

# Sending Money

The Path Forward



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May 2016

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### Appleseed Mission

We believe that all people—whether they have long lived here or recently arrived—should be treated with fairness and justice. We must provide genuine opportunity for all—through excellent public education, access to public and private institutions on fair terms, and diverse, healthy neighborhoods. We believe that our connections, our research, our persuasive power, and our claims to justice improve society. We believe we can change our communities, our companies, our country and the world for the better.

### Art and Public Policy Partnership

Appleseed is extremely grateful to artist Suhas Bhujbal and Andrea Schwartz Gallery, for granting Appleseed the rights to Bhujbal's art to illustrate both the spirit and energy of our work. Bhujbal is represented by Andrea Schwartz Gallery, San Francisco, CA.

Bhujbal was born in a small village in India called Narayangoun in Maharashtra state. "In addition to my experiences living in India, traveling exposed me to new cultures, like Central America, where I observed working class families whose lives inspired me and I wanted to capture these moments on canvas."

## Acknowledgements

We are grateful to president Bert Brandenburg and the Appleseed Board of Directors for your ongoing support for this work. Appleseed Centers' strong relationships with local partners fostered this work. We wish to thank these organizations for working alongside Appleseed Centers to help us conduct the survey and focus groups:

### CT Appleseed partners:

- JUNTA for Progressive Action, Inc.,  
New Haven, CT
- Spanish Community of Wallingford, Inc.,  
Wallingford, CT
- Neighbors Link Stamford, Stamford, CT

### KS Appleseed partner:

- El Centro, Inc., Kansas City, KS

### TX Appleseed partners:

- Epiphany Community Health Outreach Services,  
Houston, TX
- Memorial Assistance Ministries, Houston, TX
- Consulate General of Mexico, Austin, TX
- Workers Defense Project/Proyecto Defensa Laboral,  
Austin, TX

### NE Appleseed partners:

- Centro Hispano Comunitario de Nebraska,  
Columbus, NE
- Iglesia Vida Nueva de las Asambleas de Dios,  
Grand Island, NE
- Unity in Action, South Sioux City, NE

### WA Appleseed partners:

- Casa Latina, Seattle, WA
- Muslim Housing Services, Seattle, WA
- Neighborhood House, Seattle, WA

We are grateful to New School consultant Jeremy Stremmer for his work with the Consulate General of Mexico in New York City, NY, to test our survey. We congratulate him on the writing award he received for this report and his position with the Community Development Corporation of Brownsville, TX, as their Associate for Resource Development & Strategic Planning.

Thanks as well to perennial Appleseed friend Kelsey Snapp, Texas RioGrande Legal Aid, Inc., Brownsville, TX, to Kris Krieg, Vivify Creative Communications, Inc., for his beautiful design work, and to Janis Monger for her constant support and enthusiasm for Appleseed.

Finally, we deeply appreciate the community members and Appleseed Center partners who have shared their experience and stories with Appleseed.

Appleseed's work is generously funded by the Ford Foundation.



FORDFOUNDATION



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# Sending Money

## The Path Forward

### TABLE OF CONTENTS

|   |    |
|---|----|
| Executive Summary . . . . .   | 1  |
| Appleseed's Recommendations . . . . .   | 3  |
| Introduction and Background . . . . .   | 4  |
| Key Findings and Discussion . . . . .   | 11 |
| Regulations are Working but Problems Persist and Call for Solutions . . . . . | 24 |
| Appendix 1 . . . . .  | 32 |
| Appendix 2 . . . . .  | 35 |

# Sending Money

## The Path Forward

### EXECUTIVE SUMMARY

The Applesed Network (“Applesed”) has been committed to protecting consumers who send money home (i.e., international remittances) for well over a decade. Remittances are the most common financial transactions for immigrant Americans. Greater pricing transparency can lead to lower prices for transactions, resulting in savings for remittance senders and their families.

Applesed played a lead role in advocating for the first U.S. federal consumer regulations for this growing consumer financial service. The regulations were issued by the Consumer Financial Protection Bureau (“CFPB”) based on the authority contained in Section 1073 of the 2010 Dodd-Frank Act<sup>1</sup> and became effective October 28, 2013. The intent of these landmark remittance regulations was to increase the transparency of the remittance process by mandating uniform disclosures so that consumers are better equipped to compare different remittance providers and make the most informed choice about which provider to use.

In 2015, international remittance flows are estimated to have exceeded \$601 billion.<sup>2</sup> The United States topped the most recent list at \$56 billion at the end of 2014.<sup>3</sup>

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1 Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 Pub. L. No. 111-203, §1021, 124 Stat. 1376 [hereinafter the Dodd-Frank Act].

2 The World Bank Group, Global Knowledge Partnership on Migration and Development, “Migration and Remittances Factbook 2016,” Third Edition, December 2015, p. v and World Chart. Available at <http://siteresources.worldbank.org/INTPROSPECTS/Resources/334934-1199807908806/4549025-1450455807487/Factbookpart1.pdf> (cited May 1, 2016).

