



Highlights of [GAO-06-204](#), a report to the Committee on Banking, Housing, and Urban Affairs, U.S. Senate

INTERNATIONAL REMITTANCES

Information on Products, Costs, and Consumer Disclosures

Why GAO Did This Study

Remittances are personal funds immigrants send to their home countries. The United States is the largest remittance-sending country in the world, with more than \$36 billion remitted in 2003, according to the International Monetary Fund. The majority of these remittances are sent to Latin America and the Caribbean and they are a very important source of financial flows to many countries. In 2004, the United States, with other countries, pledged to reduce fees for remittances. Remittance senders in the United States can send funds through entities in the formal financial sector such as money transfer operators, banks, and credit unions or other informal means such as couriers. This report provides information on (1) the methods of transmission available to remittance senders in the formal financial sector and the advantages and disadvantages of each, (2) the costs to send remittances through the formal financial sector, and (3) disclosures remittance providers typically provide to senders.

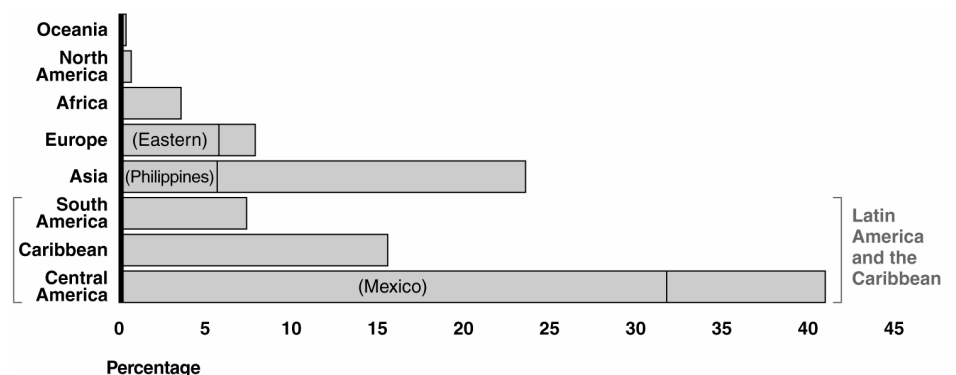
What GAO Found

Remittance senders in the United States have a range of methods available including money transfer operators (MTOs), banks, credit unions, and the United States Postal Service. However, most transactions occur through MTOs. These products range from cash-to-cash wire transfers to account-based transfers, stored value cards, and Internet-based transactions. There are a number of reasons remittance senders continue to choose MTOs over other providers, including their extensive networks and customers' familiarity with their products. Banks and credit unions offer some products at lower cost and the advantage of access to other financial services. However, limited banking hours, language barriers, or inconvenient locations may make it difficult for some remittance senders to use these services. Recently, some federal banking agencies have undertaken initiatives to move more remittances through banks and credit unions and bring these senders into the financial mainstream.

Research shows that competition in the remittance market has resulted in a drop in the cost of remittances from the United States to Latin America and the Caribbean. The standard costs to a remittance sender are the transfer fee and the foreign exchange conversion fee. The costs vary for different products. For example, on average, most providers we spoke with charge approximately \$10 to send \$300 to Mexico using the cash-to-cash method, while providers charge less for products such as dual-ATM cards.

Disclosures we reviewed from remittance providers included information on the transfer fee, the exchange rate, and the right to a refund. The way this information is presented varies by provider, and a sender may have to do additional work to compare costs across different providers. Some efforts are under way to provide consumers with more aggregate information on the cost of remittances across different providers and products.

Regional Destinations of Workers' Remittances Sent from the United States, 2003



Source: GAO estimates based on underlying Bureau of Economic Analysis tabulations.

www.gao.gov/cgi-bin/getrpt?GAO-06-204.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Yvonne Jones, (202) 512-2717, JonesY@gao.gov.