The Center for Financial Services Innovation
An Affiliate of ShoreBank Corporation

February 2007

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Card-Based Remittances: A Closer Look at Supply and Demand

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Executive Summary

The phenomenon of international remittances is rapidly transforming the financial landscape. As millions of workers from around the globe seek employment in other countries, payments to their families back home are creating dynamic flows of money. It's estimated that global remittance volume reached more than US$232 billion in 2005, with an additional unquantifiable amount transmitted through informal channels that could increase total volume by 50%.[1] The relationship between Latin America and the U.S. constitutes the highest volume remittance market in the world. Over the last two years, the percentage of Latin American immigrants sending remittances has increased from 61% to 73%, and the average remittance has increased from $240 to $300.[2]

The robust and increasing demand for person-to-person cross-border remittance services coincides with the increasing dominance of electronic transactions and the rise of prepaid cards. These two activities, though independent of one another, share important characteristics and opportunities. Remitters are more likely to have limited financial access because of their immigrant status. Prepaid cards are increasingly seen as a tool to provide the un- and underbanked with broader access, and many providers are marketing their products specifically to immigrants.

This report presents the results of an analysis of the supply and demand for card-based transfers among migrants. We analyze a nationwide study of Latin American and Caribbean migrant remittance senders and their access and use of card products of all kinds. Coupled with extensive interviews with card-based remittance providers, this analysis allows us to investigate the relationship between the supply for card-based remittances and remittance senders' demands for financial products.

Prepaid cards also are emerging as a promising product to serve underbanked consumers because of their convenience, accessibility and liquidity. Firms offering card-based remittances fall along a spectrum from card companies that are adding remittances as a new card feature to remittance companies that are adding prepaid cards as a new method for customers to access their cash. In the middle are a handful of companies whose only or primary product is a card-based remittance. A variety of models have developed for integrating cards into remittances: card-to-cash, dual card, and recipient-only card.

In each case there are opportunities and challenges as companies gain expertise in one area and experiment with the other product (a prepaid card, or a remittance option) as a way to sell their core product. There are also significant differences in the infrastructure and operations of these companies, which result in differences in how the firms structure their card-based remittance products. A significant challenge in offering card–based remittances using any of these approaches is that issuing a card to a recipient outside of the U.S. raises regulatory and operational issues that present new challenges for the issuing entity, regardless of whether it is

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[1] *Global Economic Prospects, 2006: Economic Implications of Remittances and Migration*. The International Bank of Reconstruction and Development, The World Bank, Washington, DC, 2006.
[2] Multilateral Investment Fund. (2006, October) Public Opinion Research Study of Latin American Remittance Senders in the United States. Retrieved February 27, 2007 from http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=820729.

a remittance or prepaid card company. The card also needs to be reliably delivered. Another major challenge is that users in many receiving countries are not familiar with card-based platforms or are unable to utilize this model due to the lack of a payments network that accepts cards.

The variation in card features such as fee structures, reloadability, and dual-user capability affects the usability of remittance cards and will likely determine how the cards converge into the market. How the cards are reloaded and how the funds are transferred affects both the usefulness of the product to consumers and the fees charged. For some of the products, reloading and transferring funds are one transaction and hence, subject to one fee. Another important distinction is whether the second card used by the recipient is free. In some cases, the sender bears all costs, though usually the recipient pays an ATM fee to withdraw the funds. In others, the recipient pays fees to have a second card or account.

On the demand side, migrant consumers have not embraced card products. With the exception of phone and transit cards, fewer than 60% of migrants use any type of card product. On average, fewer than 7% of remitters said they used a remittance card to send money home. Usage levels were similar for prepaid debit cards and reloadable cards. However, there are pockets of success. Prepaid telephone cards have shown the greatest success in reaching Latino migrants of all cultures and demographics, ranging from 74% to 96.5% penetration. Key differences in the results can be seen based on country of origin and where migrants settle.

Age, gender, income and education are all relevant determinants in the level of card use. Also, having a bank account makes the use of any type of card product more likely, even non-financial cards such as affinity and retailer discount cards, although statistically speaking, bank account ownership is not a significant factor in card use. It is an important factor in determining who chooses to use card-based transfers. A statistical analysis of the key determinants suggests that remitters choosing to use card-based transfers tend to be males with moderate levels of income who send more money and tend to do so more frequently, who are citizens with relatively lower levels of educational attainment, and who have a bank account.

The paper concludes that significant gaps exist between the demand side and supply side of card-based remittance solutions and that there is potential to capitalize on a product set that offers value for underbanked remitters given the right product design. Instead of simply putting card products to market, companies that carefully consider the entire financial picture of remittance senders can begin to develop the marketing, distribution, consumer education and pricing models needed to allow card-based transfers to compete with traditional money transfer companies and other newer innovations, such as mobile and Internet remittances.

Introduction[3]

The phenomenon of international remittances is rapidly transforming the financial landscape. As millions of workers from around the globe seek employment in other countries, payments to their families back home are creating dynamic flows of money. It's estimated that global remittance volume reached more than US$232 billion in 2005, with an additional unquantifiable amount transmitted through informal channels that could increase total volume by 50%.[4] In fact, remittances are recognized as the second largest external flow of funds to emerging markets after foreign direct investment.

This report presents the results of an analysis of the supply and demand for card-based transfers among migrants. We analyze a nationwide study of migrant remittance senders and their access and use of card products of all kinds. Coupled with extensive interviews with card-based remittance providers, this analysis allows us to investigate the relationship between the supply for card-based remittances and remittance senders' demands for financial products.

A key rationale informing this project lies in two converging trends: the emergence of electronic prepaid products and the robust demand for person-to-person cross-border remittance services. These two activities, though independent of one another, share important characteristics and opportunities. Remitters are more likely to have limited financial access because of their immigrant status. Based on the 2000 Survey of Income Program Participation (SIPP), 20.9 million families, or 17% of households, do not have bank accounts. Among immigrants, 32% are unbanked, including 53% of the immigrant Mexican population. These consumers have well defined financial needs including cash transfers, payroll deposits, check cashing, bill payment, and basic retail and grocery purchases. Prepaid cards lend themselves to these kinds of transactions and are flexible payment instruments that on balance are easier to use than traditional bank accounts.

This report examines the extent to which prepaid card-based remittances are emerging as another solution for international money transfers. The report begins with an overview of the size and economic potential of the remittance market. Then we proceed with a discussion of the consumers behind these financial flows. Basic questions such as who sends and receives remittances, how much is remitted, and what are the mechanisms used to send remittances are explored. Next we provide an overview of the prepaid market, delineating the various business models used and fee structures charged to send remittances. Then we analyze a nationwide survey of migrant remittance senders and their access and use of financial banking and nonbanking instruments, including some of the ways they use card products in general. Next we discuss the question of whether there exists a correspondence between the supply for card-based remittances and remittance senders' demands and expectations for financial products. Then we outline the opportunities and challenges for providers and potential providers. Finally, we provide insight into the potential for using card-based remittances as a tool to give consumers access to other financial products and services that may have been previously unavailable to them.