3 “Migration and Remittances Factbook 2016,” Third Edition, December 2015, U.S. Chart (end of 2014). Available at [http://siteresources.worldbank.org/INTPROSPECTS/Resources/334934-1199807908806/4549025-1450455807487/Factbook2016\\_Countries\\_M-Z\\_Glossary.pdf](http://siteresources.worldbank.org/INTPROSPECTS/Resources/334934-1199807908806/4549025-1450455807487/Factbook2016_Countries_M-Z_Glossary.pdf) (cited May 1, 2016).

Clear pricing, i.e., pricing transparency, is a significant concern that Appleseed has addressed over the years throughout its advocacy work. The World Bank statement below clearly illustrates the core challenge in the remittance market:

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*“...the single most important factor leading to high remittance prices is a lack of transparency in the market. It is difficult for consumers to compare prices because there are several variables that make up remittance prices.”<sup>4</sup>*

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This study is a first look back at the consumer impact of the 2013 regulations. Appleseed, in conjunction with five of its centers, developed a first-of-its-kind survey to test the effectiveness of the new regulations in helping consumers make more informed choices. Do they compare prices? Has consumer confidence in the remittance process improved over last year? Our conclusion is a resounding “yes” to these important questions.

While some industry representatives predicted dire results—higher prices and large-scale withdrawal of remittance transfer providers from the market—that is not indicated by the results of this survey. In fact, the survey suggests preliminary success of the consumer regulations.

The evidence provided here shows that the CFPB issued fair and achievable regulations based on balanced and effective rulemaking. The CFPB heard and addressed industry and consumer concerns, weighed and carefully factored this information into its final rulemaking and provided information to consumers on the new regulations so they can make informed choices.

While the regulations are working, problems persist—problems that call for fair and achievable solutions in accord with the 2013 regulations.

### Remittance Consumer Bill of Rights

Appleseed believes that all customers deserve:

1. Language-appropriate disclosures for all transactions.
2. Help understanding the disclosures so they can comparison shop and find low-cost products that best meet their needs.
3. Information and statements of rights about how to file complaints with businesses and the CFPB when they encounter problems.
4. Clearer explanations about how to resolve errors made in remittances.

This report is based on data from a survey of international remittance customers’ preferences and behavior, administered by Appleseed in five states from September 2015 through December 2015. Appleseed surveyed customers about their typical remittance transactions, comparison shopping behaviors, past problems with remittances, knowledge of their rights, and overall confidence in remittance services.

In conjunction with the survey, Appleseed conducted focus groups to identify immigrant financial concerns.

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<sup>4</sup> Per the World Bank, “These variables include a fee charged for sending a certain amount, a margin taken on the exchange rate when remittances are paid and received in different currencies, and, at times, a fee charged to the recipient of the funds. These fee components may also vary according to how the receiver is paid (i.e. cash or by crediting an account), the speed of the transfer, and the ability of the sender to provide information about the recipient (i.e. bank account number).” World Bank, Remittance Prices Worldwide, <https://remittanceprices.worldbank.org/en/about-remittance-prices-worldwide> (updated April 4, 2016, accessed May 1, 2016).

## Appleseed's Recommendations

**Recommendation One:** All consumers should be given clear and conspicuous legally-required disclosures for all remittance transactions including prominent error resolution notices/statements of rights required in the Dodd-Frank Act to increase consumer confidence.

**Recommendation Two:** Measures should be enacted to promote better customer understanding of disclosures.

**Recommendation Three:** The complaint process should be improved and consumers should receive assurances that complaints will be resolved where possible.

### Notable Trends and Conclusion

The good news is that the vast majority of survey respondents are receiving the mandatory disclosures and are comparison shopping for the best value. This is the new normal.

Furthermore, confidence in remittance services is up over the last year, especially among certain subsets of consumers, and prices are stable or declining.

- **The vast majority of consumers are receiving disclosures.** About 84% of consumers confirmed that they receive written disclosures before completing their transactions, and 83% reported that they understand the disclosures either “well” or “very well.” Similarly, 72% of consumers confirmed that they receive written receipts following transactions.

- **Customers are choosing lowest fees.** More than *half* of customers compare fees between money transfer services and always choose the service that has the lowest fee; *two-thirds always or sometimes* choose the service with the lower fee.
- **Consumers report stable or decreasing prices.** A majority of participants either perceived decreasing costs over the past year (6%) or did not report noticing a change in costs (69%).
- **Consumers say their confidence has improved over last year or stayed the same and receiving a statement or rights on how to correct errors was the single best predictor of confidence in remittance services.** When asked if they had experienced a *shift* in confidence over the past year, 18% of customers reported that their confidence had improved, 74% reported no change in confidence, and only 1% reported that their confidence had worsened.
- **Half of customers do not know how to file a complaint.** This results in a small number of complaints filed.
- **Language matters.** Receiving information in the consumer’s primary language is associated with greater attention to fees and exchange rates on the disclosures.

## Introduction and Background

Appleseed believes that all people—whether they have lived in the U.S. for a long time or have just recently arrived—should be treated with fairness and justice. This core belief is the basis for Appleseed’s remittance transparency initiative.

