthly maintenance fees or minimum balance requirements. Accounts often have international ATM withdrawal fees of $2 to $4.
>
> The funds' recipient may also pay an ATM withdrawal fee charged by the local ATM service provider, as well as a currency conversion charge. It is important to ensure that the total charges for the ATM withdrawal do not become a disincentive.

A dual ATM card program provides good value if there are low account and ATM fees. Once the remittance recipient receives the ATM card, the funds are available on-demand.

If a debit card is provided, there may also be opportunities for the recipients to spend the money through debit transactions, where available. However, this scenario could quickly become costly if multiple fees are charged for each transaction.

A challenge of the program is that the financial institution offering the account does not control ATM and other withdrawal fees in the receiving country, the exchange rate offered or any international exchange fees. These additional costs will affect product value and usage. Lack of control on the receiving side of the transactions may also cause heavier regulatory scrutiny because of potential product misuse. A dual ATM program is also limited by the extent of the ATM network in the receiving country and the desire of the remittance recipients to use an ATM or debit card.

Market Insights

For **First Bank**, the Quick Cash program, using a dual ATM remittance approach, provided remittance services using technology infrastructure already in place within the bank.

United Americas Bank's dual ATM account requires a $100 opening balance, with no minimum monthly balance. It carries a $10 monthly fee. The bank found that the card could allow customers to avoid the cost of out-of-country electronic remittances, and offers a more favorable exchange rate than local money exchanges.

Stored Value Card

Profiled Institution: Central Bank of Kansas City (see also Mitchell Bank in Multiple Service Approach)

Based on recent research, stored value cards have not yet gained significant market share for remittance transactions. However, some financial institutions have found them to be a helpful tool to reach unbanked and newly banked individuals. The stored value card offers many of the same advantages and disadvantages of the dual ATM card account, but there are some differences:

Cards can be issued to customers and non-customers alike. This can make cards more useful for reaching those not yet comfortable with financial institutions.

Stored value card fees can add up quickly if there are fees to load the card and for every card transaction. Fee structures vary and are an important consideration in choosing a stored value card option.

Stored value cards offer broad capacity and can be used for multiple transactions beyond remittances, including point of service transactions, phone calls, and bill payments. These multiple uses could be a selling point for the card if fees are contained. Offering a stored value card has upfront costs, and it takes certain volume of usage to break even on the product. However, by offering the card, a bank also has potential to reach individuals who choose not to use conventional banking services.

Market Insights

Central Bank chose to offer stored value cards as a remittance option, because neither sender nor recipient needs a financial institution account.

The stored value product may provide a good transition into the banking system and an opportunity for financial education. Cards should not nickel and dime customers. Excessive or complicated transaction and administration fees can turn customers away from such products.

Multiple Service Approach
Profiled Institutions: Latino Community Credit Union, Mitchell Bank, and BankCherokee

Providing multiple remittance services is a useful approach, particularly for financial institutions located in large immigrant communities. Offering a variety of approaches allows the bank or credit union to serve most customers who walk in the door, building both trust and market share.

Offering a complement of account-to-account and same-day cash-to-cash transfers will likely address the needs of most remittance senders. For financial institutions using Directo a México, offering a product from a money transfer operator would allow for broader geographical coverage within Mexico and beyond, and for more flexibility in the type of transfer and the timing of the funds availability.

There may be additional regulatory challenges for this approach, as it may require monitoring and cross-referencing transfers from the various remittance products. However, it also creates additional opportunity to better serve existing customers and reach new ones.

Market Insights

BankCherokee first became a Western Union agent and will soon adopt Directo a México. The bank has not experienced large-scale usage of its remittance products to date, but feels strongly that offering remittances is essential to reaching and serving Latino immigrant customers.

Latino Community Credit Union members requested a remittance service. The credit union chose options with developed credit union relationships, a fair price and an extensive distribution network. It first offered remittances through Vigo. Directo a México was added because of the low cost for transfers to Mexico and the new program capacity to open bank accounts in Mexico.

Mitchell Bank offers five remittance product options to ensure that they have a product to meet the needs of each customer. This strategy has been successful for the bank, which continues to experience large growth in remittance volumes. The bank markets Directo a México most aggressively because of its low pricing.

Questions to Consider:

1. **How much front-end time and capital is reasonable to invest to get a new remittance program up and running?**

2. **Is it more important for the financial institution to control service systems, branding and features, or to use a service that is relatively easy and quick to implement?**

3. **Will the remittance services target only one country or multiple markets?**

4. **Is it a greater priority to have a service with lower fees and better exchange rates than the competition, or to have major brand recognition?**

5. **Is there staff capacity to provide effective and efficient service to new remittance customers?**

Step 4: Market the New Program

After selecting and implementing a remittance approach, marketing is the crucial next step. Remittance customers usually do not think of a bank or credit union as a location to send remittances. Rather, remittances are typically a service associated with retail outlets and agent locations in immigrant communities. Because of this perception, effective product marketing is essential. There is no magic formula for marketing a remittance service. It takes time and commitment on the part of the financial institution.

Effective marketing focuses on two key areas: the branch and the community.

Marketing in the Branch

Marketing in the branch, particularly in areas that can catch the view of people walking or driving by, is a great way to let current and potential new customers know about a remittance service. Use information about consumer priorities to help structure the branch marketing strategy:

> Highlight security, reliability, competitive fee and competitive exchange rate pricing. Posting the exchange rate and fees, if available, will let people know how

your product stacks up to the competition. Some financial institutions have used large banners on the side of their branch building to market remittance products. Some customers may be intimidated about entering the financial institution because they feel they do not have proper identification. Posting general information about ID requirements could be helpful.

The speed of the remittance transfer and available destinations are other meaningful pieces of information to share.

Make it clear where in the bank or credit union branch people need to go to learn more about the remittance product or to make a transaction. Some banks set up a separate remittance service counter so that new customers do not initially have to navigate the rest of the bank branch.

Ensure that staff is properly trained so that customers immediately encounter staff knowledgeable about the product and the transaction goes quickly and efficiently.

Word of mouth is powerful. Consequently, it is vital that people who come into a branch have a positive experience.

Market Insights

Mitchell Bank has created a separate space in its main branch dedicated to remittance services and staffed by people trained in the bank's remittance offerings. Customers interested in sending remittances need not wait in the general teller line. The staff has efficient systems for repeat customers and spends more time with first-time customers to choose the most appropriate remittance option. The bank also has placards placed inside and outside the bank, advertising the exchange rate for their remittance products.

Awareness is created in **Wells Fargo** banking locations by ensuring that when a person walks in they know remittance services are available. For example, some banking stores hang banners on the exterior of the branch advertising low-cost remittance transfers and provide brochures and placards within the branch.

When working one-on-one with customers, **Citizen State Bank** often highlights the competitive fee and exchange rate of Directo a México by comparing it to other products on the market. Customers also appreciate the security of the transfer and the convenience.

Pinnacle Bank uses banners inside and outside the branch to emphasize their product's same-day availability and competitive price.

Marketing in the Community

Each of the profiled financial institutions leveraged both media and community relationships to market their remittance products. Opinions differ regarding which media outlets are most effective in advertising remittance products. Some of the profiled financial institutions focused on radio and television. Others viewed print media as an effective outreach tool, particularly if applied to Spanish language and other community-oriented publications. Although effective media outlets will vary in each community, radio was generally favored by the profiled institutions.

The following are useful to include in advertising materials:

- Security;
- Speed of the transaction;
- Service pricing, such as fees and exchange rates;
- Advantages the bank offers over the competition;
- A statement that welcomes the target immigrant community and provides information on other products and services available to them;
- For financial institutions using the Directo a México BAR program (opening accounts through the beneficiary accounts registration website), it may be helpful to advertise about Bansefi and the option to open an account for the recipient in Mexico from the U.S. branch location;
- Special offers during high volume remittance times such as Mother's Day and around important religious holidays.

Viewing the competition's advertising will help to further understand consumer preferences and to determine how to distinguish a remittance product from that offered by competitors.

If the target remitting community comes from a particular city in Mexico, for example, advertising could focus on the options for sending money to that city. Some financial institutions have considered advertising in the remittance-receiving communities when there are large concentrations of immigrants from one specific city or town in the destination country.

Partnerships and outreach through consulates and community organizations are also important. Many of the profiled financial institutions have relationships with local Mexican Consulate offices as well as local religious and social service organizations. These relationships help build trust in the target communities and give the financial institution a better understanding of local remittance and other financial service needs.