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[3] This report was produced in part with the support of the Annie E. Casey Foundation. The authors respectfully acknowledge the assistance of Rachel Schneider and Rebecca Rouse in the creation of this report.
[4] *Global Economic Prospects, 2006: Economic Implications of Remittances and Migration*. The International Bank of Reconstruction and Development, The World Bank, Washington, DC, 2006.

Study Methodology

This report is based on analytical and empirical analyses including company interviews, published research and a nationwide U.S. survey of migrant remittance senders. In order to explore the possible dynamics related to offering remittances using card products, CFSI and the Inter-American Dialogue conducted detailed interviews with 15 companies on how their card-based remittance programs (current and planned) are structured and how they evaluate success. These interviews highlight opportunities and challenges related to offering remittances using various prepaid card structures.

In addition, a random survey of 2,000 migrant remittance senders was conducted to identify the demand side for card-based payments, including remittance transfers. The random sample was drawn from five cities (Chicago, Los Angeles, Miami, New York City and Washington, DC), with outreach conducted at typical outlets visited by migrants to send money.

Table 1: Survey Participants' Country of Origin and U.S. Residence

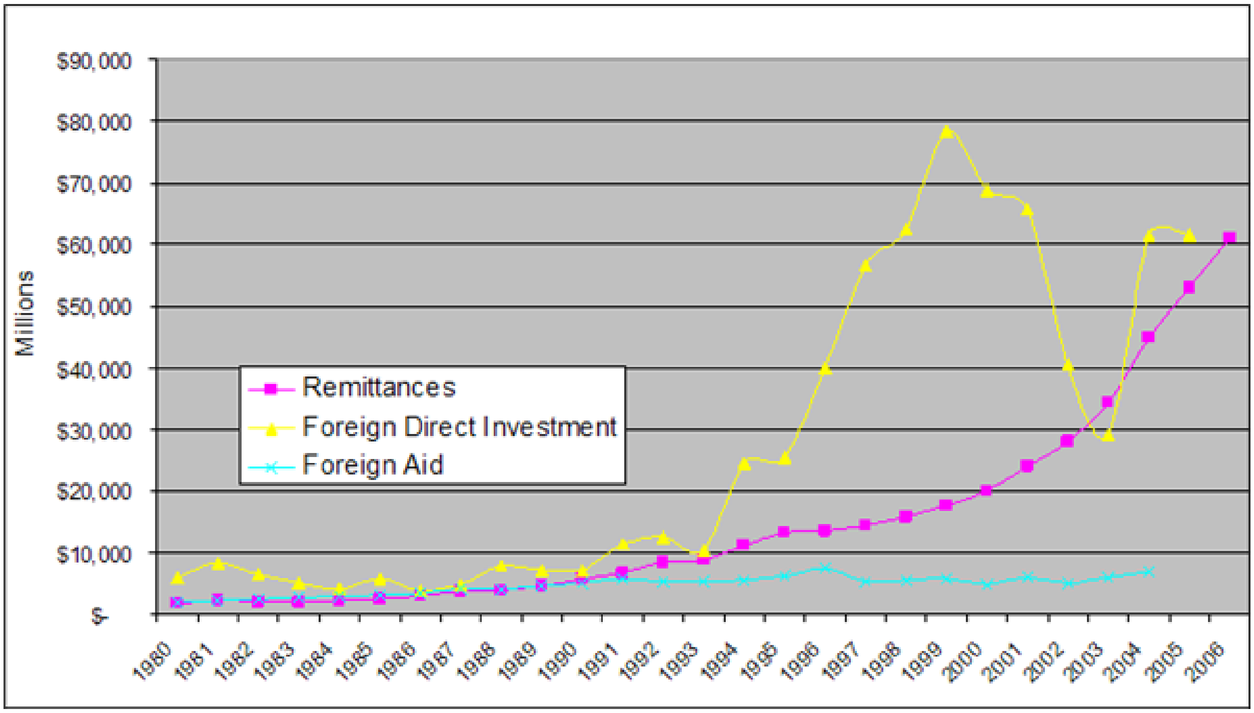
Country of Origin	PLACE OF RESIDENCE					
	NYC	**LA**	**Chicago**	**DC**	**Miami**	**Total**
Mexico	100	300	200	-	-	600
Dominican Republic	300	-	-	-	-	300
Jamaica	200	-	-	-	100	300
El Salvador	100	100	-	200	-	400
Guatemala	-	100	-	-	-	100
Bolivia	-	-	-	200	-	200
Nicaragua	-	-	-	-	100	100
Total	**700**	**500**	**200**	**400**	**200**	**2000**

The Remittance Marketplace

While remittances are used by migrants around the world, for the purposes of this study we focused on the Latin American and Caribbean populations in the U.S. because of the availability of demographic data. The countries of Latin America and the Caribbean (LAC) contribute one half the U.S. foreign-born population. We estimate that the number of migrants from Latin America[5] sending remittances is between 14 and 16 million people, using census data, Central Bank data from Latin American countries, as well as survey data and Money Transfer Operators (MTO) data. The relationship between Latin America and the U.S. constitutes the highest volume remittance market in the world. The total income of these migrants in the U.S. is estimated to be over $500 billion, with almost $62 billion sent to Latin America in 2006.[6]

[5] For purposes of this paper, when referring to Latin America, the countries of the Caribbean are included, unless specified otherwise.
[6] Data collected by the author

Chart 1: Remittance Volume to Latin American and Caribbean Countries Relative to Other Funds Flow



Source: Data collected by the author

Over the last two years, the percentages of Latin American immigrants sending remittances has increased from 61% to 73%, and the average remittance has increased from $240 to $300.[7]

Demographic Characteristics

Table 2 illustrates some demographic characteristics of the remitters surveyed by income, age, gender, education and U.S. citizenship. Our research shows that Caribbean migrants in the U.S., for example, show higher levels of educational attainment than Central Americans and Mexicans. Similarly, they exhibit a higher likelihood to hold citizenship status. Except for Nicaraguans, most immigrants are relatively younger – under 40 years of age. With the exception of Guatemala, the male to female ratio distribution is relatively even, with more women from El Salvador residing in the U.S. than Salvadoran men.

[7] Multilateral Investment Fund. (2006, October) Public Opinion Research Study of Latin American Remittance Senders in the United States. Retrieved February 27, 2007 from http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=820729.

Table 2: Demographics of remittance senders: Age, gender, income, education and citizenship.