Appleseed is a network of 17 centers across the U.S. and Mexico, deeply rooted in their communities, that advance justice and opportunity to help low-income people build better lives. Appleseed uses research, political know-how, policy advocacy, litigation and grass roots organizing to take on challenges unaddressed by other advocacy models.<sup>5</sup>

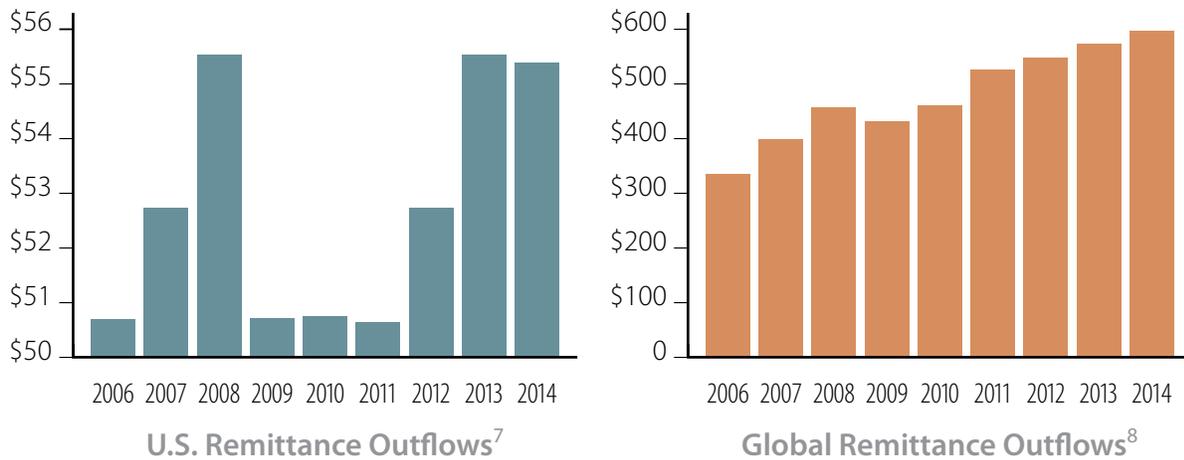
## What are remittances?

Remittances are among the most common types of financial transactions.

Remittances are typically small amounts of money earned by workers living in one country and transferred to a person, often a relative, in another country to meet domestic needs back home. Appleseed’s work has found that this money normally pays for daily expenses—food, housing, and medical care—and generally amounts to approximately \$200 per transfer. The majority of customers send money at least once a month.

The CFPB, the entity that regulates remittance disclosures at the federal level, defines remittances as “...most electronic money transfers from consumers in the United States through remittance transfer providers to recipients abroad.”<sup>6</sup>

*Exhibit 1: U.S. Remittances Compared to Global Remittances (in U.S. billions)*



<sup>5</sup> For more information on Appleseed’s work, see <http://www.appleseednetwork.org/remittance-transfers-resources/>

<sup>6</sup> Remittances may be called “international wires,” “international money transfers,” or “remittances.” These transfers do not relate to a transaction. Consumer Financial Protection Bureau, “What is a Remittance Transfer,” <http://www.consumerfinance.gov/askcfpb/1161/what-remittance-transfer.html> (cited May 1, 2016). Most states require money transmitters to have licenses to transmit funds for their residents.

<sup>7</sup> World Bank staff calculation based on data from IMF Balance of Payments Statistics database and data releases from central banks, national statistical agencies, and World Bank country desks.

<sup>8</sup> “Migration and Remittances Factbook 2016.”

## How big is the remittance market?

Two dimensions of the U.S. remittance market are notable: first, its size, estimated to have exceeded \$601 billion in 2015, and second, its dramatic growth.

The size of the informal market, estimated to be as high as \$123 billion from the U.S. alone in 2012, is often described as being twice as large as the formal market.<sup>9</sup>

The General Accountability Office describes the distinction between formal remittance transfer systems and informal methods:

Formal remittance transfer methods typically include banks, credit unions, money transfer businesses such as wire services, and postal services. In the United States, providers of remittance transfer services (including bank and nonbank institutions) are subject to federal oversight and, depending on the state in which they operate, can be subject to supervision by states.

Informal remittance transfer methods include hand-carried cash and other methods that are not subject to federal oversight or state supervision.<sup>10</sup>

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*I don't send remittances very often because the fees are so high.*

**-Participant**

Muslim Housing Services

Focus Group

Seattle, Washington – December 8, 2015

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## What has Appleseed been doing to promote remittance transparency?

Appleseed began its research on remittances by interviewing people who send remittances to understand their needs and concerns. We learned that people who send money home have a deep-seated concern about *all* of their money arriving *safely* to their families. They told us they wanted three things: reliability, security and clear pricing.

Below is a brief history of Appleseed's advocacy and research efforts in the area of remittances.