Market Insights

BankCherokee's most important community outreach strategy is the very successful storefront bank branch it operates in partnership with a local business. Located inside El Mercado, a store popular among Latino immigrant customers, the branch is in the heart of one of the city's largest Latino neighborhoods.

Harris Bank advertises their service using a mixture of newspaper, radio and in-branch promotional support. In addition, they supplement with grassroots marketing tactics to catch people's attention and create excitement around the new service. For example, last year Harris held four Financial Fairs, where they brought together a popular Hispanic radio talk show host with their own internal experts in mortgages, personal finance and credit to go into the community and educate their customers on how Harris can help them achieve their financial goals.

United Americas Bank does not promote its ATM remittance account product by name, but rather promotes the benefits of entry-level banking in general, especially through the use of "wrapped buses." A "wrapped bus" has an elaborate, colorful advertising message that is literally wrapped around the bus. Interestingly, a wrapped bus is less expensive than a billboard. A wrapped bus has maximum visibility as it travels through the community.

Questions to Consider:

1. **How is the selected remittance service approach better than the local competition?**

2. **How can a financial institution location become a place that is comfortable and inviting for the target immigrant community?**

CONCLUSION

The demographics are irrefutable. Immigrant communities have grown considerably in the last 15 years, as has the volume of remittance transactions from the United States to countries around the world. Though growth rates of remittance volumes appear to have slowed, a large untapped market remains includeing both people who are unbanked and those who are not fully served by their existing relationships with financial institutions.

Offering a remittance product can be an important component of a financial institution's strategy to expand in immigrant communities. The market information and the steps for considering remittance program options presented in this report provide financial institutions with the groundwork for offering a remittance service.

Appendix A provides snapshots of the profiled bank and credit union remittance programs. The full profiles can be accessed at www.appleseednetwork.org.

Appendix B provides an overview of regulatory issues involved in the remittance program options described in the report.

As immigrant communities in the U.S. continue to grow, consumer banking is moving into global financial services. Remittances are a key product in bridging the local-to-global flow of consumer funds.

APPENDIX A: REMITTANCE PROGRAMS AT A GLANCE

To further understand the specifics of offering an international remittance program, this Appendix includes snapshot profiles of financial institutions that have implemented the various approaches outlined in the previous section. The full profiles are available online at: www.appleseednetwork.org. The snapshots include banks and credit unions of varying sizes and geographical coverage to provide insights into how a variety of financial institutions have chosen to offer international remittance services. They also include financial institutions in varying stages of program implementation.

The profiles are grouped based on the six approaches presented in the report. Each program is categorized and described based on the assessment of those interviewed:

Solo Remittance Platform: Harris Bank and Wells Fargo
Partnership with a Money Transfer Operator: U.S. Bank
Directo a México: Citizens State Bank and Pinnacle Bank
Dual ATM Card Account: First Bank and United Americas Bank
Stored Value Card: Central Bank
Multiple Service Approach: BankCherokee, Latino Community Credit Union and Mitchell Bank

Each snapshot is based on interviews with people involved in the launching and implementation of the remittance programs. Some banks have a long track record for their program and others are relatively new. Success is also defined differently from institution to institution; however they all share the common insight that offering remittance products is an important part of reaching out to unbanked immigrant communities and of better serving existing immigrant customers.

Disclaimer: Profiling these financial institutions' programs does not constitute an endorsement by Appleseed of every program feature.

SOLO REMITTANCE PLATFORM

Harris N.A.: Envío de Harris Program

Headquarters: Chicago, Illinois
Asset Size: $42.5 Billion

Year of Program Inception	September 1999
Target Customers	Consumers with or without accounts who are looking for reliable, inexpensive remittance transactions.
Volume of Remittance Transactions	Over 1000 transactions per month.
Average Remittance Amount	The average wire size is about $700.
Program Features	Traditional wire service sending money worldwide for $45. Envíos de Dinero Harris, which wires money to designated receiving banks for payout or deposit into a bank account in Mexico and other countries worldwide. Money can be paid out at over 2000 locations in Mexico alone.
Implementation Strategy/Cost	Harris understands that ongoing training and education for both its staff and their customers is essential to the program. Harris rolled out training to its employees to make sure they would be able to help their customers regarding how the process works and why certain steps, such as verification through proper identification, are required.
Transaction Fees for Remittance Services	$45 for a traditional wire. $10 flat fee for Envíos de Dinero Harris to Mexico.
Program Marketing Strategies	Initially, Harris advertised the service using a mixture of newspaper, radio and in-branch promotional support. Harris has supplemented that with grass-roots marketing tactics to catch people's attention and create excitement around the new service.
Success	This program is a critical piece of Harris' Hispanic initiative. Customers have rewarded the bank for listening to them and providing costumers the service they need by turning to Harris for other additional banking services.

Wells Fargo: ExpressSend

Headquarters: San Francisco, California

Asset Size: $540 Billion

Year of Program Inception	1994, ATM account for the Philippines; 1995, InterCuenta Express® to Mexico; 2003, Dinero-al-Instante, cash-to-cash to Mexico; 2004, account-to-account to India; 2005, account-to-account and cash-to-cash (Dinero-al-Instante) to El Salvador and Guatemala; 2006 account-to-account programs to China, Vietnam and the Philippines; 2007, Wells Fargo ExpressSend offers an enhanced remittance service to the seven countries, with four transfer options to most countries and reduced fees.
Target Customers	Remitters in Wells Fargo's banking states.
Volume of Remittance Transactions	Past 5 years, business growing at triple digit rates as compared to double digit for the industry.
Program Features	Wells Fargo ExpressSend customers can send funds to most countries served through four options—account-to-account, account-to-cash, cash-to-cash, or cash-to-account. Account-to-cash is the preferred remittance option. Funds available either same day or next business day in most cases, depending on the destination and the time of day the remittance is sent. As part of the new enhanced disclosures for remittance transactions, remitters are provided with a transfer record that details all costs, as well as the foreign exchange rate and the foreign exchange margin and funds to be received by beneficiary.
Implementation Strategy/Cost	At least a 5-year commitment to the market to start to establish volume and see fruits of the initiative. Costs include staffing, training, technology development, regulatory compliance and costs of expanding programs and negotiating relationships.
Transaction Fees for Remittance Services	**Mexico, El Salvador, and Guatemala**: Up to $2,500 a day for $5 if originated from an eligible Wells Fargo checking or savings account, $7 if originated from cash. **India and the Philippines**: Up to $3,000 a day for $5 if originated from an eligible Wells Fargo account, $7 if originated from cash. **China:** Up to $1,000 a day for $8 if originated from an eligible Wells Fargo account, $10 if originated from cash. **Vietnam:** Up to $3,000 a day for $8 if originated from an eligible Wells Fargo account, $10 if originated from cash. Many Wells Fargo checking account packages include remittance fee discounts from 50 percent to no transaction fees.
Program Marketing Strategies	Advertising on radio, print and fliers; awareness in branch, grassroots activities, and profiling family stories.
Success	There is consistent growth in transaction volume; remittance senders have a higher cross-sell rate than other customers.

PARTNERSHIP WITH A MONEY TRANSFER OPERATOR

Note: See also Multiple Service Approach

U.S. Bank Snapshot: MoneyGram International Partnership

Headquarters: Minneapolis, Minnesota

Asset Size: $222 Billion

Year of Program Inception	2004
Target Customers	Remitters in U.S. Bank service area, with a focus on individuals sending remittances to Latin America. Services available to more than 170 countries.
Volume of Remittance Transactions	Not available. There has been sizable growth in transactions month-to-month.
Average Remittance Amount	Not available.
Program Features	A bank account is not required to send funds. Non-customers can use the service. U.S. Bank does not generally offer any special discounts or pricing for the MoneyGram product; however there has been seasonal promotional pricing, as well as for branch openings. U.S. Bank has more stringent identification requirements than MoneyGram, requiring identification for transactions under $900. There is also a daily maximum of $2,500. The bank receives a commission for every branch MoneyGram transaction.
Implementation Strategy/Cost	Partnering with an existing money transfer business is low-cost and provides a broad distribution network. It also offers brand recognition and the flexibility to adapt to industry trends.
Transaction Fees for Remittance Services	Fee and exchange rate pricing varies by country based on MoneyGram policies. The charge is generally $9.99 per international transfer.
Program Marketing Strategies	Traditional and non-traditional marketing (door hangers, TV, radio, internet, print) have been used. There is signage in all branches. U.S Bank also worked with consulates and community organizations as part of multicultural marketing initiatives.
Success	Commissions per transaction cover bank costs. The remittance product has been successful in attracting new customers.