	Mexico	Dominican Republic	Jamaica	El Salvador	Guatemala	Bolivia	Nicaragua
Over 40 years of age	18%	15%	17%	15%	26%	24%	51%
Female	40%	55%	43%	64%	33%	52%	41%
Some college or college degree	14%	60%	75%	19%	12%	42%	35%
Income > $35,000	3%	3%	4%	3%	3%	18%	8%
U.S. Citizenship	13%	43%	56%	17%	12%	16%	14%

Source: Survey conducted by the authors, managed by Protectora Holdings, March-July 2006

Internet Use

For many migrants, the Internet is an important proxy for their relationship to the financial world and the world at large. The survey results show that on average, 40% of migrants use the Internet, but that only 24% of Mexicans, who represent half of the Hispanic population in the U.S., use the Internet. Dominicans and Jamaicans are among those with the highest regular use of the Internet.

Table 3: Internet use among migrants

	Mexico	Dominican Republic	Jamaica	El Salvador	Guatemala	Bolivia	Nicaragua
Use Internet	24%	63%	76%	31%	23%	36%	24%
Daily	45%	40%	44%	30%	57%	36%	41%
Monday - Friday	17%	18%	27%	20%	9%	14%	15%
Weekends	12%	19%	19%	25%	9%	10%	15%
Rarely	26%	23%	9%	25%	26%	40%	29%

Source: Survey conducted by the authors, managed by Protectora Holdings, March-July 2006

Transnational Engagement

In addition to remittances, migrants maintain a broad range of economic relationships with their home country that translates into a deeper transnational engagement.[8] These economic activities reflect individual and group exercises of a migrant's transnational identity through symbolic and material commitments to their homeland. The tables below estimate the number of transnational activities that Salvadorans and Ghanaians, established for more than 30 years in the U.S., have maintained with their homeland.

[8] Orozco, M. Diasporas, *Development and Transnational Integration: Ghanaians in the U.S. , U.K. and Germany.* October, 2005.

Table 4: Transnational activities for Salvadorans established in U.S. more than 30 years*

	(%)	Number	Annual expense US dollars	Volume US dollars
120 minutes of telephone calls per month	41%	340,300	$288	$98,006,400
Remit more than $300 per month	32%	265,600	$4,200	$1,115,520,000
Annual purchase of home country goods	66%	547,800	$200	$109,560,000
Travel once a year	24%	199,200	$700	$139,440,000
(and spend over $1,000)	61%	506,300	$1,000	$506,300,000
Have a mortgage loan in home country	13%	107,900	$7,000	$755,300,000
Own a small business in home country	3%	24,900	$7,500	$186,750,000
Help family members with mortgage	13%	107,900	$2,000	$215,800,000
Belong to a Hometown Association (HTA)	5	41,500	$200	$1,500,000

Number of Salvadorans remitting from the U.S. is 830,000. Source: Orozco, July 2005.

Table 5: Transnational activities for Ghanaians established in U.S. more than 30 years*

	(%)	Number	Annual expense US dollars	Volume US dollars
120 minutes of telephone calls per month	50%	100,000	$432	$43,200,000
Remit more than $300 per month	60%	120,000	$4,800	$576,000,000
Annual purchase of home country goods	80%	160,000	$200	$32,000,000
Travel once a year	50%	100,000	$1,200	$120,000,000
(and spend over $1,000)	80%	160,000	$1,000	$160,000,000
Have a mortgage loan in home country	20%	40,000	$7,500	$300,000,000
Belong to a Hometown Association (HTA)	20%	40,000	$200	$8,000,000

* Number of Ghanaians remitting from the U.S. is 200,000. Source: Orozco, October 2005.

Card-based Remittance Transfers: Practices and Issues

This section looks at the supply side of card-based transfers based on analysis and interviews with more than a dozen companies in this business. We look at the prepaid card industry in its broadest context, then explore prevailing business models in card based transfers, product features and marketing issues, along with challenges identified in this segment of the remittance transfer industry.

Prepaid Cards as Nascent Financial Services

The prepaid card market includes a variety of products, ranging from traditional gift cards (closed-loop) used to make small dollar transactions with specific retailers to the more recently established reloadable branded general spending and payroll cards (open-loop) which have substantial versatility and may hold a considerable amount of a consumer's income.[9]

The prepaid card market, while nascent in this country, is growing at a rapid pace. It is estimated that $14.1 billion were loaded onto more than 45 million open solution network-branded prepaid card accounts in 2005.[10] Within this broad open solution category is the money and financial service segment. In 2005, this segment accounted for $710 million, an increase of 16.4% from the previous year.[11] This upward trend in electronic payments away from checks and cash was confirmed in late 2004, when the Federal Reserve System announced that electronic transactions had surpassed checks as consumer's preferred noncash payment method.

Prepaid cards also are emerging as a promising product to serve underbanked consumers. An attractive financial tool, they offer low barriers to entry, generally lacking the credit requirements that effectively bar millions of individuals from opening traditional bank accounts. They are convenient, easily purchased and reloaded at a growing number of retail channels. They appeal to consumers' need for liquidity, with funds available quickly and potentially at a lower cost than other alternatives for unbanked consumers. Because many migrants are underbanked, prepaid products are a potentially promising financial vehicle for these consumers.

As the industry focuses on innovation related to features, reloadability, and distribution networks, several companies have begun to add remittance features to their prepaid cards in order to enable their customers to send money to friends and family overseas. This allows U.S. cardholders to transfer funds to authorized persons in other countries, either by creating a sub-account which a cardholder in another country can access or by issuing a second card on the full account. There are also innovations with respect to prepaid cards that are not connected to a U.S. based prepaid card or account, but that are marketed, purchased and reloaded in the U.S.

The assumptions about prepaid cards are tested in this paper against the extent of the supply for card-based transfers and the demand for it among remittance senders. Consumers in the remittance marketplace are individuals with predominantly lower education and income levels, with a seeming preference for cash to cash transactions, both domestic and international. Therefore, the use of these instruments presents challenges and opportunities.

[9] For a detailed discussion about closed-loop and open-loop prepaid cards, see Cheney and Rhine, 2006b.
[10] Davis, Donald, "Mercator: Open-Loop Cards Show Robust Growth," *Prepaid Trends*, Volume I, Issue 16, September 27, 2006.
[11] Sloane, Tim, "3rd Annual Open Prepaid Market Survey: Spend, Growth & Opportunities." Mercator Advisory Group, August 2006.

Business Models

Firms offering card-based remittances fall along a spectrum from card companies that are adding remittances as a new card feature to remittance companies that are adding prepaid cards as a new method for customers to access their cash. In the middle are a handful of companies whose only or primary product is a card-based remittance.

In each case there are opportunities and challenges as companies gain expertise in one area and experiment with the other product (a prepaid card, or a remittance option) as a way to sell their core product. There are also significant differences in the infrastructure and operations of these companies, which result in differences in how the firms structure their card-based remittance products.