### 2003

Texas Appleseed advocated for the passage of the second remittance consumer protection law in the nation.<sup>11</sup>

### 2005

Four Appleseed Centers—in Chicago, Georgia, Nebraska and Texas—studied key issues raised by people who send remittances about international remittances and discovered three serious barriers that customers face in shopping for services:

- Lack of marketplace transparency,
- Lack of consistent access to correct pricing information, and
- Lack of consistent regulation or standardized pricing disclosure practices.<sup>12</sup>

### 2007

The U.S. House of Representatives Committee on Financial Services, Subcommittee on Financial Institutions and Consumer Credit, invited Appleseed to testify on remittance

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<sup>9</sup> See Lisa Mahapatra, "Where Does the United States' Immigrant Workforce Come From?" International Business News, February 21, 2014, <http://www.ibtimes.com/where-does-united-states-immigrant-workforce-come-how-much-money-are-they-sending-1557062> (cited May 1, 2016). Government Accountability Office, "International Remittances: Money Laundering Risks and Views on Enhanced Customer Verification and Recordkeeping Requirements, Report to Congress," Government Accountability Office, January 2016, <http://www.gao.gov/assets/680/674676.pdf> (cited May 1, 2016).

<sup>10</sup> "International Remittances: Money Laundering Risks," pgs. 9-10.

<sup>11</sup> Tx. Fin. Code Ch. 278. <http://www.statutes.legis.state.tx.us/Docs/FI/htm/FI.278.htm> (cited May 1, 2016).

<sup>12</sup> Appleseed, "Creating a Fair Playing Field for Consumers: The Need for Transparency in the U.S.-Mexico Remittance Market," 2005, 34-36. <http://www.appleseednetwork.org/remittance-transfers-resources/>

disclosures featured in Appleseed's report, "The Fair Exchange: Improving the Market for International Remittances."<sup>13</sup> This work showed that consumers want information about the total cost of remitting money. Appleseed's consumer focus groups found that when participants were shown various pre-transaction posted disclosures, they chose a disclosure with more information over those that offered little data.

## 2009

Appleseed partnered with five remittance providers to promote improved market transparency through a pilot project called the *Fair Exchange Initiative*. The project developed and piloted remittance cost and service disclosures. The 2009 Appleseed study, "Remittance Transparency: Strengthening Business," presents findings from 742 remitter surveys and provider interviews evaluating the impact of the pilot project. The study found that improved disclosures benefit both customers and the businesses that serve them. Offering improved pre-transaction remittance disclosures meets a consumer need, supports competition and benefits market players interested in transparency and fair prices.<sup>14</sup>

The U.S. House of Representatives Subcommittee on Financial Institutions and Consumer Credit invited Appleseed to testify a second time and serve as a resource during the Dodd-Frank Act remittance transfer reform process. Appleseed's testimony focused on the *Fair Exchange Initiative Disclosure Pilot*.<sup>15</sup>

## 2011-2013

Appleseed advocated for federal regulations to promote greater transparency for consumers in the remittance market and filed comments related to defining money transfer services as "large participants" to bring them under CFPB supervision.<sup>16</sup>

## 2014-15

Appleseed filed six federal comment letters on issues related to remittances: mobile financial services, prepaid cards, language access, and CFPB complaint collection.

## What consumer protection provisions were included in the landmark Dodd-Frank Act remittance transfer reforms?

Section 1073 of the 2010 Dodd-Frank regulatory reform legislation added a new section to the Electronic Funds Transfer Act dealing with international consumer remittances. The purpose of the new language was to increase the transparency of the remittance process, mandating uniform disclosures so that consumers are better able to compare different remittance providers and make the most informed choice about which provider to use.

The CFPB issued final regulations in February 2012, with an original effective date of February 2013. The regulations were subsequently amended several times in response to practical issues raised by industry representatives as they developed policies, procedures and systems to comply. Amendments included:

- a) excluding persons providing 100 or fewer transfers a year from the definition of

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13 Testimony of Annette LoVoi representing Appleseed in Hearing before House Subcommittee on Financial Institutions and Consumer Credit and Consumer Credit (May 10, 2007). <http://archives.financialservices.house.gov/hearing110/htlovoi051707.pdf> (cited May 1, 2016).

14 Appleseed, "Remittance Transparency: Strengthening Business, Building Community," January 2009, p. iii. <http://www.appleseednetwork.org/remittance-transfers-resources/>

15 Testimony of Annette LoVoi representing Appleseed in Hearing before House Subcommittee on Financial Institutions and Consumer Credit, No. 111-39 (June 3, 2009). <http://financialservices.house.gov/media/file/hearings/111/111-39.pdf> (cited May 1, 2016).