DIRECTO A MÉXICO

Note: See also Multiple Service Approach

Citizens State Bank: Directo a México

Headquarters: Tyler, Texas
Asset Size: $180.2 Million

Year of Program Inception	2006
Target Customers	Mexican immigrants
Volume of Remittance Transactions	25-50 per month with continued growth
Average Remittance Amount	$250-$500 twice per month
Program Features	Directo a México account-to-account transfers to Mexico. Dual ATM card accounts also offered.
Implementation Strategy/Cost	Directo a México was chosen because of its low cost and broad availability to remittance recipients in Mexico. There were only nominal costs associated with launching the program. The main costs have been to train staff to use the program and for marketing. Education is also an important part of the program, as many new customers have not had previous banking experiences.
Transaction Fees for Remittance Services	There is a $5 charge to use Directo a México. The dual ATM option is the cost of the ATM transaction fees.
Program Marketing Strategies	Radio is the primary advertising medium used by the bank. The bank also goes out into the community and conducts grassroots marketing through community relationships.
Success	As a result of offering remittance services and other products and services targeting immigrants, the bank has opened 800 new accounts, with over $1,000,000 in deposits.

Pinnacle Bank: Directo a México

Headquarters: Lincoln, Nebraska

Asset Size: $2 Billion

Year of Program Inception	Launching Directo a México and Bancomer products in 2007
Target Customers	Latino immigrant customers primarily from Mexico, El Salvador and Guatemala
Volume of Remittance Transactions	N/A – Pinnacle is just beginning to offer the products.
Average Remittance Amount	N/A
Program Features	Less than $10 to send any amount. Also developing bundled account products that will allow customers to send a set number of remittances per month as part of their account.
Implementation Strategy/Cost	No significant costs to implement – neither one-time enrollment costs nor ongoing costs. PCs and software are the only requirements.
Transaction Fees for Remittance Services	Less than $10 to send any amount for either product.
Program Marketing Strategies	Banners inside and outside bank ("Same day less than $10"). Radio ads. Word-of-mouth and flyers in the community (at soccer fields, etc.) Mother's Day promotion. Relationships with many community-based organizations.
Success	No significant profits expected through the remittances themselves, but rather a relationship-building tool to establish customers who will later open accounts and use other bank products and loans, bringing the bank interchange fees and other income.

DUAL ATM CARD ACCOUNT

Note: See also Multiple Service Approach

First Bank: International Remittance Quick Cash Program

Headquarters: St. Louis, Missouri

Asset Size: $10.2 Billion

Year of Program Inception	2001 by First Bank of the Americas. First Bank retained the program in the 3 branches where it was being offered after acquiring First Bank of the Americas in 2005. By August of 2006, the program was expanded to all First Bank branches.
Target Customers	Latino immigrants. May broaden in future.
Volume of Remittance Transactions	400 active Quick Cash accounts
Average Remittance Amount	Each card allows access to $300.00 to be withdrawn from the account or spent at a merchant every day, not to exceed the available account balance.
Program Features	The Quick Cash product is a free checking account product that provides the account holder with two ATM cards that can be used at ATMs or with a merchant that accepts PIN transactions. The account holder typically keeps one card and sends the other to an authorized individual abroad to access funds in the account.
Implementation Strategy/Cost	Minimal if any cost to the bank since it is attached to a free checking account.
Transaction Fees for Remittance Services	As of May 2007, the bank charges $3.00 for international ATM withdrawals in addition to the fee charged by the local ATM owner.
Program Marketing Strategies	A press conference was held with the Mexican consulate, elected officials, local business and media. Since the acquisition by First Bank, window signage, brochures, website content and marketing campaigns have been developed to promote the product in the bank's four-state footprint.
Success	For local branches situated in predominantly Latino communities, the Quick Cash product has been very successful. It has brought in customers that would otherwise not have opened an account.

United Americas Bank, NA: ATM-based Remittance Transfer

Headquarters: Atlanta, Georgia

Asset Size: $189 Million

Year of Program Inception	2003-2004
Target Customers	Previously unbanked Hispanic immigrants, those who are used to a cash economy, entry level customers without SSNs.
Volume of Remittance Transactions	Not available
Average Remittance Amount	Not available
Program Features	The ATM Account is not promoted as a remittance account, but can easily be converted to a remittance account with the issuance of a second card.
Implementation Strategy/Cost	The cost to convert an ATM Account to a remittance account is negligible – just a few cents for the second ATM card.
Transaction Fees for Remittance Services	The ATM Account charges a monthly fee of $10; the recipient in the receiving country pays only the ATM fee, which is, on average, $1-3 per transaction.
Program Marketing Strategies	UAB markets the general notion of banking for free using documents from one's home country for identification; wrapped buses travel throughout the target community for less cost than a billboard.
Success	Difficult to measure; profitability comes when the customer moves to the next level of banking.

STORED VALUE CARD

Note: See also Multiple Service Approach

Central Bank of Kansas City: Stored Value Card Remittance Product

Headquarters: Kansas City, Missouri

Asset Size: $140.3 Million

Year of Program Inception	"Tarjeta Segura" stored value card first offered in 2002. Directo a México recently offered.
Target Customers	Latino immigrant customers and growing Latino market in the Kansas City area. 90% of Tarjeta Segura customers send money to Mexico; 10% send to other Latin American countries or use the card as cash alternative.
Volume of Remittance Transactions	40 cardholders; no volume information
Average Remittance Amount	$60-$400 with an average of $100
Program Features	Customer pays a one-time fee of $5 to purchase the card and can load any amount onto the card up to a maximum of $2,000. Bank charges a $2.50 fee each time the customer loads money (reloads available within minutes). Customer is responsible for sending the card to their family member (and calling to provide them with the PIN).
Implementation Strategy/Cost	Initial back-room costs to connect electronic systems with the card provider and ensure that cards loaded properly. Now only a small monthly charge to the bank per card.
Transaction Fees for Remittance Services	$5 to purchase card. $2.50 per re-load.
Program Marketing Strategies	Partnerships with local community centers where the Tarjeta Segura is included in financial literacy training, flyers distributed to local businesses and the community; sponsorship of local radio show.
Profitability	Currently operating the stored value card at a small loss (though the bank notes that for several years it did not actively market the product). Due to a newly revamped marketing campaign and likely rise in popularity now that Wal-Mart started offering a stored value card, the bank expects the product will soon be profitable. Product also used as a financial literacy tool to introduce customers to its other products and services.

MULTIPLE SERVICE APPROACH

BankCherokee: Western Union and Account-to-Account

Headquarters: St. Paul, Minnesota

Assets: $275 Million

Year of Program Inception	Western Union in 2001; diMex account-to-account product in 2004. Currently implementing Directo a México.
Target Customers	Latino immigrant customers – approximately 70 percent of whom are from Mexico – in the vicinity of the bank's branch in an immigrant neighborhood. Customers are low- and moderate-income.
Volume of Remittance Transactions	Western Union approximately 50 transactions per month.
Average Remittance Amount	$100-$500. Average $200.
Program Features	Western Union: offered as option for non-customers/non-account holders. diMex: account-to-account product bundled with no-minimum balance checking, check card and four remittances per month. Will soon be replaced by Directo a México.
Implementation Strategy/Cost	Western Union: simple turn-key system so staff training time was the only cost. diMex account-to-account product: Original implementation/compliance issues took more time because it was an early product. Required little new technology or systems, but did require staff training and time with customers to explain receiving end issues. Directo a México: required only staff training time to implement.
Transaction Fees for Remittance Services	diMex: $12/month for checking account with four remittance transactions per month. If customer sends just one remittance per month the account pays for itself, compared to other local remittance options.
Program Marketing Strategies	Window signs, statement stuffers, lobby signs. Integrated Latino marketing strategy including branch located in a community grocery store.
Success	Remittance programs are not yet well-established, but are engaging consistent users. Offering remittances remains a central priority for attracting and retaining Latino immigrant customers.

Latino Community Credit Union: Vigo and Directo a México

Headquarters: Durham, North Carolina

Asset Size: $52 million

Year of Program Inception	2002; Directo a México launched in 2006
Target Customers	Latin American immigrants
Volume of Remittance Transactions	520 per month, approximately $361,000. Volume continues to grow.
Average Remittance Amount	$695
Program Features	Remittance services only for credit union members. Vigo is a cash-to-cash service. The money can be picked up at credit unions around the world in addition to a broad network of agent locations. Directo a México is an account-to-account transfer. If recipients do not have an account, they can open an account in Mexico through Bansefi, or the sender can pre-open it for them at any LCCU branch.
Implementation Strategy/Cost	Because both programs use established remittance platforms, there were minimal set up costs. The primary costs are in staff training and on-going transaction costs to use the programs. The credit union also developed procedures to process transfers.
Transaction Fees for Remittance Services	$10 fee to send up to $1500 to El Salvador, Guatemala or Honduras using Vigo. Service offered to other countries at different fees. $3 flat fee to Mexico using Directo a México.
Program Marketing Strategies	Internal marketing at branch locations, community newspapers and through brochures. It is also important to offer other appropriate financial service options, such as accounts and loans, to attract member users.
Profitability	The credit union has the highest volume of remittance transactions of any credit union in the United States. Offering remittance services is key to meeting community needs.