The essential feature that defines card-based remittances is the use of a card on the sending end, the receiving end, or both, of a funds transfer from an individual to friends or family in another country. There is significant variation in how the sender initiates the transaction. For some card-based remittance companies, the sender must have a credit or debit card already, which he or she uses to purchase and reload a prepaid card for use by the recipient of the funds. Similar products allow the sender to use cash to purchase and reload a prepaid card for the recipient to use.

Other companies in this segment issue a prepaid debit card to the sending cardholder, which is then used to remit funds. Several of the entrants into this market are payroll card issuers, who are adding the ability to transfer funds as an additional method of using the funds that have been loaded onto the payroll card by an employer.

A variety of models have developed for how the recipient can access funds that have been sent to them.

Card-to-cash model: In this model, the recipient does not have a card of his or her own, but has the ability to retrieve the transferred funds directly in cash. Many of the companies interviewed believe that this is the preferred model for consumers as it most closely replicates how remittance transfers generally work today. Familiar and convenient, it requires the least education to acquire new customers.

It is also a natural option for remittances to countries in which card use is less ubiquitous, or to rural areas that do not have many ATMs. However, this is a difficult business model to create from scratch, as it requires building a disbursement network in the receiving countries. As a result, the remittance companies who are adding prepaid cards are best positioned to offer this option. It is also a part of the market in which there is very little vertical integration. Instead, companies evaluating or offering this option are more likely to establish a set of partnerships with banks and other entities in the recipient country to form a distribution network. This is particularly true for the prepaid card companies who are adding a remittance feature.

Dual-card model: This model issues two cards with access to the same account. Offering two cards on the same account is administratively simple, and in some cases is happening organically as consumers figure out how to make this happen even if it is not explicitly an offering of the card issuer. Several of the prepaid card companies interviewed indicated that their customers have been using their accounts in this way, with one having tracked this type of activity in over 100 countries. The disadvantage to this approach is that the recipient is able to withdraw the full amount of funds in the account. A variation of this model uses a sub-account, where two cards are issued, but the primary cardholder can transfer specified amounts of funds to the sub-account that is accessible to the recipient cardholder.

Recipient-only card model: In this model, the sender purchases a prepaid debit card in the U.S., which is either sent directly to the recipient or issued in the recipient's country. The sender can then reload funds onto the card.

A significant challenge in offering card–based remittances using any of these approaches is that issuing a card to a recipient outside of the U.S. raises regulatory and operational issues that present new challenges for the issuing entity, regardless of whether it is a remittance or prepaid card company. Interviewees mentioned concern about not being able to verify the identity of the recipient, some in the context that regulatory requirements may become more stringent over time. The card also needs to be reliably delivered. Another major challenge is that users in many receiving countries are not familiar with card-based platforms or are unable to utilize this model due to the lack of a payments network that accepts cards.

Card Features

The features of the cards used by the sender and recipient in the remittance transaction vary as much or more than the features of prepaid debit cards generally. As with other prepaid cards, an important issue for consumers is whether the card is branded with a Visa, MasterCard, American Express or Discover logo, which offers extended purchase capability and enables consumers to participate more fully in the larger financial mainstream. A few of the products that exist today, including those offered by the pure, card-based remittance companies, are unbranded, PIN-based cards. However, the majority of cards offered by the companies interviewed are branded cards, and it is likely that the larger prepaid card companies that offer branded cards today would continue to do so even as they add a remittance feature. This should improve consumer acceptance and card usability.

Loading funds is done through the issuer's reloading network, which generally includes some combination of online, phone and retail locations and allows for reloading through cash payment or funds transfer using a bank account, credit card, debit card or sometimes a PayPal account. In some cases, reloading is only possible via the Internet using an existing credit or debit card, creating a significant challenge to serving underbanked consumers who may not have access to computers. The prepaid card companies who are moving into the remittance space seem best positioned to offer a broad range of reloading methods. Companies starting with a remittance product and adding prepaid cards face operational challenges to replicate or connect to existing loading networks.

How the cards are reloaded and how the funds are transferred affects both the usefulness of the product to consumers and the fees charged. For some of the products, reloading and transferring funds are one transaction and hence, subject to one fee. By definition, dual-cards accessing the same account accomplish reloading and transferring simultaneously, as do recipient-only cards. For a sub-account product or a product in which the recipient card is issued by a local partner, reloading the prepaid card and transferring funds are two distinct steps, each with its own constraints and fees. Another important distinction is whether the second card used by the recipient is free. In some cases, the sender bears all costs, though usually the recipient pays an ATM fee to withdraw the funds. In others, the recipient pays fees to have a second card or account.

As time goes on, it will be worth watching how the variation in features affects consumers, and whether the features converge, as well as whether the pure card-based remittance companies are able to become significant players in this space.

Fee Structures

The combination of new players entering the field coupled with advances in technology that streamline operations continues to flatten fees for wire transfer transmissions, in some cases by as much as 50%[12]. However, card-based remittance products continue to demonstrate a wide variation in pricing and features, as reported in company interviews:

Table 6a: Cost to use remittance cards to send $300

Company	**A**	**B**	**C**	**D**	**E**	**F**	**G**
Advertised price per send	$9.99	$9.95	$2.50	$2.00	$14.00	$10.00	$9.95
Price to purchase card	0	$4.95	$29.95	$14.95	$1.99	0	$14.95
Shipping fee	0	0	0	0	$9.99	0	$1.00
Monthly fee	0	0	$2.50	0	$0.99	0	$1.50
P.O.S. purchase fee	0	0	0	$2.00	0	0	0
Balance inquiry	0	0	$2.00	0	0	$0.50	0
Dormant account	0	0	0	$5.95/mo.	0	$2.00/mo.	0
Total fee for first transfer	$9.99	$14.90	$34.95	$16.95	$28.96	$11.00	$27.40
Rate per $300 sent	0.03	0.045	0.1165	0.0565	0.0965	0.0367	0.091

Source: Data complied by the authors

[12] http://www.imf.org/external/pubs/ft/fandd/2005/12/basics.htm

Table 6b: Sample fee structures by card model

Model	Recipient Only	Dual Card	Sub-Account with Local Partner
Sample Fees	Sender pays shipping fee to purchase and send card. Recipient pays a monthly fee and an international ATM fee for each withdrawal. Sender pays transfer fees to load funds onto the card, which are competitive with existing remittance fees.	Sender pays typical fees for prepaid card (activation fee, reloading fees and either a monthly maintenance or a transaction fee). Recipient gets card free but pays international ATM fees to withdraw funds. No transfer fees.	Sender pays typical fees for prepaid card (activation fee, reloading fees and either a monthly maintenance or a transaction fee). Recipient may pay the same to local partner, but will not pay international ATM withdrawal fees. Funds transfer through ACH, so would be fairly low fee to the sender.