16 Appleseed, Comment to the Consumer Financial Protection Bureau Docket No. CFPB-HQ-2011-2, Definition of "Larger Participant" in § 1021 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 Pub. L. No. 111-203, §1021, 124 Stat. 1376. The Dodd-Frank Act provides that the Bureau may supervise covered persons in the residential mortgage, private education lending, and payday lending markets; for other markets, the Bureau may only supervise a "larger participant." August 15, 2011. <https://www.appleseednetwork.org/wp-content/uploads/2012/05/Comment-to-the-Consumer-Financial-Protection-Bureau.pdf> (cited May 1, 2016).

remittance transfer provider (and therefore not subject to federal regulations);

b) modifying some of the requirements addressing senders ordering transfers in advance;

c) clarifying disclosures of certain fees and taxes and the error and resolution process when the sender provides incorrect information; and

d) extending an exemption for banks regarding estimated disclosures of amounts expected to be received by the recipient.<sup>17</sup>

The main focus of the regulations is to require that certain disclosures be made prior to and after a customer orders a funds transfer.<sup>18</sup> Information to be disclosed prior to the transfer includes:

a) The amount that will be transferred to the recipient in the currency in which the transaction is funded.

b) Any fees imposed and any taxes collected on the remittance transfer by the provider.

c) The total amount of the transaction [sum of items (a) and (b)].

d) The exchange rate used by the provider for the remittance transfer.

e) The amount that will be received by the designated recipient in the currency in which the funds will be received.

f) A statement indicating that there might be fees associated with the transfer that are collected by a person on the receiving end that may result in the designated funds recipient receiving less than the amount disclosed in paragraph (b).

The customer must receive a receipt post-payment that includes the information noted above, along with some additional information including the following:

a) The date in the foreign country on which funds will be available to the designated recipient.

b) The name and, if provided by the sender, the telephone number and/or address of the designated recipient.

c) A statement about the rights of the sender regarding the resolution of errors and cancellation related to the transaction.

d) The name, telephone number(s), and web site of the remittance transfer provider.

e) A statement that the sender can contact the state agency that licenses or charters the remittance transfer provider with respect to the remittance transfer and the CFPB for questions or complaints about the remittance transfer.

Disclosures must be in English and (if applicable) either in (a) each of the foreign languages principally used by the remittance transfer provider to advertise, solicit, or market remittance transfer services at the office in which a sender conducts a transaction or asserts an error; or (b) the foreign language primarily used by the sender with the remittance transfer provider to conduct the transaction, provided that such foreign language is principally used by the remittance transfer provider to advertise, solicit, or market remittance transfer services.

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<sup>17</sup> See 12 CFR Part 1005, Subpart B. The original final rule and commentary are available at <https://www.gpo.gov/fdsys/pkg/FR-2012-02-07/pdf/2012-1728.pdf>. Subsequent amendments can be found primarily at <https://www.gpo.gov/fdsys/pkg/FR-2013-05-22/pdf/2013-10604.pdf>, <https://www.gpo.gov/fdsys/pkg/FR-2013-08-14/pdf/2013-19503.pdf>, and <https://www.gpo.gov/fdsys/pkg/FR-2014-09-18/pdf/2014-20681.pdf>.

<sup>18</sup> CONSUMER FINANCIAL PROTECTION BUREAU FINAL RULE ON REMITTANCE TRANSFERS - 12 CFR PART 1005, SUBPART B, Sec. 1073, Remittance Transfers.

In addition, there are model forms that can be used to make the required disclosures.<sup>19</sup>

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*I have sent two remittances, and I remember both as expensive. At the storefront, I spent \$8 to send \$100. When I realized that I would be charged nearly 10% to send an amount I had saved for months, I decided to look for a smaller business, hopeful for a lower rate.*

*The second business...was farther from my home, which was an inconvenience that day....The clerk demanded \$5 to be able to transfer the fifty I gave him.*

*I never had any issues with money not getting to my family or experiencing hidden fees. Still, the rates that the businesses charged as well as the time I had given up to make the transfers proved to be too costly.*

-Clinic Patient  
Austin, Texas – July 2015

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## **An Overview of the Appleseed Remittance Survey Project**

Two years into the implementation of the final federal regulations, Appleseed worked with five Appleseed Centers—Connecticut, Kansas, Nebraska, Texas, and Washington—to launch a survey project to evaluate the implementation and impact of the remittance regulations from the perspective of consumers. Appleseed partnered with community-based organizations that work directly with remittance-sending communities to collect responses to a survey, which resulted in 702 completed responses.

See page 23 and Appendix 2 for survey and focus group data collection and methodology.

The survey asked consumers about their typical remittance transaction characteristics, comparison shopping behaviors, knowledge of disclosure error resolution and cancellation rights, past problems with remittance products, and overall confidence in remittance services. In addition, four Appleseed Centers—Connecticut, Nebraska, Texas, and Washington—conducted focus groups to identify immigrant financial concerns.

Several notable trends emerged from the data:

### **Demographic Profile**

- Participants generally reported low household incomes, with a majority in the \$15,000 to \$30,000 per year range.
- On average, female customers tended to have less income and spend less on remittances than male customers.
- Survey participants reported sending up to \$200, on average, mostly to Mexico, Central America, and the Caribbean.

### **Notable Trends**

- The vast majority of consumers are receiving disclosures.
- Customers are choosing lowest fees.
- Consumers report stable or decreasing prices.
- Consumers say their confidence has improved over last year or stayed the same, and receiving a statement of rights on how to correct errors was the single best predictor of confidence in remittance services.
- Half of customers do not know how to file a complaint.
- Language matters.