Mitchell Bank: Multiple Service Approach

Headquarters: Milwaukee, Wisconsin

Asset Size: $81.8 Million

Year of Program Inception	2000
Target Customers	Latin American immigrants, mostly Mexican
Volume of Remittance Transactions	400 to 500 transactions per month.
Average Remittance Amount	$500-$700
Program Features	The bank's preferred product is Directo a México. It is low-cost to the bank and consumer. The bank participates in the BAR program with Bansefi, allowing pre-opening of accounts in Mexico from a bank here in the U.S. for Directo a México recipients. Sales Orbit, branded as Envios Mi Gente, and Viamericas are cash-to-cash one-hour services. Other: international ATM account and a stored value card.
Implementation Strategy/Cost	Remittance programs implemented after a community forum requesting low-cost alternatives. Remittance programs are card-based or run through existing transfer and distribution networks, via software. The main cost is regulatory compliance.
Transaction Fees for Remittance Services	All transfer prices are for up to $2,500 per day. Directo a México, available the next day, costs $2.50, $4.00 for non-customers. There is a $6 charge for Envios Mi Gente, $10 for non-customers, and Viamericas is available for a $6 charge for customer and $10 for noncustomers. The dual ATM international account requires a $50 minimum balance to avoid a $10 monthly account fee. The bank charges $2 per international ATM withdrawal. The stored value card, costs $3 to purchase, with fees for reloading and withdrawing funds.
Program Marketing Strategies	Radio and television are important, prominent signage outside and inside branch and community relationships.
Success	The program covers its costs and has been profitable through bringing in new customers and fully serving existing ones.

APPENDIX B: AN OVERVIEW OF REGULATORY REQUIREMENTS FOR FINANCIAL INSTITUTION BASED REMITTANCE PRODUCTS[1]

A variety of regulatory requirements bear on the remittance products described in this manual. These include:

> Applying the bank's customer identification program to certain remittance products;
> Customer due diligence; suspicious activity monitoring and reporting; and
> Reporting certain currency transactions and checking transactions against the various Office of Foreign Asset Control ("OFAC") lists to ensure that the transaction does not involve a prohibited country, person or entity.

The following memorandum is a discussion of those regulatory requirements, as well as certain additional regulatory issues involving remittance products. It is organized into two sections: 1. Dual ATM Cards and Stored Value Cards and 2. Solo Platform, Partnership with a Money Transfer Business and Federal Reserve Bank ACH Products. There is significant overlap between these two sections, as the regulations are the organizing principles for all financial service transactions. The discussion is divided in this way to facilitate the process of pinpointing the regulatory issues that are most relevant for each of the specific remittance approaches profiled in the report.

I. DUAL ATM CARDS AND STORED VALUE CARDS

Both the dual ATM card and stored value card products discussed earlier in this manual are regulated in a similar manner by the U.S. Department of the Treasury ("U.S. Treasury"), a bureau of the U.S. Treasury called the Financial Crimes Enforcement Network ("FinCEN") and certain federal banking agencies, e.g. The Board of Governors of the Federal Reserve System (the "Federal Reserve Board"), the Federal Deposit Insurance Corporation ("FDIC"), the Office of the Comptroller of the Currency ("OCC") and the Office of Thrift Supervision ("OTS"). The dual ATM card remittance product discussed in this manual is considered by these regulators to be a form of electronic banking (i.e., e-banking). Similarly, a stored value card is considered by these regulators to be a form of electronic cash (i.e., e-cash). This is because it is a digital representation of money.

---

[1] This information is provided as a matter of public service for informational use only. It does not constitute legal advice and should not be used as such. Financial institutions are strongly urged to confer with regulatory counsel in evaluating these and other new issues that may arise.

The fact that both dual ATM cards and stored value cards allow for fund transfers to be initiated electronically without any face-to-face contact is both a source of convenience for the bank and its customers using the products and a source of concern for bank regulators. In addition, regulators are very much concerned with the risks inherent in allowing for any form of electronic funds transfer. These include both the risk that the funds being transferred are the proceeds of illegal activity, such as drug trafficking, and the risk that the funds will be used by the recipient to finance illegal activity, such as terrorism. Regulators have sought to mitigate these risks by requiring banks to adhere to certain regulations when making use of products like the dual ATM card or the stored value card. This section seeks to help clarify the nature of these regulations and the means by which a bank can help ensure that it adheres to these regulations when using remittance products.

A. Customer Identification Program

As of October 1, 2003, all banks and their operating subsidiaries must have a written Customer Identification Program ("CIP"). CIPs have now become a well-established fact in U.S. commercial banking. It should therefore come as no surprise that regulatory guidance indicates that a bank should apply its CIP to accounts established for the purpose of utilizing e-banking products, such as dual ATM cards, or e-cash products, such as stored value cards. In addition to discussing how to mitigate the risks associated with such products, this section gives an overview of CIP requirements in general and discusses customer identification issues specifically relating to accounts opened by foreign nationals.

1. Overview of CIP Requirements

The CIP rule implements section 326 of the USA PATRIOT Act ("Patriot Act") and requires each bank to put in place a written CIP that is appropriate for its size and type of business and that includes certain minimum requirements. The CIP must be incorporated into the bank's BSA/AML compliance program, which is subject to approval by the bank's board of directors.

The CIP is intended to enable the bank to form a reasonable belief that it knows the true identity of each customer. The CIP rules set out five general standards that each bank must satisfy during the account opening process:

> The CIP must include account-opening procedures that specify the identifying information that will be obtained from each customer. The policy must be in writing and tailored to be appropriate for the institution's size and type of

business. The CIP must be an integral part of any financial institution's anti-money laundering programs.

The CIP must include risk-based procedures for verifying the identity of every customer to the extent reasonable and practicable. This means that the bank must establish and maintain identity verification procedures with an eye towards identifying and controlling risks associated with money laundering and terrorist financing.

The CIP must include procedures for making and maintaining a record of all information obtained during the identity verification process.

The CIP must include procedures for determining whether the customer appears on any list of known or suspected terrorist organizations. Banks will be contacted by the U.S. Treasury in consultation with their federal banking agency when a list is issued. At such time, banks must compare customer names against the list within a reasonable time of account opening, or earlier, if required by the government, and they must follow any directives that accompany the list.

The CIP must include procedures for providing customers with adequate notice that the institution is requesting information to verify their identities.

Additional guidance on CIP requirements can be found in the *Bank Secrecy Act/Anti-Money Laundering Examination Manual* published by the Federal Financial Institutions Examination Council ("FFIEC BSA/AML Examination Manual"), which is available at http://www.ffiec.gov/bsa_aml_infobase/default.htm.

2. Alternate Forms of Identification for Foreign Nationals

Many foreign nationals have Social Security Numbers. Some foreign nationals seeking to make use of a bank's services may not have a valid driver's license or passport. In such circumstances, a bank may want to decide whether to accept a consular identification ("CID") card in lieu of other more traditional forms of identification.

Use of Consular Identification Cards as Forms of Identification for Opening an Account

In recent years, a number of state and local government agencies, as well as financial institutions have begun accepting CID cards issued by certain foreign governments as a service to their citizens who, regardless of legal residence status, live in the United States. CID cards are issued by some governments to help identify their citizens residing in a foreign country. Possession of a CID card does not certify legal residence within the U.S.; thus, cardholders may be either legal or undocumented aliens. Presently, CID cards are issued by consulates from a variety of countries, including Argentina, Brazil, Colombia, Ecuador, Guatemala, and Mexico. As of December 15, 2006, over 350 financial institutions accepted CID cards issued by the consulates of at least one of the countries listed above.

The most well studied of the CID cards appear to be the those issued by Mexico and Guatemala. For more than 133 years, the government of Mexico has been issuing a CID card, the *matrícula consular*, to citizens living abroad. The government of Guatemala began issuing its version of a CID card, called the *Tarjeta de Identificación Consular Guatemalteca*, in the United States in August 2002.