In general, funds transfer fees within a prepaid card package appear to be slightly lower than the remittance charges prevalent in today's market. However, the total cost to transfer funds may not be lower if the recipient needs to pay an international ATM fee to withdraw the funds in addition to a transfer fee, or if the recipient pays a full set of fees for a separate card or account. It is difficult to know if the consumer's total expenditure for financial services will decline using prepaid card remittance services since that will depend on how he or she uses and pays for the full services of the prepaid card.

Table 6c: Cost comparison to send $300

Average Cost to Send $300				
	2005		2006	
	Prepaid Cards	Wire Transfers	Prepaid Cards	Wire Transfers
Advertised cost per transfer	$7.95	$11.27	$8.30	$11.41
Actual cost of first transfer	$21.35	$14.85	$19.02	$14.05
Actual cost of subsequent transfers	$9.39	$14.85	$9.30	$14.05

Source: Data compiled by the authors

Marketing and Customer Relationships

Rough estimates indicate that the volume of transfers using prepaid remittance cards is probably less than 2% of the total of U.S. outbound international funds transfer market. Take-up rates for the product have been lower than hoped for at several of the companies interviewed. However, a number of companies reported that repeat usage by existing customers is high, with customers tending to be fairly loyal and establishing long-term relationships with service providers. Customers are sending amounts that are consistent with other remittance vehicles, often $200 to $400 per month. The primary challenge is acquiring customers.

The low take-up rates may reflect the lack of any large-scale marketing of prepaid card-based remittances, particularly as some of the biggest U.S. banks have stopped providing remittances through card products. The companies offering these products are new and generally small. Several interviewees referenced the lack of financial resources to devote to marketing and the competing internal demands of pursuing multiple new product ideas simultaneously. Given these constraints, companies have relied on creative grass-roots campaigns consisting of word of mouth, flyers at musical and cultural events, and marketing at local schools or church groups.

Many providers focus their marketing efforts on a specific remittance corridor, which allows the provider to choose the business model most likely to be successful, whether that means developing a card-to-cash disbursement network or partnering with the right local bank. It also helps to define marketing efforts, tailoring advertising and other sales efforts to specific ethnic groups within the U.S.

To date, marketing for the prepaid card-based remittance products has been directed at the U.S.-based sender. He or she is viewed as the decision-maker in choosing how funds will be sent, along with the responsibility to educate the recipient on how to use the prepaid card. It seems likely that those entities that pursue a local partner strategy of offering prepaid card-based remittance will realize some advantages marketing at the recipient end of the transaction as well.

Across all of the business models chosen by companies entering into this marketplace, there is a strong interest in developing local partners. A partner in the recipients' home country can potentially provide access to the distribution network that is best equipped to meet the expectations and behavior of consumers in that country. For example, in countries in which card use at ATMs and point-of-sale are ubiquitous, the local partner could be a large regional bank; whereas in countries where cash disbursement is critical, the local partner could be en entity that has already developed that functionality. If a local partner issues the card used by the recipient, the U.S. issuer can avoid the operational and regulatory hurdles inherent in issuing a card to an individual who is out of the country. Local partnerships also offer co-branding opportunities, the possibility of avoiding or lowering some fees, the ability to provide greater levels of customer service and education, and the option of marketing additional services.

Opportunities and Challenges

Overall, the interviews conducted indicate promise in offering card-based remittances as well as meaningful operational challenges that need to be overcome in order to capitalize on that promise. The most-often cited challenge was the need to create stronger consumer acceptance of card-based transactions in the receiving countries. Operational challenges such as creating reloading and distribution networks and building the appropriate technology backbone require significant management sophistication and investment. And, regulatory concerns need to be resolved in order to create a stable environment for innovation.

All of these challenges are exacerbated for smaller companies that lack scale or resources. However, the companies interviewed generally perceived these challenges as surmountable and worth the investment. Companies tended to see the card-based remittance feature as a way to leverage their existing customer base into longer term, more profitable relationships or to generate new customers who would be drawn in by this particular feature. Most importantly, the potential market for either prepaid cards or for remittance products individually is perceived to be so large that learning how to provide services effectively seemed to be viewed as a nut worth cracking – even if it is challenging operationally.

Market size and cross-selling opportunities: Overall market size and the ability to cross-sell additional products to the underbanked population were the fundamental opportunities identified by the study's participants. Serving the underbanked – with prepaid cards or remittance services – was generally viewed to represent a huge market with unmet demand and the potential for many players to be successful. The pure, card-based remittance market did not seem to itself be the draw (at least for now), and it remains to be seen if the monoline companies will emerge as significant players in this space. Rather, many companies regarded the card-based remittance feature as a way to leverage their existing customer base into longer term, more profitable relationships, or to generate new customers who would be drawn in by this particular feature. At this point, the card-based remittance product is often a cross-sell itself, from either remittance companies expanding into cards or card-based companies adding remittance services.

The market for prepaid card-based remittances is both broad and complex, and there are opportunities for growth given the right product and marketing mix. As the industry matures and customer acceptance grows, providers acknowledged the potential of adding features, such as bill payment, overdraft protection, travel services, telecommunications, catalog sales, loyalty and reward programs.

Marketing and Distribution: The operational and marketing challenge inherent in converting the *recipients* of transferred funds to the use of card products were the most-often cited barriers to the growth of this product. In some regions, receiving cash is simply more practical than using a card, as ATMs or POS terminals are not ubiquitous or are expensive to use. In other regions, cultural norms lead to high percentages of unbanked consumers who need to be marketed to about the uses and advantages of cards if the cards are to be attractive. Accessing the market for card-based remittances successfully therefore seems to require sophistication about financial behavior and attitudes in the receiving country as well as effective marketing to U.S. consumers. Regional specialization is one strategy that some of the prepaid card-based remittance providers are pursuing to address this challenge.

Most of the companies interviewed also referenced the difficulty of establishing an appropriate disbursement network. This issue is strongly related to the need to be responsive to consumer expectations, as well as being a critical cost structure and regulatory issues. Vertical integration in the prepaid card remittance market is difficult to achieve, and as a result, a significant competitive requirement for prepaid card-based remittance companies may be the development of appropriate and committed partners – regardless of whether the company seeks to develop cash or card-based distribution capabilities.

Regulation: Many respondents cited the time and resources devoted to regulatory issues as a barrier to growth, as they need to comply with an array of federal and state rules. In particular, requirements for more stringent identification procedures under the USA PATRIOT act complicate the provision of cards to non-U.S.-based individuals. In October 2006, the Department of Justice published a report that identified prepaid stored value cards as a mechanism for circumventing the $10,000 threshold and circumstances that trigger special reporting requirements.[13] The Financial Crimes Enforcement Network (FinCEN) announced that it would issue new regulations designed to clarify the roles and obligations of issuers of prepaid cards. Additionally, uncertainty as to how rules regarding FDIC insurance and consumer disclosures will be applied to prepaid cards makes it challenging for providers to weigh compliance costs versus regulatory risk.