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<sup>19</sup> Kathleen A. Scott, "Consumer Financial Protection Bureau Final Rule on Remittance Transfers," <http://www.appleseednetwork.org/wp-content/uploads/2013/10/Arnold-Porter-powerpoint-on-rule.pdf>. <http://www.appleseednetwork.org/remittance-transfers-resources/>

## How did our survey sample compare to the broader U.S. market?

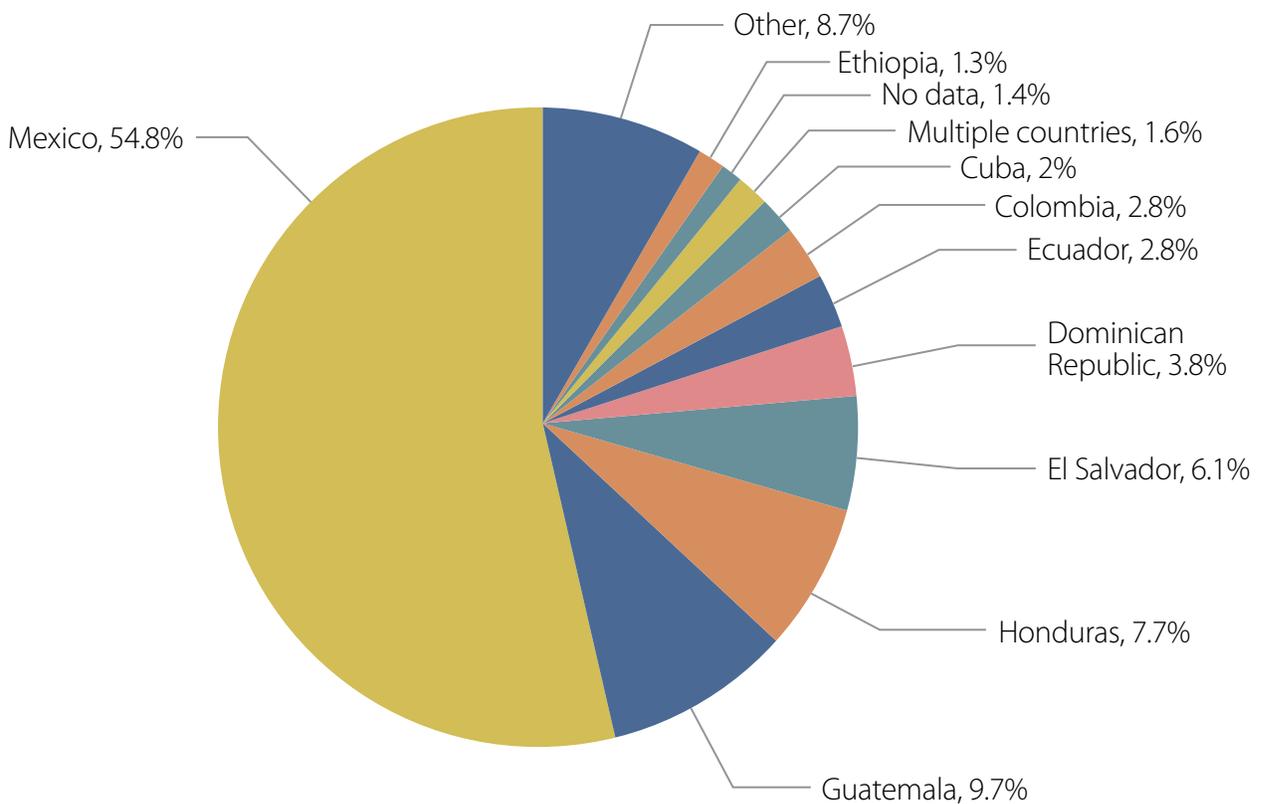
Remittance consumers defy easy stereotypes. They come from many countries and speak a variety of languages. Some are economic migrants, while others are refugees fleeing from war and dangerous political circumstances.

What's more, remittance consumers are not limited to new immigrants or refugees. Many citizens and legal permanent residents, including first, second and third generation Americans, continue to support family abroad. Even non-relatives occasionally send money abroad through remittance transactions.

Likewise, our 2015 survey participants were diverse. A majority of participants (87%) speak Spanish as their primary language, and representation across Mexico, Central and South America was vast. Other participants reported speaking languages as varied as Amharic, Castilian, and Tigrinya.

The top five countries to which survey participants sent remittances were Mexico, Guatemala, Honduras, El Salvador, and the Dominican Republic. Mexico is the only top five destination country in both our survey and in a U.S. Government Accountability Office (GAO) report. In the GAO report, the top five destination countries for the U.S. also include China, India, the Philippines and Vietnam.<sup>20</sup>

*Exhibit 2: Survey Participants by Typical Remittance Destination*



<sup>20</sup> Government Accountability Office, "International Remittances: Actions Needed to Address Unreliable Official U.S. Estimate, Report to Congress," U.S. Government Accountability Office, February 2016. 6, <http://www.gao.gov/assets/680/675248.pdf> (cited May 1, 2016).