Mexico and Guatemala each take multiple steps to help ensure that the process for qualifying applicants seeking to obtain CID cards verifies the applicant's identity. Mexico has recently taken steps to improve the identity verification procedure for its CID issuance process. As of 2004, Mexican consulates could search a centralized CID card database containing the records of approximately 2.6 million persons registered with the 45 Mexican consulates in the United States.[2] Guatemala's CID issuance process is based on the country's passport database, which includes fingerprint verification capability. Both Mexico and Guatemala incorporate a variety of security features, such as holographic images, in their CID cards.

The Department of the Treasury has adopted regulations that allow financial institutions to accept CID cards as valid identification. In a report issued to Congress in October 2002, the Department of the Treasury said that its proposed customer identification regulations would allow financial institutions to accept any foreign-issued document bearing a photograph that provided evidence of nationality or residence. A footnote to this statement specifically declared that the proposed regulations do not discourage acceptance of the Mexican CID card. The final rule for implementing the provisions of Section 326 of the Patriot Act declared, among other things, that banks must implement a customer identification program containing risk-based procedures for verifying the identity of customers to the extent reasonable and practicable. While neither endorsing nor prohibiting acceptance of any particular foreign-issued identification, the rule reaffirmed that financial institutions could accept any such documents that they deemed reliable for establishing reasonable belief of a customer's true identity.

[2]United States Government Accountability Office, *Border Security: Consular Identification Cards Accepted within United States, but Consistent Federal Guidance* Needed, GAO-04-881 (August 2004), *available at* http://www.gao.gov/new.items/d04881.pdf.

In addition to a CID card, some financial institutions accept foreign government-issued driver's licenses, voter registration cards and military service cards. When deciding whether to accept identification documents issued by foreign governments, financial institutions should weigh each of these factors as well as their implications on the verification protocol under the CIP regulations:

Pros:

- Many financial institutions nationwide, including several household names, have elected to accept foreign government-issued identification as valid forms of identification during the account-opening process. These financial institutions include, among others, Bank of America and Wells Fargo.

- A number of municipal governments and law enforcement agencies support the acceptance of foreign government-issued identification.

- Accepting foreign government-issued identification will potentially allow a bank to serve a much larger customer population.

- Accepting the foreign government-issued identification will assist the under-banked segment of our society in gaining access to the financial system.

- Institutions that do not accept the foreign government-issued identification are placed at a competitive disadvantage to those that do.

- Institutions that accept the foreign government-issued identification may receive favorable publicity.

Cons:

- Some organizations and government authorities have questioned the reliability of foreign government-issued identification.

  Financial institutions that wish to serve the underbanked segment of society may do so in reliance on forms of identification other than a CID. The regulations state that financial institutions may accept one or more of the following: a U.S. taxpayer identification number, a passport number and country of issuance, an alien identification card number or the number and country of issuance of any other government-issued document evidencing nationality or residence and bearing a photograph or similar safeguard. The CIP rule neither endorses nor prohibits bank acceptance of information from particular types of identification documents issued by foreign governments, such as the *matrícula consular*. Instead a bank must decide for itself, based upon appropriate risk factors, whether the information presented by a customer is reliable.

Institutions that accept the foreign government-issued identification may receive negative publicity.

B. Risk Mitigation and Suspicious Activity Monitoring and Reporting

Regulators have stated that management needs to recognize e-banking and e-cash products as potentially high-risk services and develop adequate policies, procedures and processes for customer identification and monitoring.[3] Banks should ensure that their monitoring systems adequately capture transactions conducted electronically. As with any account, they should be alert to anomalies in account behavior. Red flags may include an account into which funds are constantly being wired and then almost immediately wired out again, often to offshore accounts, or the number of debit cards associated with the account. Accounts that are opened without face-to-face contact may be a higher risk for money laundering and terrorist financing for the following reasons:

It is more difficult to positively verify the identity or country of residence of the individual with whom the foreign national is sharing the account.

The U.S. customer who shares an account with a foreign national may be out of the bank's targeted market or regulatory area.

The possibility that the dual ATM card and, possibly, the stored value card would be accepted worldwide means that there is a possibility that customers could avoid border restrictions as the transactions could become mobile and may not be subject to jurisdictional restrictions.

The customer may perceive the transactions as less transparent.

---

[3] A related issue involves supplying banking services to money services businesses ("MSBs"), such as sellers or redeemers of stored value, money transmitters and currency exchangers. FinCEN and various federal banking agencies have issued a joint statement seeking to address banks' concerns with providing banking services to MSBs (http://www.fincen.gov/bsamsbrevisedstatement.htm). In this joint statement, the agencies responded that such concerns might have stemmed, in part, from a misperception of the requirements of the Bank Secrecy Act and the erroneous view that MSBs present a uniform and unacceptably high risk of money laundering or other illicit activity. The joint statement expressed the agencies' collective opinion that the MSB industry provides valuable financial services, especially to individuals who may not have ready access to the formal banking sector. In order to facilitate the provision of banking services to MSBs, the agencies issued interagency interpretive guidance (http://www.fincen.gov/nr04262005.htm). FinCEN also issued an Advance Notice of Proposed Rulemaking seeking comments from both banks and MSBs regarding the provision of banking services to MSBs (http://www.fincen.gov/nr04262005.htm).

Transactions would likely be instantaneous.

The funds may be transferred to or from an unknown third party or used by a "front" company.

In order to mitigate such risks, regulators expect banks to include e-banking and e-cash products, such as ATM cards and stored value cards, in their systems for BSA/AML monitoring, identification and reporting for unusual and suspicious activities. Useful management information systems for detecting unusual activity in high-risk accounts include ATM activity reports, fund transfer reports, new account activity reports and reports to identify related or linked accounts (e.g., common addresses, phone numbers, e-mail addresses and tax identification numbers). In determining the level of monitoring required for an account, banks should include how the account was opened as a factor. Banks should consider whether customers seeking certain financial services, such as electronic banking, should be required to open accounts on a face-to-face basis. Other controls, such as establishing transaction dollar limits for large items that require manual intervention to exceed the preset limit, may also be instituted by the bank.

It is also well established that banks must file a Suspicious Activity Report ("SAR") for any transaction of USD$5,000 or more where the institution knows, suspects or has reason to suspect that the transaction (1) involves funds derived from illegal activity; (2) is designed to evade the requirements of the reporting regulations; or (3) has no business or apparent lawful purpose and is not of the sort in which the particular customer would normally be expected to engage, and the institution knows of no reasonable explanation for the transaction after examining the available facts, including the background and possible purposes of the transaction.

C. Currency Transaction Reporting

1. Overview

A bank must file a Currency Transaction Report ("CTR") (FinCEN Form 104) for each transaction in currency[4] (deposit, withdrawal, exchange or other payment or transfer) of more than USD$10,000 by, through or to the bank. Certain types of currency transactions need not be reported, such as those involving "exempt persons," a group which can include retail or commercial customers meeting specific criteria for exemption. For a description of the various exemptions from currency transaction reporting, refer to the section entitled "Currency Transaction Reporting Exemptions –

[4] Currency is defined as coin and paper money of the United States or any other country as long as it is customarily accepted as money in the country of issue.

Overview" starting on page 84 of the 2006 FFIEC BSA/AML Examination Manual.

2. Aggregation Of Currency Transactions

Multiple currency transactions totaling more than USD$10,000 during any one business day are treated as a single transaction if the bank has knowledge that they are by or on behalf of the same person.[5] Transactions throughout the bank should be aggregated when determining multiple transactions. All of the remittance products discussed in this manual are subject to reporting requirements individually or by aggregation if they involve a transaction in currency. Banks are strongly encouraged to develop systems necessary to aggregate currency transactions throughout the bank. Management should ensure that an adequate system is implemented that will appropriately report currency transactions subject to this requirement.

3. Filing Time Frames and Record Retention Requirements

A completed CTR must be filed with FinCEN within 15 days after the date of the transaction (25 days if filed magnetically or electronically). The bank must retain copies of CTRs for five years from the date of the report.

4. CTR Backfiling

If a bank has failed to file CTRs on reportable transactions, the bank should begin filing CTRs and should contact the Internal Revenue Service (IRS) Detroit Computing Center to request a determination on whether the backfiling of unreported transactions is necessary.

D. <u>OFAC Regulations</u>

Also familiar to financial institutions are the OFAC regulations. The OFAC regulations are used to further United States foreign policy and national security goals. One major goal of the OFAC regulations is to prevent the target nation from earning foreign exchange through transactions with U.S. nationals or involving the U.S. capital markets.