Scale: All of these challenges are exacerbated for smaller companies that lack scale or resources. Consumers have high expectations with respect to how the service of transferring money abroad is performed. The money needs to be available nearly immediately and there is little tolerance for errors. In addition, investments in distribution, technology and regulatory expertise are primarily fixed costs that demand leverage across a wider customer base – at least within the context of serving particular regions. As a result, larger companies with established operating histories and brand recognition have some advantages.

While the challenges may be substantial, study participants exhibited a general sense of optimism and an expectation of opportunity for those companies with the right product and the right strategy. In several cases, what was viewed as a barrier by one company was viewed as an opportunity by another. For example, companies confident that they had positioned themselves effectively with respect to regulatory requirements were optimistic that this would be a competitive strength that would facilitate their continued success. Most importantly, the potential market for either prepaid cards or for remittance products is perceived to be so large that learning how to provide services effectively is viewed as a nut worth cracking.

Remitters and the Demand for Card-based Transfers

Now, we turn to the demand side of the equation. There is an assumption that the Latino and immigrant market is significantly large and that, since this market is largely unbanked, they will be strong candidates for the use of prepaid products. But there is little empirical understanding of the size and position of this market segment. Using a survey conducted among foreign-born Latino and Caribbean remitters in the U.S., this section analyzes this cohort as well its remittance transfer patterns vis a vis the remittance intermediation industry. We also analyze the extent to which this group uses prepaid cards as payment tools in addition to concretely looking into the determining factors that inform a remittance sender to use card-based transfer mechanisms instead of typical electronic wire money transfers. We determine their access and use of mainstream financial services, along with various descriptive demographic characteristics. We then explore the extent of their use of fifteen different types of card products, including ID, credit, debit, prepaid, affinity and loyalty cards. We examine how this

[13] Prepaid Stored Value Cards: A Potential Alternative to Traditional Money Laundering, U.S. Department of Justice, October 31, 2006; nbpca.com/docs/NMLAFC_Jan2007.pdf

group regarded cards as payment instruments. We then look into the determining factors that inform whether a remittance sender is likely to use card-based transfer mechanisms instead of typical electronic wire money transfers.

We find that only 2% of Mexican immigrants use remittance transfer cards, and 13% of Salvadorans using these instruments. But we also find different determinants for the use of prepaid cards and remittance transfer cards.

Remitter card use and banking access

Nearly half of migrants lack effective access to financial institutions, and research has shown that half of Latinos who send remittances, particularly Mexicans, do not have bank accounts.[14] Although providing banking financial access to immigrants is a critical task, some institutions have argued that instead of offering traditional banking services, alternative products may be more suitable. For example, many companies in the prepaid card business have sought to offer remittance transfers to immigrants as part of their bundle of products. These companies argue that prepaid cards are a solution for those without bank accounts. Others have argued that offering Internet payment services can make transfers more efficient.

One assumption at the foundation of this argument is that access to bank accounts is perhaps more difficult than access to a prepaid card [15],and migrants may find it much easier to manipulate value on a card than to request bank services at a financial institution. In surveying remitters for this paper, we find that the factors associated with banking access are related to both endogenous and exogenous causes, some of which deal with the banking industry, and others that specifically relate to the social conditions of Latinos. Income, age, education, and citizenship are often typical determinants of lack of financial access.[16]

[14] Orozo, M., and Fedewa R. "Leveraging Efforts on Remittances and Financial Intermediation." Washington DC: Inter-American Development Bank, 2006.
[15] Jacob, Katy, Stored Value Cards: A Scan of Current Trends and Future Opportunities, July 2004 and Jacob, Katy, Su, Sabrina, Rhine, Sherrie, Tescher, Jennifer, Stored Value Cards: Challenges and Opportunities for Reaching Emerging Markets, April 2005

[16] From a statistical standpoint, we find that some determinants of owning a bank account are those reflecting socioeconomic status and inclusion in the United States, and that the extent of one's commitment back home does not have a statistical relationship. Like income and age, citizenship is positively statistically significant. However, education, though statistically significant, has a negative relationship. We also find that women are more likely to own a bank account than men.

Table 7: Descriptive statistics among remittance senders who have bank accounts

	Mexico	Dominican Republic	Jamaica	El Salvador	Guatemala	Bolivia	Nicaragua
High school education or more	79%	95%	99%	69%	75%	93%	91%
Female	45%	82%	79%	57%	27%	77%	46%
Male	36%	67%	88%	60%	36%	34%	58%
Income > $30,000	14%	6%	8%	12%	17%	34%	23%
Older than 35	41%	40%	41%	34%	66%	47%	81%
Sends more than $300 per month	36%	8%	2%	32%	31%	17%	13%
U.S. citizenship	31%	54%	66%	29%	36%	20%	24%

Source: Survey of migrant remitters, February-April 2006.

This is even more pronounced among Mexican immigrants, two thirds of whom do not have accounts. When asked why, nearly a third say they don't have an account because of their legal status.

Table 8: Percentage of people who say they don't have bank accounts because of legal status

Mexico	Dominican Republic	Jamaica	El Salvador	Guatemala	Bolivia	Nicaragua
57%	16%	13%	74%	61%	80%	51%

Source: Survey of migrant remitters, February-July 2006.

Overall, migrant consumers have not embraced card products. With the exception of phone and transit cards, fewer than 60% of migrants use any type of card product. On average, fewer than 7% of remitters said they used a remittance card to send money home. Usage levels were similar for prepaid debit cards and reloadable cards. However, there are pockets of success. Table 9 confirms that prepaid telephone cards have shown the greatest success in reaching Latino migrants of all cultures and demographics, ranging from 74% to 96.5% penetration.

Central Americans and Mexicans are distinct consumer groups from Caribbean migrants, whether they be Jamaicans or Dominicans. The differences are found both in their demographics and in that they are more likely to use card products. Jamaican migrants in particular demonstrate much higher use of card products in virtually all categories. Three quarters of Jamaicans have an ID card, 39% have a payroll card, and 69% have credit and debit cards.

