

OPENING STATEMENT OF
LUIS V. GUTIERREZ
COMMITTEE ON FINANCIAL SERVICES
“REMITTANCES: REDUCING COSTS, INCREASING COMPETITION,
AND BROADENING ACCESS TO THE MARKET”
OCTOBER 1, 2003

Good morning, Chairman Oxley. It is a great pleasure to be here today to talk about an issue of great importance to me and to the people I represent.

I'd like to start by thanking you for holding this hearing. And I'd also like to thank Ranking Member Frank, who has been a steadfast supporter of my remittance legislation throughout the years, for his leadership on this issue. In addition, I'd like to thank his staff for helping organize this hearing.

During the past 20 years, remittances to Latin American countries have increased not only in volume, but also as a share of national income and total imports.

Last week, President Fox announced that remittances sent from Mexican workers in the United States to their families back home reached a record \$12 billion this year, representing Mexico's largest source of income, more than oil, tourism or foreign investment.

However, such transfers can be unnecessarily costly for consumers in the U.S. due to a range of fees, many of which are often hidden.

Wire transfer companies aggressively target audiences in immigrant communities with ads promising low rates for international transfers.

However, such promises are often grossly misleading because companies do not always clearly disclose extra fees charged for converting dollars into local currency.

This is why I, along with Rep. Frank introduced H.R. 2074, the International Money Transfer Disclosure Act.

The bill requires any financial institution or money transmitting business which initiates an international money transfer on behalf of a consumer to make a good faith effort to provide the following disclosures to the consumer before the transaction takes place:

- Any fees to be charged to the recipient, including any exchange rate or currency conversion fees;

- A final itemization of all costs to the consumer, which would include all fees charged, for the remittance;
- The exact amount of foreign currency to be received by the recipient in the foreign country;
- Finally, my bill requires that the disclosed information be made in English and in the same language, if other than English, as the language principally used by the financial institution or money transmitting business to advertise, solicit, or negotiate the transaction.

Similar legislation has been introduced in the Senate by Senators Corzine, Schumer, Akaka and Boxer.

Over three-quarters of all remittances that come from Latin America--approximately \$25 billion--originate in the United States. Almost 70 percent of Latin-American immigrants to the U.S. send remittances back home on a regular basis.

That means that approximately 12 million workers are sending money to their families in Latin American countries eight or more times a year, resulting in about 90 million separate financial transactions. In some of these countries, remittances represent more than 10 percent of their GDP.

The money sent out to the families abroad was money earned upon hours of hard-work. It was saved with a great deal of sacrifice by mostly low-income, taxpayers of the U.S. For those living abroad, this money is vital to help pay for food, housing, education, starting businesses and saving for the future. This helps enrich communities in other countries, creating a steady income and jobs for those who might otherwise migrate to the U.S. to find work.

But a sizeable portion of these savings never make it from the U.S. to these countries. Instead, it is claimed as fees, most in the form of punishing exchange rates, that remittance services levy on immigrants who wire money.

The fees accompanying remittances made through wire transfer companies can sometimes reach as high as 20 percent, including the amount lost through the exchange rates.

Money transfers have grown significantly since the increased acceptance of the Matrícula Consular by financial institutions. Because transfer costs for remittances are lowest when sent through regulated financial institutions, such as banks and credit unions, the increased number of people opening bank accounts is helping them send more money to their families and loved ones abroad and at the same time these individuals are building their credit record and are able to save more money for the future.

Given the fact that 42 percent of Latin American immigrants in the United States do not have a basic bank account, allowing the acceptance of the Matrícula is a fundamental step in trying to help the

unbanked who up until recently had no other choice but to keep their hard-earned money tucked in their mattresses.

I want to take this opportunity to commend the Department of the Treasury for their recently released rules on Section 326 of the Patriot Act and for their decision to keep the rules unchanged.

Allowing financial institutions to accept the use of the Matrícula Consular represents an important step in reducing the number of unbanked individuals in our country as well as a strong sense of security for those individuals who can now put their money safely in a financial institution.

A study recently conducted by the Pew Hispanic Center indicates that reducing the cost to five percent of the amount remitted would free up more than one billion dollars for some of the poorest households in the United States, Mexico and Central America.

The report also revealed that participants in the study said they had often been surprised that the amount of money delivered to their relatives was less than they had expected and that they were unaware of the total costs prior to the transaction.

In conclusion, I hope that you would agree with me, Mr. Chairman, that offering basic transparency for these services would provide consumers the ability to make more informed and educated decisions regarding the services they choose.

Money transfers play a crucial role in the daily lives of migrant families and some rely almost exclusively on remittances for their survival.

As such, we should make sure that transparency in the pricing and simplicity in the procedures are put in place to help protect consumers around the country.

Thank you again for holding this very important hearing.

I look forward to the testimonies.