[5] Although the regulations do not address whether deposits one person makes to multiple accounts, or deposits multiple people make to a single account, must be combined into a single transaction, the comments to the final rule indicate that the presence of a single person or single account means that the transactions involving that person or account must be combined and treated as a single transaction. *See* Amendments to Implementing Regulations Under the Bank Secrecy Act, 52 Fed. Reg. 11,436, 11,438 (April 8, 1987).

Recently, the OFAC regulations have become an important weapon in the effort to combat terrorist financing. These regulations employ two principal means of sanctions:
(a) financial sanctions, such as the blocking and freezing of assets; and
(b) trade sanctions, such as import and export embargoes.

As of February 2007, OFAC's broadest sanctions programs are directed against Cuba, Iran and Sudan. OFAC also maintains, to varying degrees, sanctions programs against Burma (Myanmar), Liberia, North Korea, Syria and Zimbabwe. OFAC also has programs targeting organizations and individuals engaged in drug trafficking, international terrorism, proliferation of weapons of mass destruction and other acts contrary to U.S. foreign policy.

All the organizations and individuals targeted by OFAC's "non-country" programs are listed on the Specially Designated Nationals ("SDN") List. The SDN List also includes organizations and individuals, wherever located, who are deemed to be acting on behalf of target countries. The SDN List is updated often, and is available on OFAC's website (http://www.ustreas.gov/ofac). Compliance software is available to screen potential transactions against the SDN List. OFAC compliance for transactions such as remittances includes both originator and receiver screening. Both should be checked against relevant lists.

E. Additional Regulatory Considerations

The rapid growth of the stored value card, both in volume and varied uses, has raised the issue with regulatory agencies as to whether these entities should be considered deposit accounts for purposes of federal deposit insurance, reserve requirements and consumer protection regulations. Stored value cards of any type operate in a virtual reality at the issuer level. Funds underlying stored value cards are traditionally commingled and do not exist in accounts set up under individual names. Proposed regulatory changes and guidance issued by the federal bank regulatory agencies include the following:

1. Regulation D—Reserve Requirements of Depository Institutions

The Federal Reserve Board's Regulation D sets uniform requirements for reserves that depository institutions are required to maintain for facilitating the implementation of monetary policy by the Federal Reserve System. Institutions should note that to the extent stored value or other electronic money represent a demand deposit or transaction account, the provisions of Regulation D would apply to such obligations.

2. Regulation E—Electronic Funds Transfer Act

The Federal Reserve Board's Regulation E implements the Electronic Funds Transfer Act. The act provides an array of protections to consumers who use electronic funds transfer (EFT) systems. A transaction involving stored value products is covered by Regulation E when the transaction accesses a consumer's account, such as when value is loaded onto the card from the consumer's deposit account at an electronic terminal or personal computer.

3. Regulation DD—Truth in Savings Act

The Federal Reserve Board's Regulation DD implements the Truth in Savings Act which helps consumers compare deposit accounts offered by depository institutions, principally through the disclosure of fees, the annual percentage yield, the interest rate and other account terms.

4. FDIC Insurance Coverage

An additional regulatory consideration concerning stored value cards is the issue of FDIC insurance of the underlying value of the cards. In April 2004, the FDIC published comment for a proposed rule to clarify the meaning of "deposit" as it relates to funds underlying stored value cards at insured depository institutions. In August 2005, the FDIC issued a proposed rule to clarify whether funds underlying stored value cards qualify as deposits for insurance coverage purposes. The FDIC considers the funds that underlie stored value cards deposits if a depository institution has an obligation to either hold or transfer the funds. In that case, the funds qualify for insurance coverage following the same guidelines that apply to other deposits.[6] Comments on this rule were due by November 7, 2005. To date, the final rule has not been issued. To read more on the proposed rule, see: www.fdic.gov/regulations/laws/federal/2005/05cstoredval88.pdf.

F. Community Reinvestment Act

The federal banking agencies have interpreted the Community Reinvestment Act ("CRA") regulations to permit favorable consideration of remittance services in an

[6] The FDIC's General Counsel released an opinion that discusses which stored value card systems the Legal Department thinks qualify as deposits under the Federal Deposit Insurance Act. *See* General Counsel's Opinion No. 8; Stored Value Cards, 61 Fed. Reg. 40490 (Aug. 2, 1996), available at http://www.fdic.gov/regulations/laws/rules/5500-500.html.

insured bank's compliance with its CRA obligations to the low- and moderate-income customers in its assessment areas. The agencies have recognized that remittance products can provide an important service in low- and moderate-income communities, and can help banks to access or expand a customer base that may not have used traditional banking services in the past. In addition to being a retail service under the regulation, remittance services may also qualify as community development services if they increase access to financial services by low- and moderate-income persons (for example, by being offered with a low-cost account).[7]

In a CRA evaluation, examiners consider both the extent to which a bank provides community development services and the responsiveness of the services to the needs of the community. In addition, the effect of a particular service on a financial institution's CRA rating will depend on the institution's overall performance.

II. FUNDS TRANSFERS: SOLO PLATFORM, PARTNERSHIP WITH A MONEY TRANSFER BUSINESS AND FEDERAL RESERVE BANK ACH PRODUCTS

Funds transfers, whether accomplished through banks using a solo platform, a third party money transfer business, or Federal Reserve Bank ACH products are regulated in a similar manner by the U.S. Treasury; FinCEN and federal banking agencies. Assuming that a bank requires a person to have an account before using certain Funds Transfer products, such as Federal Reserve Bank ACH products, the CIP regulations governing Funds Transfers are not substantially different from those governing dual ATM cards or stored value cards. Therefore, refer to Section I.A. above for a description of the CIP regulations governing such Funds Transfers.

Funds Transfer products, however, do not in and of themselves always require a bank to apply its CIP to the people who use those products. Only certain of the remittance products described in this manual will require a bank to apply its CIP to them since the CIP regulations only apply to customers who have an "account" with a bank. The regulations define "account" as "a formal banking relationship established to provide or engage in services, dealings or other financial transactions including a deposit account, a transaction or asset account, a credit account or other extension of credit." However, the definition of "account" explicitly excludes, among other things, "[a] product or service where a formal banking relationship is not established with a person, such as check-cashing, wire transfer, or sale of a check or money order." Therefore, based on the plain language of the regulation, banks should not have to apply their CIP to wire transfers conducted by means of, for example, a partnership with a money exchange so long as

[7] See interagency letter regarding consideration of international remittances services in a CRA evaluation at http://www.ffiec.gov/cra/pdf/060304remittances.pdf.

the person seeking to use those services does not otherwise have an account with the bank. Banks utilizing such products should still assess the adequacy of their systems for managing anti-money laundering and terrorist financing risks associated with Funds Transfers.

Funds Transfers, regardless of whether they require an account, may represent a heightened degree of risk depending on such factors as the number and dollar volume of transactions, geographic location of originators and beneficiaries and whether the originator or beneficiary is a bank customer. The size and complexity of a bank's operation and the origin and destination of the funds being transferred will determine which type of Funds Transfer system the bank uses.[8]

Banks need to have sound policies, procedures and processes to manage the BSA/AML risks of its Funds Transfer activities. Such policies may encompass more than regulatory recordkeeping minimums and be expanded to cover OFAC. Funds Transfer policies, procedures and processes should address all foreign correspondent banking activities, including transactions in which U.S. branches and agencies of foreign banks are intermediaries for their head offices.

Obtaining customer due diligence ("CDD") information is an important part of risk management in providing Funds Transfer services. Because of the nature of Funds Transfers, adequate and effective CDD policies, procedures and processes are critical in detecting unusual and suspicious activities. An effective risk-based suspicious activity monitoring and reporting system is equally important. Whether this monitoring and reporting system is automated or manual, it should be sufficient to detect suspicious trends and patterns typically associated with money laundering.

A. "Payable Upon Proper Identification" Services

One type of Funds Transfer transaction that carries particular risk is the "payable upon proper identification" ("PUPID") service. The Funds Transfer products discussed in this manual will often fall into the category of a PUPID. PUPID transactions are Funds Transfers for which there is no specific account to deposit the funds and the beneficiary of the funds is not a bank customer. For example, an individual who has an account at a bank may transfer funds to a relative or an individual in another country who does not have an account relationship with that bank. In this case, the beneficiary bank may place the incoming funds into a suspense account and ultimately release the funds when the individual provides proof of identity.

PUPID transactions, therefore, have the potential to pose significant risk to originating

[8] *See supra* note 6.

banks.[9] In order to counter these risks, banks should establish effective and appropriate policies, procedures and processes including:

Defining which bank employees may conduct PUPID transactions.