Table 9: Type of card used by migrants (%)[17]

Card Type	Mexico	Dominican Republic	Jamaica	El Salvador	Guatemala	Bolivia	Nicaragua	Avg.
Money and Financial Services Cards								
Benefits	2.5%	17%	30.5%	8.3%	4%	0	1%	**8.7%**
Credit & Debit	36.6%	56.5%	69.1%	40.3%	39.4%	57.1%	29.6%	**49.1%**
Debit	49.6%	25.1%	17.3%	53.7%	54.6%	29.3%	57.4%	**38.2%**
Credit	13.8%	18.4%	13.7%	6.1%	6.1%	13.6%	13%	**12.8%**
Gift	13.3%	26.7%	28%	11.3%	16%	7%	5%	**15.6%**
Payroll	0.3%	17.3%	39.0%	6.8%	0	1.0%	0	**8.5%**
Prepaid Debit	2.7%	7.7%	19.5%	5.5%	1.0%	0.5%	1.0%	**5.4%**
Reloadable	1.5%	11.3%	15.5%	5.3%	4.0%	14.5%	6.0%	**7.1%**
Remittance	1.8%	5.0%	6.5%	12.8%	1.0%	8.0%	13.0%	**6.3%**
Non-Financial Cards								
ID	42.3%	68.7%	76%	45%	22%	59%	86%	**53.6%**
Affinity	0	5.7%	9.5%	4.3%	0	0	0	**2.8%**
Discount	46.5%	67%	70%	60.8%	50%	74.5%	59%	**59%**
Laundry	6.5%	6.7%	24.0%	9.0%	12.0%	4.0%	5.0%	**8.8%**
Phone	78%	85.3%	79%	82.8%	74%	96.5%	92%	**82.7%**
Public transit	33.3%	65%	79.5%	25.8%	24%	8.5%	97%	**63.1%**

Table 10 illustrates the differences in card use across cities, largely due to migration patterns. People in the New York-New Jersey area are more likely to use cards of all kinds than in other cities, followed by Miami, with Los Angeles and Chicago having the lowest number of users. Washington DC displays the largest number of people using card-based remittances, likely because DC has large enclaves of Salvadorans and Bolivians, who are more likely to use card-based transfers.

[17] The survey instrument did not explicitly define the various card types. Rather, it measured usage based on the respondent's understanding of the products in his or her wallet. Thus, there may be some overlap between some categories, such as "reloadable" and "prepaid debit."

Table 10: Use of card-based products by metropolitan area

Card Type	New York/ New Jersey	Los Angeles	Chicago	Washington DC	Miami	Avg.
Money and Financial Services Cards						
Benefits	21%	3%	1%	0	1%	**5.2%**
Credit & Debit	61%	32%	48%	43%	30%	**42.8%**
Debit	23%	59%	38%	48%	57%	**45%**
Credit	16%	9%	14%	9%	13%	**12.2%**
Gift	25%	17%	7%	5%	5%	**11.8%**
Payroll	22%	0	1%	1%	0	**4.8%**
Prepaid Debit	12%	2%	6%	0	1%	**4.2%**
Reloadable	12%	3%	2%	7%	6%	**6%**
Remittance	4%	1%	4%	16%	13%	**7.6%**
Non-Financial Cards						
ID	69%	27%	55%	51%	86%	**57.6%**
Affinity	8%	0	0	0	0	**1.6%**
Discount	66%	54%	33%	66%	59%	**55.6%**
Laundry	13%	12%	3%	3%	5%	**14.4%**
Phone	84.9%	80.6%	63.0%	89.3%	85.0%	**82.5%**
Public transit	75%	20%	28%	5%	3%	**26.2%**

According to the survey results, immigrants still prefer to use traditional cash to cash remittance transactions and, to some extent, cash to account transfers—an important finding considering the different business models outlined earlier in this paper. Some banks in Latin America report that an increasing number of transfers to their institutions are being transferred into accounts. BBVA/Bancomer in Mexico says that 12% of its clients receive their money into an account. Banco Salvadoreno in El Salvador stresses that nearly half of transfers from its U.S. branches go into the clients' accounts. Banco Cuscatlan, also in El Salvador, reports that 15% of its remittance transactions are done through cards.

Table 11 shows those companies that remitters reported using for card-based transfers. The results suggest that the companies used for card transfers have significant market share and enjoy the trust of consumers. This is particularly true in El Salvador and the Dominican Republic.

Table 11: Companies that issue remittance transfer cards, by remitter country of origin

	Mexico	Dominican Republic	Jamaica	El Salvador	Bolivia	Nicaragua
Banco Agricola				76.5%		
Bancomericio				19.6%		
Bolivar Express					6.7%	
Cash Zone			7.7%			
Cashpin	10%	80%				
Credit union					6.7%	
Dolex	70%					61.5%
Fin Center					6.7%	
MoneyGram		6.7%				15.4%
Telegiros Virginia					80%	
Western Union	20%	13.3%	92.3%	3.9%		23.1%

We find that, more than income or education, having a bank account increases the use of any type of card product, even non-financial cards such as affinity and retailer discount cards. Revisiting the data in Tables 9 and 10, we can speculate that owning a bank account may be the result of several converging factors, such as the possession of an ID card, or employment that offers a payroll or benefit card. It may be a function of geography, where card use can gain traction within particular niche cultural groups. In Table 12 we look more specifically at card ownership by banked status.

Table 12: Card ownership by banked and unbanked consumers

Card Type	Bank Account	No Bank Account
Benefits	12.7%	3.1%
Credit & Debit	49.5%	0
Debit	38.1%	44%[18]
Credit	55.6%	11.7%
Gift	21.9%	6.9%
Payroll	14.6%	0
Prepaid Debit	8.6%	1%
Reloadable	12%	0.3%
Remittance	7.9%	4.1%
ID	71.1%	36.8%
Affinity	4.7%	4.1%
Discount	75.1%	36.8%
Laundry	8.8%	8.9%
Phone	84.8%	80.9%
Public transit	39.1%	33.9%

Cards and card-based remittances: Determinants of usage

Here we look at some statistical determinants for both card products generally and card-based remittances specifically to identify the more salient factors influencing the use of these instruments. We hypothesize that lower income people are more likely to take advantage of cards, yet leave open other variables for interpretation.

The table below shows an OLS regression model using an aggregate ordinal value for use of any card product among those listed in the survey. The independent variables deal with income, citizenship, ownership of a bank account, undocumented legal status, age, education, and amount remitted. The results show that, except for age and owning a bank account, all other variables are statistically significant. Thus, we can infer that males, less educated and naturalized but lower income, are more likely to take advantage of these card products. This is

[18] Most unbanked respondents interpreted “debit” to mean a prepaid card. When asked which company provided the card, they generally named prepaid card companies.

essentially a description of a typical working class migrant. This result opens the question about how to further financial inclusion among low income and education cohorts through banking or prepaid card products.

Table 13: Correlates of card products

	Unstandardized Coefficients	t
	B	
(Constant)	5.464	8.876 ***
Age	3.379E-03	.593
Gender	.172	1.741 *
Education	-.178	-3.007 ***
US Citizenship	.281	2.833 ***
Average remittance	-8.238E-04	-3.987 ***
Own bank account	1.709E-02	.032
Income	-.185	-6.330 ***

Adjusted R2: 0.08. Dependent Variable: prepaid cards, F=13.2. Significance: *** at 1% level; ** 5%; * 10%

When looking at card-based remittance transfers we find relatively similar results. Except for age, all other variables are statistically significant. This means that those remitters choosing card-based transfers are males with moderate levels of income who send more money and tend to do so more frequently, who are citizens with relatively lower levels of educational attainment. A key difference is that bank account ownership is not a significant factor among card use generally, but it is an important factor among card-based remittance users.

