

Money Wire Transfers

How to Help Immigrants Avoid Fraud and Save Money

One of the most significant contributions of immigrants in the U.S. is the substantial amount of money they send to their family and others in their countries of origins. Immigrants from Mexico, the Dominican Republic, El Salvador and Guatemala send about \$8 billion per year to those countries.¹

Many of these immigrants use money wire transfer services in the U.S. to send this money to their countries of origins. Yet fees and hidden costs charged for these wire transfers can be expensive, ranging from 10 to 25% or more of the amount of money sent by an immigrant (or any U.S. consumer of these services). Not only do U.S. consumers pay an exorbitant amount for money wire transfer services, the businesses that offer these services often sell other costly and fringe financial services, such as check cashing. (see NCLC's Cashing Checks and Opening Bank Accounts.)

Even more disturbing, sometimes immigrants give money to questionable wire transfer services that never send the money to the intended recipient. Here are a few ways to protect immigrants from this kind of fraud and help them save money in fees.

Addressing Money Wire Transfer Fraud

The money wire transfer industry is primarily regulated by the states. About 28 states and the District of Columbia² have laws requiring businesses that sell

¹ Lowell and de la Garza, [The Developmental Role of Remittances in U.S. Latino Communities and in Latin American Countries](#), Tomas Rivera Policy Institute. The amount of money sent by immigrants has increased dramatically during recent years. A Coopers & Lybrand study found that the money wire transfer sector grew at an amazing rate of 15% per year from 1992 to 1997. Coopers & Lybrand, [Non-bank Financial Institutions: A Study of Five Sectors](#), prepared for the Financial Crimes Enforcement Network of the U.S. Department of Treasury.

² Arizona (Ariz. Rev. Stat. § 6-1201 *et seq.*); California (Cal. Fin. Code § 1800 *et seq.*); Colorado (Colo. Rev. Stat. § 12-52-103 *et seq.*); Connecticut (Conn. Gen. Stat. § 36a-595 *et seq.*); Delaware (Del. Code tit. 5, § 2301 *et seq.*); District of Columbia (D.C. Code § 47-3101 *et seq.*); Florida (Fla. Stat. §560-101 *et seq.*); Idaho (Idaho Code § 26-2901 *et seq.*); Illinois (205 Ill. Comp. Stat. Ann. 657/1 *et seq.*); Indiana (Ind. Code § 28-8-4-1 *et seq.*); Kansas (Kan. Stat. Ann. § 9-508 *et seq.*); Maine (32 Me. Rev. Stat. § 6101 *et seq.*); Maryland (Md. Fin. Inst. Code Ann. § 12-401 *et seq.*); Massachusetts (Mass. Gen. L. ch. 169, § 1 *et seq.*); Minnesota (Minn. Stat. § 53B.01 *et seq.*); Nebraska (Neb. Rev. Stat. Ann. § 8-1001 *et seq.*); Nevada (Nev. Rev. Stat. § 671.010 *et seq.*); New Jersey (N.J. Stat. Ann. § 17:15C-1 *et seq.*); New York (N.Y. Banking Law § 640 *et seq.*); North Carolina (N.C. Gen. Stat. § 53-193 *et seq.*); Ohio (Ohio Rev. Code Ann. § 1315.01 *et seq.*); Oregon (Or. Rev. Stat. § 717.200 *et seq.*); Pennsylvania (7 Pa. Consol. Stat. § 607 *et seq.*); Rhode Island (R.I. Gen. Laws § 19-14-1 *et seq.*); Tennessee (Tenn. Code Ann. § 45-7-201 *et seq.*); Texas (Tex Fin. Code Ann. § 153.001 *et seq.*); Virginia (Va. Code. § 6.1-370 *et seq.*); and West Virginia (W. Va. Code § 32A-2-1 *et seq.*). Several other states regulate money transmitters using their “check selling” statutes: Alabama (Ala. Code § 8-7-1 *et seq.*); Arkansas (Ark. Stat. Ann. § 23-41-101 *et seq.*); Georgia (Ga. Code Ann. § 7-1-680 *et seq.*); Iowa (Iowa Code § 533B.1 *et seq.*); Louisiana (La. Rev. Stat. Ann. § 6:1031 *et seq.*);

money wire transfer services (also called “money transmitters”) to be licensed by the state banking agency.³ Some of these states have laws specifically requiring licensing of money transmitters who send money to foreign countries.⁴ The federal government does have a law requiring money transmitters to register with the Treasury Department and (if they are in a state that requires licensing) to be licensed.⁵ However, these laws are not intended to protect consumers, but to address the issue of money laundering.⁶

If you are in a state that requires licensing, you can check with your state banking agency to determine whether a specific money wire transfer business has a license.⁷ When using an unfamiliar money wire transfer business, always check to see if it has a license from the state banking agency.