Establishing limits on the amount of funds that may be transferred to or from the bank for non-customers (including type of funds accepted (i.e., currency or official check).

Monitoring and reporting suspicious activities.

Providing enhanced scrutiny for transfers to certain jurisdictions.[10]

Identifying disbursement method (i.e., by currency or official check) for proceeds from beneficiary bank.

Specifying the type of identification that is acceptable.

Maintaining documentation of individuals consistent with the bank's recordkeeping policies, which would require at the very least maintaining documentation of the bank's customers.

B. Risk Mitigation and Suspicious Activity Monitoring and Reporting

Banks seeking to offer Funds Transfer products should evaluate risks related to Funds Transfer activities by analyzing the frequency and dollar volume of Funds Transfers in relation to the bank's size, its location and the nature of its relationships with those people using the bank's Funds Transfer products. It should also determine whether the bank's system for monitoring its Funds Transfers for suspicious activities, and reporting of suspicious activities, is adequate given the bank's complexity, location and types of customer relationships. Suspicious activity monitoring and reporting systems should focus on: Funds Transfers purchased with currency; frequent currency deposits and subsequent transfers, particularly to a larger institution or out of the country; and transactions in which the bank is originating Funds Transfers to foreign financial institutions, particularly to jurisdictions with strict privacy and secrecy laws or those identified as high risk. In addition, banks should ensure that their employees are following the bank's procedures for PUPID transactions, as discussed above.

Banks must file a Suspicious Activity Report ("SAR") for any transaction of USD $5,000 or more where the institution knows, suspects, or has reason to suspect, that the

---

[9] PUPID transactions also have the potential to pose significant risk to beneficiary banks. The focus of this manual, however, is primarily on regulatory issues affecting originating banks.

[10] Refer to Section I.E. above for a discussion of country risk assessments.

transaction (1) involves funds derived from illegal activity; (2) is designed to evade the requirements of the reporting regulations; or (3) has no business or apparent lawful purpose and is not of the sort in which the particular customer would normally be expected to engage, and the institution knows of no reasonable explanation for the transaction after examining the available facts, including the background and possible purposes of the transaction.

C. Currency Transaction Reporting

The CTR requirements governing Funds Transfers *paid for in currency* are not substantially different from those governing dual ATM cards or stored value cards. Therefore, refer to Section I.C. above for a description of the CTR requirements governing such Funds Transfers. A CTR is not required, however, for any transfer of funds by means of bank check, bank draft, wire transfer or other written order that does not involve the physical transfer of currency from one person to another. In other words, a CTR would not be required if there merely was an electronic (i.e., a nonphysical) transaction which did not involve coins or paper money (i.e., if it did not involve a transfer of "currency" as defined under the regulation).

D. OFAC Regulations

The OFAC regulations governing Funds Transfers are not substantially different from those governing dual ATM cards or stored value cards. Therefore, refer to Section I.D. above for a description of the OFAC regulations governing Funds Transfers.

E. Country Risk

The country risks associated with Funds Transfers are not substantially different from those associated with dual ATM cards or stored value cards. Therefore, refer to Section I.E. above for a discussion of that topic.

F. Additional Regulatory Considerations

Whether the products surveyed for this guide would be covered by deposit insurance depends upon when funds are moved out of a customer's bank account in the U.S., how funds are held in transfer accounts and when funds are transmitted to the other country. These are all important factors in determining whether funds would have deposit insurance. In addition, banks should carefully review products before their introduction to determine if the Federal Reserve Board's Regulation E requirements are triggered.

G. Community Reinvestment Act

Please refer to part F of Section I (Dual ATM Cards and Stored Value Cards) for a discussion of the Community Reinvestment Act's applicability to remittance products.

H. Enhanced Recordkeeping Requirements for Certain Funds Transfers

Banks or other financial institutions such as money transmitters that initiate funds transfers in amounts of $3,000 or more are required to maintain specific records.[11]

As provided in the regulations, subject to certain exceptions not relevant here, for each payment order of $3,000 or more that it accepts for an established customer as an originator's bank, a bank must obtain and retain the following information relating to the payment order:

- (A) The name and address of the originator;
- (B) The amount of the payment order;
- (C) The execution date of the payment order;
- (D) Any payment instructions received from the originator with the payment order;
- (E) The identity of the beneficiary's bank; and
- (F) As many of the following items as are received with the payment order:
  - (1) The name and address of the beneficiary;
  - (2) The account number of the beneficiary; and
  - (3) Any other specific identifier of the beneficiary.

If a payment order is made in person by other than an established customer of the bank, the bank must verify the identity of the person placing the payment order prior to accepting the order to transfer funds. If it accepts the payment order, the bank must obtain and retain a record of the name and address, the type of identification reviewed, the number of the identification document (e.g., driver's license), as well as a record of the person's taxpayer identification number (e.g., social security or employer identification number) or, if none, alien identification number or passport number and country of issuance, or a notation in the record of the lack thereof. If the bank has knowledge that the person placing the payment order is not the originator (for example,

---

[11] There also are regulations dealing with banks or financial institutions receiving a funds transfer to provide to a beneficiary, but beneficiary financial institutions will be located outside the United States, so this Appendix will just discuss the financial institutions' role as originating a funds transfer.

a son has gone to the bank to place a funds transfer order on behalf of his father), the bank must obtain and retain a record of the actual originator's taxpayer identification number, alien identification number or passport number and country of issuance, if known by the person placing the order. If the person placing the order does not have knowledge of the originator's identification number, the record must include a notation of this fact.

Payment orders not made in person also require a record of name and address of the person placing the payment order as well as the person's taxpayer identification number, alien identification number or passport number and country of issuance, or notation in the record or lack thereof. The record must also include a copy or record of the method of payment (eg:,check or credit card transaction.) In the case of persons placing a payment order on behalf of a separate originator, requirements for records are the same.

The information obtained by the bank must be retrievable by the bank by reference to the name of the originator. If the originator is an established customer of the bank and has an account used for funds transfers, then the information also must be retrievable by account number.

Non-bank financial institutions, such as money transmitters, have similar recordkeeping requirements.

* * *

RESOURCES

Remittance Market Resources

Appleseed: www.appleseednetwork.org

Center for Financial Services Innovation: www.cfsinnovation.com

FDIC: www.fdic.gov

Federal Reserve: www.federalreserve.gov

Inter-American Development Bank: www.iadb.org

Inter-American Dialogue: www.thedialogue.org

International Fund for Agricultural Development: www.ifad.org

National Council of La Raza: www.nclr.org

Pew Hispanic Center: www.pewhispanic.org

World Bank: www.worldbank.org

Regulatory Resources

Federal Financial Institutions Examination Council, BANK SECRECY ACT/ANTI-MONEY LAUNDERING EXAMINATION MANUAL (2006), *available at* http://www.ffiec.gov/bsa_aml_infobase/default.htm.

The Office of the Comptroller of the Currency, *Remittances: A Gateway to Banking for Unbanked Immigrants*, COMMUNITY DEVELOPMENTS INSIGHTS (September 2004), *available at* http://www.occ.treas.gov/cdd/remittances1.pdf.

Federal Reserve Bank of St. Louis, *Stored Value Cards: Opportunities, Risks* (Autumn 2006), *available at* http://stlouisfed.org/publications/br/2006/c/pages/1-article.html.

United States Government Accountability Office, *Border Security: Consular Identification Cards Accepted within United States, but Consistent Federal Guidance Needed*, GAO-04-88 (August 2004), *available at* http://www.gao.gov/new.items/d04881.pdf.

REFERENCES

American Community Survey. U.S. Census Bureau. 2006.

Appleseed. *The Fair Exchange: Improving the Market for International Remittances*. April 2007.

Appleseed. *Creating a Fair Playing Field for Consumers: The Need for Transparency in the U.S.-Mexico Remittance Market*. December 2005.

De Vasconcelos, Pedro. "Sending Money Home: Remittances to Latin America and the Caribbean." Inter-American Development Bank. 2004.

Dodson, David and Jim Kvicala. "Hispanics will top all U.S. minority groups for purchasing power by 2007, according to annual buying power study from UGA's Selig Center for Economic Growth." Terry College of Business at the University of Georgia. Sept. 1, 2006.

Inter-American Development Bank, Multilateral Investment Fund, and Bendixen and Associates. *Encuesta de Opinión Pública de Receptores de Remesas en México*. February 2007.

Inter-American Development Bank and Multilateral Investment Fund. *Sending Money Home: Leveraging the Development Impact of Remittances*. December 2006.

Inter-American Development Bank. Remittances from the U.S. to Latin America 2006.