Table 14: Correlates of card-based remittance transfers

	B	S.E.	Wald	Df	Sig.	Exp(B)
Income	.201	.068	8.849	1	.003	1.223
Citizenship	-1.310	.329	15.981	1	.000	.270
Age	-.010	.013	.563	1	.453	.990
Gender	.460	.223	4.253	1	.039	1.584
Education	-.187	.130	2.084	1	.1	.829
Amount remitted	.001	.000	9.238	1	.002	1.001
Sending Frequency	.032	.010	10.734	1	.001	1.033
Bank account	.673	.257	6.857	1	.009	1.960
Constant	-4.292	.825	6.857	1	.000	.014

The results highlight the important issue that card-based transfers are more likely to be used by those who are better established and better off than the unbanked, but are not necessarily naturalized citizens or highly educated. Again, the policy and business challenge is to identify mechanisms that will provide consumers with opportunities to take advantage of the benefits that prepaid cards can offer to these consumers.

In summary, there exist distinct differences in use of different financial products. Use of card products in general seems to be a function of income, gender and age, while users of card-based transfers tends to be even better off financially and more connected to their home country.

Discussion and Recommendations

As prepaid card companies and remittance companies begin to converge to offer card-based remittance products, there are important business lessons to be learned from market leaders and early adopters. Most migrants are living in a vulnerable financial condition, partly informed by low incomes, education, and legal status. Moreover, we have found that those with bank accounts are heavier users of card-based products of all kinds and are more likely to use card-based transfers. These factors might explain the relatively low participation levels seen by card-based remittance providers. Given these findings, what can providers do to increase uptake of these products?

Segment and target appropriate markets

Segmenting the market will help determine the appropriate financial products in terms broader than bank account ownership. Prepaid phone card providers have had significant success across a range of Latino and Caribbean populations, with 74% to almost 97% of those surveyed using these cards. Part of this success can be attributed to the degree of convenience that phone cards impart on consumers, but a close look at various prepaid phone card marketing campaigns reveals an industry that works hard to tailor messages to a complex mix of people with different languages and cultures. Financial service providers should look to pinpoint the segments most likely to succeed with card-based transfers, taking into consideration factors such as nationality, length of time in the U.S. and home country. Segmentation may include the extent of financial penetration in the home country with considerations about its prevailing financial infrastructure. There are numerous niche markets with receptive consumers that are currently underserved. For example, our survey research shows that Caribbean migrants might be particularly well suited for card-based solutions. Yet most marketing efforts have targeted migrants from Mexico.

Lower the barriers to entry

Our survey did not distinguish between whether consumers acquired a card product and then opened a bank account, or opened a bank account and acquired a card product. What is evident is that these consumers had found a way to attain the identification required to open a bank account. Providers of prepaid cards and card-based transfers should look for ways to open channels of access while continuing to fulfill regulatory requirements, such as considering foreign government identification cards, such as the Mexican matricula consular.

Develop simple pricing structures

The costs involved in conducting business transactions with cards are not as simple as paying one fee and an exchange rate commission. Instead, there is a roster of costs that include fees per withdrawal, monthly fees, the cost to issue cards or additional cards, and exchange rates, among others. The complexity of fee structures may make customers uneasy, particularly if they consider using the card for several activities. The cost of transmitting money for the provider is not a function of the amount remitted, so it is possible to develop low fixed fees that would still be profitable for providers

Develop effective distribution channels

Companies need to take into consideration how distribution channels are set up here and abroad, and how card-dependent solutions fit into those channels. For remitters who are more likely to be unbanked – or for receivers who are unbanked – cash-to-card or card-to-cash options might be a better fit than pure card-based models. It is evident that dual-card programs may face the biggest challenge, and card products that incorporate cash on one side likely will grow at a faster pace. However, all prepaid card-based remittance models are in need of effective distribution networks on both sides of the border. This dimension is most critical for small, monoline prepaid card distributors looking to enter the remittance field. Reversing the typical strategy for finding appropriate demographic clusters in the U.S., they might consider finding discrete geographic groups within the receiving country that have a ready partner to distribute remittances. Then by following the migration pattern from these locations to the U.S., they can develop a more effective product catering to the needs of users on both sides of the equation.

Build scalable models

As company interviews show, scale is necessary to make card-based remittance programs successful, and yet most companies offering these services are relatively small, especially in comparison to the dominant money transfer companies. In order to reach scale, companies will need to leverage partnership models and opportunities. Those with the most effective marketing, distribution and customer partnerships are most likely be to able to build sufficient scale.

Educate the target market

To help consumers understand prepaid cards and use them successfully, companies might develop joint partnerships with grassroots organizations and government institutions to provide financial education. Grassroots groups have the network access, while banks and government institutions have the training skills to educate groups, and money transfer operators could use their venue for practical on-the-spot outreach.

Consider mobile banking channels

Prepaid cards are not the only new option in the remittance market. One creative consideration to alternative banking is mobile commerce. More than 80% of remittance senders who use any type of stored value card also use prepaid phone cards that are loaded onto cell phones. The market for prepaid cards includes not only underbanked consumers, but also the teens and young adults who are large users of similar products such as prepaid wireless phones. The Yankee Group reports that as many as 65% of prepaid debit card users are under 35 years old. Cellular telephony could be a critical instrument to promote financial intermediation by loading money onto cell phones. Experiences in Asia and Africa suggest that mobile banking is an effective choice for low-income groups. Given the increasing penetration of alternative financial payment mechanisms, introducing mobile banking could be an effective tool to reach people at the "bottom of the pyramid."

In conclusion, though significant gaps exist between the demand side and supply side of card-based remittance solutions, there is potential to capitalize on a product set that offers value for underbanked remitters given the right product design. Rather than simply putting card products to market, companies that carefully consider the entire financial picture of remittance senders can begin to develop the marketing, distribution, consumer education and pricing models needed to allow card-based transfers to compete with traditional money transfer companies and other options, such as mobile and Internet remittances. As the prepaid card industry matures alongside the remittance industry, we find important synergies and areas of convergence in spite of operational challenges.

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The Center for Financial Services Innovation, a non-profit affiliate of ShoreBank Corporation, facilitates financial services industry efforts to serve underbanked consumers across the economic, geographic and cultural spectrum. It provides funding and resources, enables partnerships, and identifies, develops and distributes authoritative information on how to respond to the needs of the underbanked profitability and responsibly. CFSI works with banks, credit unions, technology vendors, alternative service providers, consumer advocates and policy makers to forge pioneering relationships, products and strategies that will transform industry practice and the lives of underbanked consumers. For more on CFSI, go to www.cfsinnovation.com.

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