Consumers who lose money to shady money wire operations should file a complaint with their state banking agency. Most of the states which require licensing also require money transmitters to post a bond or other security. If an immigrant loses money to a money transmitter that is licensed and bonded, the bond may be a potential source to recover the lost funds if the transmitter becomes insolvent. New York State even has an insurance fund to reimburse victims.⁸

Saving on Money Wire Transfer Fees

Even if a money wire transfer business is licensed and reputable, there is always the possibility of a problem in transmission. Consumers should be aware of the refund and loss provisions in a wire transfer contract. They should always

Michigan (Mich. Comp. Laws § 487.901 *et seq.*); Oklahoma (Oklahoma Stat. tit. 6 § 2101 *et seq.*); Washington State (Wash. Rev. Code § 31.45.010 *et seq.*); and Wisconsin (Wis. Stat. § 217.02).

³ The money wire transfer industry tends to be concentrated in six states, all of whom have significant immigrant populations: California, New York, Texas, New Jersey, Florida and Illinois. Coopers & Lybrand Study.

⁴ California and Massachusetts. California’s statute specifically states that it regulates foreign wire transfers to protect the “large and diverse population many of whom are concerned with the financial plight of people remaining in the countries which they left.” California Financial Code, § 1800(b).

⁵ 31 U.S.C. § 5330 and 18 U.S.C. § 1960.

⁶ A new model state law was proposed in 2000 to govern money transmission and other non-bank financial services. While it does include a licensing and bond requirement, it is primarily aimed at preventing money laundering. Since it is a model state law, the state legislatures are free to adapt it or not. National Conference of Commissioners on Uniform State Laws, Proposed Uniform Money Services Business Act.

⁷ The website of the Money Transmitter Regulators Association, a group of state banking officials, has a list of useful links to state banking agencies that regular money transmitters. See www.mtraweb.org

⁸ N.Y. Banking Law § 653 *et seq.*

save their receipts in case there is a problem, and keep on eye on any time limits for filing a refund claim.

For other immigrants, the money sent by a wire transfer will arrive safely, but a significant chunk of it will be lost to fees. Some of these fees can be "hidden" in the form of lower than normal exchange rates. In 1998, Western Union and Money Gram were the subject of a class action lawsuit alleging they had misled customers sending money to Mexico by failing to tell the customers that they were making additional money by charging the customers a less favorable exchange rate.⁹ As part of the settlement of this lawsuit in December 2000, Western Union and Money Gram agreed to disclose to consumers the existence and amount of the difference between the exchange rates they give customers and the prevailing rate, also called the "spread."¹⁰

In 1999, a bill was introduced in Congress to require all money transmitters to prominently disclose this "spread" for all countries.¹¹

The bottom line is that immigrants should always ask about the currency exchange rate if they don't see it posted. To avoid hefty fees, they should shop around for both the best fee and exchange rate. There are a number of lower cost alternatives to traditional money wire services, especially for sending money to Mexico. Credit unions in a number of states offer low cost money wire transfers to credit unions in over 40 countries under the IRnet program from the World Council of Credit Unions (WOCCU). For more information on IRnet, see the WOCCU's website at www.woccu.org.¹³ The U.S. Post Office has introduced a

⁹ According to a Coopers & Lybrand study conducted for the Treasury Department, Western Union and Moneygram handle over 90% of all money wire transfers to foreign countries.

¹⁰ In Re Mexico Money Transfer Litigation, 2000 U.S. Dis. LEXIS 18,863 (N.D. Ill. December 21, 2000). This settlement was criticized for, among other things, not prohibiting or limiting the amount that Western Union and Money Gram could charge for the spread, and for providing consumer recovery in the form of coupons.

¹¹ H.R. 382- The Wire Transfer Fairness and Disclosure Act of 1999, introduced by Representative Luis Gutierrez. This bill was reintroduced in March 2001 as H.R. 1306.

¹³ The IRnet program is limited to credit union members, but many of these credit unions focus on serving underserved communities, including immigrants. If immigrants can become a member of the credit union, an added benefit of using IRnet is that they will become more familiar with using a mainstream financial institution. According to WOCCU, credit unions can serve undocumented immigrants in their field of membership. See www.woccu.org.

program called Dinero Seguro, which offers money wire transfers from post offices in California, Illinois and Texas. Finally, the Mexican government is looking into ways to introduce even lower cost alternatives, such as a system of ATMs that can be used by both immigrants and their family in Mexico.¹⁴

¹⁴ Wells Fargo already offers a service called Intercuenta Express in which customers can deposit money with that bank and have it withdrawn from ATM machines in Mexico.