Inter-American Development Bank, Multilateral Investment Fund, Bendixen and Associates, and Pew Hispanic Center. *Receptores de Remesas en Centroamérica*. Inter-American Development Bank, et al. September 2003.

Jacob, Katy, Manuel Orozco, and Jennifer Tescher. *Card-Based Remittances: A Closer Look at Supply and Demand*. The Center for Financial Services Innovation. February 2007.

Jensen-Campbell, Cam. "Today's Hispanic Consumer." 2005.

Katz, Rob. "Motorola's Credit Card Phone Targets Asia, LAC, and Remittance Markets." NextBillion.net. Feb. 9, 2006.

Orozco, Manuel. "Cross Border Remittances and Financial Access Issues: Topics to Understand the Market Base of MSBs." Presentation to the Chicago FDIC Committee on Economic Inclusion. October 25, 2007.

Orozco, Manuel. *Between a Rock and a Hard Place: Migrant Remittance Senders, Banking Access, and Alternative Products*. Inter-American Dialogue Draft Report. October 2006.

Orozco, Manuel. *International Flows of Remittances: Cost, Competition and Financial Access in Latin America and the Caribbean—Toward an Industry Scorecard."* Inter-American Dialogue. May, 2006.

Reuters. "Mexico Remittance Growth to Slow in 2007." May 7, 2007.

Suro, Roberto*. Remittance Senders and Receivers: Tracking the Transnational Channels*. Multilateral Investment Fund and Pew Hispanic Center. November 2003.

Tescher , Jennifer, "Products and Practices for Latino Market." *The American Banker*. May 27, 2005.

U.S. Census Bureau. 2005 American Community Survey.

The Washington Post. "Telecom: Pilot Program Allows Cell Phone Money Transfers." Feb. 13, 2007.

World Bank. *Global Economic Prospect 2006: Economic Implications of Remittances and Migration*. 2005

INTERVIEWS

Daniel Ayala, Senior Vice President, Global Remittance Services and Lisa Westerman, Assistant Vice President, Public Relations, Card Services, Wells Fargo
Concord, California
December 18, 2006

Vicky Garcia, Director of Operations, Latino Community Credit Union
Durham, North Carolina
March 1, 2007

Aracely Gonzales, Community Relations Coordinator, Citizens State Bank
Tyler, Texas
February 2, 2007

Interviews were conducted by: Ann Baddour, Senior Policy Analyst, Texas Appleseed; Sharon Hill, Executive Director, Georgia Appleseed; José W. Meléndez, Policy & Research Associate, Chicago Appleseed Fund for Justice; and Darcy Tromanhauser, Director, Immigrant Integration and Civic Participation Program, Nebraska Appleseed.

Jorge Forment, President and CEO, United Americas Bank
Atlanta, Georgia
March 23, 2007

David Kroonblawd, Multicultural Banking and Kevin Wright, Vice President, Emerging Markets, U.S. Bank
St. Paul, Minnesota
April 18, 2007

James Maloney, President and Chief Executive Officer, Mitchell Bank
Milwaukee, Wisconsin
January 15, 2007

Luis A. Martinez, Senior Branch Manger, First Bank
Chicago, Illinois
February 2007

Fidel Melgoza, Assistant Branch Manager and Stored Value Card Specialist, Central Bank of Kansas City
Kansas City, Missouri
July 25, 2007

Daniel Padilla, Director of Latino Banking, Pinnacle Bank
Lincoln, Nebraska
June 22, 2007

Frank Pulido, Product Manager, Harris Bank
Chicago, Illinois
March 2007

Cilla Shaw, Vice President, ATM/Debit Card Director, Synovus Bank
Atlanta, Georgia
January 31, 2007

Guillermo Zúñiga-Ordoñez, Director of Regulations and Community Relations, Banuestra
Roswell, Georgia
April 2007

Bill Patient, CRA and Compliance Officer, BankCherokee
St. Paul, Minnesota
June 14, 2007

ENDNOTES

[1] American Community Survey. U.S. Census Bureau. 2006.

[2] *Sending Money Home: Leveraging the Development Impact of Remittances*. Inter-American Development Bank and Multilateral Investment Fund. December 2006.

[3] American Community Survey. U.S. Census Bureau. 2006.

[4] David Dodson and Jim Kvicala, "Hispanics will top all U.S. minority groups for purchasing power by 2007, according to annual buying power study from UGA's Selig Center for Economic Growth," Terry College of Business at the University of Georgia, September 1, 2006.
http://www.terry.uga.edu/news/releases/2006/buying_power_study.html.

[5] Manuel Orozco. Data estimates provided by the author, Inter-American Dialogue, 2007.

[6] Manuel Orozco. *International Flows of Remittances: Cost, Competition and Financial Access in Latin America and the Caribbean—Toward an Industry Scorecard."* Inter-American Dialogue. May, 2006.

[7] Manuel Orozco. *Between a Rock and a Hard Place: Migrant Remittance Senders, Banking Access, and Alternative Products*. Inter-American Dialogue Draft Report. October 2006.

[8] See: "Mistake Costs Dishwasher $59,000" CNN.com, September 27, 2007.
http://www.cnn.com/2007/US/09/27/immigrant.money/index.html

[9] Manuel Orozco. October 2006 and Inter-American Development Bank and Multilateral Investment Fund. December 2006.

[10] Roberto Suro*. Remittance Senders and Receivers: Tracking the Transnational Channels*. Multilateral Investment Fund and Pew Hispanic Center, November 2003.

[11] *Ibid.*

[12] Manuel Orozco. *International Flows of Remittances: Cost, Competition and Financial Access in Latin America and the Caribbean—Toward an Industry Scorecard."* Inter-American Dialogue. May, 2006.

[13] Remittances from the U.S. to Latin America 2006. The Inter-American Development Bank. http://www.iadb.org/mif/remittances/usa/ranking2006b.cfm

[14] For a detailed discussion of card-based remittances see: Manuel Orozco, et al. *Card-Based Remittances: A Closer Look at Supply and Demand*. The Center for Financial Services Innovation. February 2007.

[15] Vigo is currently owned by Western Union.

[16] Remittances from the U.S. to Latin America 2006. The Inter-American Development Bank. http://www.iadb.org/mif/remittances/usa/INDEX.cfm?language=en&parid=2&item1id=2&item2id=2.

[17] Rob Katz, "Motorola's Credit Card Phone Targets Asia, LAC, and Remittance Markets," NextBillion.net, February 9, 2006. http://www.nextbillion.net/newsroom/2006/02/09/motorolas-credit-card-phone-targets-lac-asia-and-remittance-markets.

[18] "Telecom: Pilot Program Allows Cellphone Money Transfers," *The Washington Post*, February 13, 2007. http://www.washingtonpost.com/wp-dyn/content/article/2007/02/12/AR2007021201467.html.

[19] *Creating a Fair Playing Field for Consumers: The Need for Transparency in the U.S.-Mexico Remittance Market*. Appleseed. December 2005.

[20] See: *The Fair Exchange: Improving the Market for International Remittances*. Appleseed. April 2007. At the time of this publication, results of the pilot have not been completed.

[21] *Ibid.*

[22] Appleseed, 2007.

[23] *Ibid.*

[24] Pedro De Vasconcelos "Sending Money Home: Remittances to Latin America and the Caribbean," Inter-American Development Bank, 2004. http://www.iadb.org/publications/search.cfm?language=English&keywords=sending+money+home&title=&author=&topics=&countries=&searchLang=&fromYear=&toYear=&x=0&y=0.

[25] *Ibid*.

[26] *Ibid.*

[27] Roberto Suro, Remittance Senders and Receivers: Tracking the Transnational Channels, Multilateral Investment Fund and Pew Hispanic Center, November 2003. http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=548518.

[28] *Ibid*.

[29] Weighted average based on data from Manuel Orozco, "Cross Border Remittances and Financial Access Issues: Topics to Understand the Market Base of MSBs." Presentation to the Chicago FDIC Committee on Economic Inclusion. October 25, 2007.

[30] Orozco et al, February 2007.

[31] Orozco et al, October 2006.

[32] Orozco, May 2006.

[33] Inter-American Development Bank and Multilateral Investment Fund. December 2006.

[34] Orozco, May 2006.

[35] Please view the link below for detailed information on using Directo a México: http://www.frbservices.org/Retail/pdf/FedACHiMxManual.pdf

Appleseed

727 15th Street, NW
11th Floor
Washington, DC 20005
202.347.7960

www.appleseednetwork.org

Project made possible through funding from
Annie E. Casey Foundation and Levi Strauss Foundation.