## What were some of key characteristics of our survey sample?

### **Sending amount and frequency by type of sender**

Applesseed survey participants are largely female (59%), reflective of recent data on who sends remittances. Recent research shows that women compose about half of all immigrants from Latin America and the Caribbean and Mexico.<sup>21</sup>

Female survey respondents send remittances more frequently than their male counterparts, most often once a month of \$200 or less.

### **Sending amount and frequency based on income**

Half of survey respondents earn \$30,000 or less per year. These respondents accounted for half of the remittances in our survey and generally send remittances of \$200 or less at least once a month.

### **Sending amount and frequency based on amount of time in the U.S.**

Survey respondents living in the U.S. for 10 years or more sent almost half of the remittances in our survey. These customers generally send remittances at least once a month with smaller amounts of money of \$200 or less, a pattern that we also observed with low-income senders.



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<sup>21</sup> Paloma Monroy and Jesus Cervantes, "Women Move: Mexican Women and Remittances," World Bank Blogs, May 5, 2015. <https://blogs.worldbank.org/peoplemove/prospects/women-move-mexican-women-and-remittances> (cited May 1, 2016).

## Key Findings and Discussion

### Notable Trend:

The vast majority of consumers are receiving disclosures.

#### **Finding: Consumers are receiving pre-transaction disclosures and post-transaction receipts, but some consumers do not notice specific information.**

About 84% of customers confirmed that they receive written disclosures before completing their remittance transactions, and 83% reported that they understand the disclosures either “well” or “very well.” Similarly, 72% of customers confirmed that they received written receipts following transactions—but only 46% remembered receiving statements of their rights on error resolution or cancellation.

Although a majority of consumers received them, only 59% noticed that the disclosures included information about fees, and only 63% remembered seeing an exchange rate. Importantly, language barriers appear to have played a role in these discrepancies.

Appleaseed has consistently advocated for the disclosures now being provided to consumers as a result of the remittance regulations. We have held throughout our work in this area that disclosures will lead to customer satisfaction, comparison shopping and pricing decline.

*The 2009 Fair Exchange Initiative Disclosure Pilot* results showed that those who checked the disclosure were more likely to prioritize low cost and competitive exchange rates (68% as compared to 56% who did not check the disclosure) and to engage in comparison shopping (75% compared to 37% who did not check the disclosure). Similarly, in this survey, customers who remembered receiving disclosures were more likely to “always” or “sometimes” choose the service with the lowest fees than customers who did not remember receiving disclosures (68% versus 50%).

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*I was charged \$15 after my transaction didn't go through. It turned out that my brother was in the mountains when I sent the money. He didn't have cell service in the mountains, so he didn't receive notice that the money was waiting for him to pick up. I didn't know that the remittance company had a policy that if the money didn't get picked up within six days, you had to pay \$15 to re-send it.*

-Woman from Honduras

Epiphany Community Health  
Outreach Services (ECHOS)

Houston, Texas – November 12, 2015

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### Notable Trend:

Customers are choosing lowest fees.

#### **Finding: Customers are comparison shopping.**

More than *half* of customers compare fees between money transfer services and *always* choose the service that has the lowest fee; *two-thirds always or sometimes* choose the service with the lower fee.

Appleaseed has long stated that it is imperative that the pricing of available remittance options—including fees *and* exchange rates—be transparent to customers, recognizing that part of the pricing reflects the spread between the current exchange rate and the actual rate used for the transaction.

Our prior work proved the importance of this information. Our 2005 Appleaseed study found that the exchange rate spread for transmitting money from the U.S. to Mexico comprised, on average, 37% of the total transaction cost, with consumers paying an estimated \$350 million in exchange rate fees.<sup>22</sup> Our 2008 work also

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22 “Creating a Fair Playing Field for Consumers,” p. iii.

showed that despite the importance of this pricing information, 29% of the 294 respondents who sent money to Mexico were not aware of the pricing structure prior to using a remittance service.<sup>23</sup>

Our current survey shows that some customers still do not remember seeing fees and exchange rates.

FedGlobal, a Federal Reserve Bank Service, offers competitive foreign exchange rates, often undercutting market rates. In September 2016, the Federal Reserve Bank plans to extend same day service to FedGlobal participants.<sup>24</sup> FedGlobal offers pricing transparency as well as an opportunity reduce both fees and exchange rates.

