

FINANCE

Akaka Remittance Provision Draws Ire

Tuesday, March 30, 2010

by Bill Swindell

The escalating debate over financial regulatory reform has one additional complication as it heads to the Senate floor -- a fight over a 3-foot-by-2-foot sign.

The multibillion-dollar remittance industry is opposing language in Senate Banking Chairman Christopher Dodd's bill to make it easier for customers to understand the costs of transferring money out of the United States.

Specifically, they are protesting a measure from Sen. Daniel Akaka, D-Hawaii, included in Dodd's bill as part of a manager's amendment, that would require transmitters to post a sign displaying the amount of foreign currency received when \$100 and \$200 is wired. It would apply to the top three countries receiving remittances from that location.

Critics argue this requirement would be unworkable and result in a regulatory nightmare for the estimated 100,000 locations that provide for remittance services. For example, Western Union changes its exchange rates three times daily based on markets in Hong Kong, London and New York.

"It would be hard to ask an agent at one of our locations to post exchange rates when it might be different an hour later," said Kristin Kelly, Western Union spokeswoman. "There are just some issues on how we implement that. And it would be really difficult for us to do that."

The industry was caught off guard by Dodd's move, especially because it had worked on a compromise included in the House-passed bill last year. That language, sponsored by Rep. Luis Gutierrez, D-Ill., would give customers better disclosure by spelling out pre-transaction costs and allow them up to 30 minutes after an order to cancel it. The major difference between that bill and the Akaka language is the sign requirement.

The House agreement was worked out after several months of negotiation by The Money Services Round Table -- which represents Western Union, MoneyGram International, American Express and others -- and Appleseed, a social justice group.

"We believe that the Gutierrez remittance disclosure provision represents a workable advance in remittance disclosures which serves the public interest," said Ezra Levin, who represents the Round Table. "The Dodd bill is completely different from the Gutierrez bill, and we believe that it would be exceedingly difficult, if not impossible, to implement."

Annette LaVoi of Appleseed said both the Gutierrez and Akaka language meet her group's definition of what it wants included in a final bill, but she did not take a stance on which language it prefers.

But other consumer groups are lobbying for the Senate provision, saying the sign will make transaction costs easier to understand, especially for immigrant groups that might find the various fees and exchange rates confusing. In 2009, Mexican immigrants sent more than \$17.3 billion back home, spending \$948 million in fees and other costs for such transactions, according to consumer groups.

"You can go door to door at various remittance providers and get a completely different system and have no real way to compare apples to apples among remittance providers. We want to make sure there is a uniform system to compare products," said Janice Bowdler of the National Council of La Raza.

Akaka was spurred by hearing from Filipino immigrants who complained after one local remittance provider was shut down by state authorities. The Senate bill would beef up federal oversight, which would be eventually supervised by a new Consumer Financial Protection Bureau.

"Many are often overcharged, and sometimes their hard-earned money never reaches their loved ones. Currently, remittances are not regulated under federal law. My amendment establishes basic consumer protections and a complaint and error resolution process for remittance transactions. Companies will have to provide key disclosures," Akaka said in a statement.

The sign requirement also mirrors a trend within the Treasury Department that focuses on behavioral economics, using psychology to get a better understanding of consumer decisions.

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