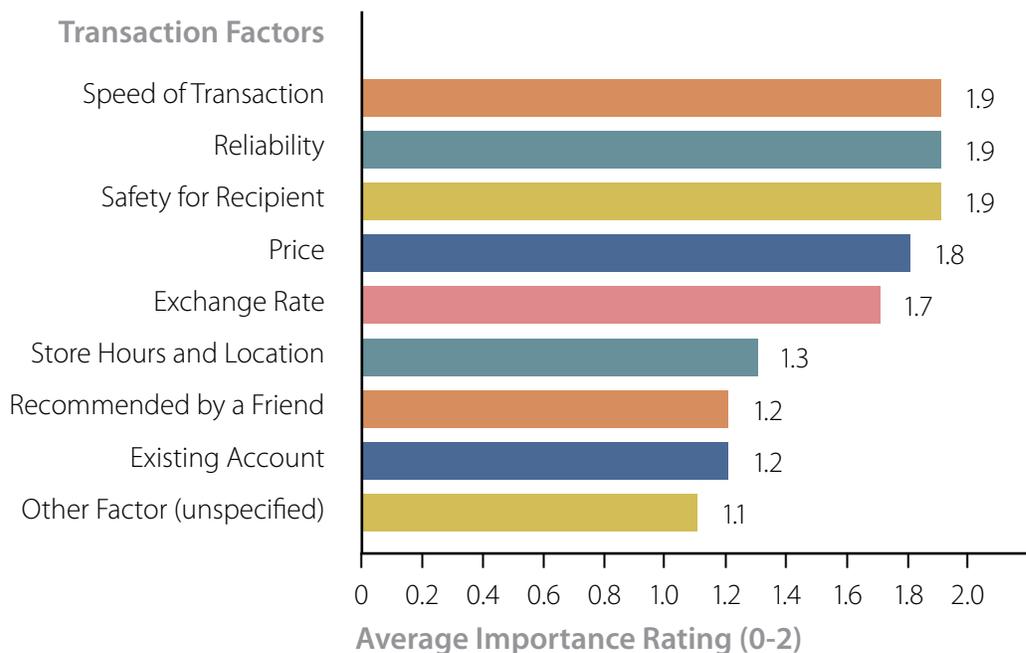
**Finding: Consumers identified speed, reliability, safety for the recipient, price and exchange rate as priorities.**

Although pricing is a top-tier factor, consumers continue to prioritize safety, reliability, and speed over pricing. This pattern varies slightly by age, income level, and gender, but price is consistently a top-tier priority.

**Finding: Comparison shopping habits vary.**

The survey found that customers who had lived in the U.S. between six and 10 years at the time of the survey were significantly more likely to comparison shop (i.e., choose the service with the lowest fees) than participants who had moved to the U.S. more recently.

*Exhibit 3: Factors Affecting Choice of Provider*



*\*Numbers are the average of a range of scale for consumers to prioritize service features.*

<sup>23</sup> Appleseed, "Access to Financial Institutions and Use of Financial Services," Appleseed, 2008, pages 12 and 13. <http://www.appleseednetwork.org/remittance-transfers-resources/>  
 These results are based on Appleseed data showing the average exchange rate spread of 1.75% for sending \$300 to Mexico across all four markets surveyed.

<sup>24</sup> Federal Reserve System, Federal Reserve Bank Services, <https://www.frbservices.org/app/fedachfx/home.action> (cited May 2, 2016)

Customers are benefitting from greater transparency as a result of recent reforms. But shopping for the best deal continues to be complicated.

A customer first decides on a provider for the remittance service. A “provider” or means of transferring funds can be a bank or credit union, a store-based money transfer service, an online transmission via mobile phone or computer, a prepaid card, or ATM machine money transfer. Then the customer must

decide on the speed—often paying a premium for delivering the funds more quickly—and whether to make a cash-to-cash or account-to-account transaction or a variation on this basic approach.

Price comparison matters, but is also complex. It is necessary to examine the fee, the exchange rate and margin on the exchange rate when different currencies are involved, and other fees that may be attached to the remittance.

The survey also found that consumers who purchased remittances through banks or storefront<sup>25</sup> service providers were more likely to compare fees than customers who did not utilize such providers. Appleseed’s 2009 research found a disclosure was more helpful to bank customers than customers of other remittance transfer providers, as bank customers appear to be more sensitive to low-cost and competitive exchange rates and are more likely to shop around.<sup>26</sup>

Another factor that comes into play is income. Customers with household incomes between

\$30,000 and \$50,000 did relatively little comparison shopping and were significantly less likely to choose the service with the lowest fees and check exchange rates than other customers with lower household incomes.

Store-based providers generally charge more than online providers. For a customer sending \$100 to Mexico, the price savings for purchasing the remittance online would be about \$1.92. Exhibit 4 reflects the average fees paid by Appleseed study participants in 2015 by dollar amount sent and service provider type:

*Exhibit 4: Average Fees Paid by Dollar Amount Sent and Service Provider Type*

| Dollar Amount Sent | Avg. Cost Store-based | Price Savings For Mobile | Price Savings For Computer | Price Savings For Bank |
|--------------------|-----------------------|--------------------------|----------------------------|------------------------|
| \$0-\$200          | \$9.42                | -\$2.48                  | -\$1.92                    | -\$0.39                |
| \$201-\$500        | \$10.21               | -\$0.96                  | -\$1.75                    | -\$0.27                |
| \$501-\$1,000      | \$15.74               | -\$11.74                 | -\$6.08                    | -\$6.46                |
| More than \$1,000  | \$36.25               | —                        | —                          | -\$11.25               |
| All                | \$10.57               | -\$3.03                  | -\$2.34                    | -\$0.82                |

*Some customers find using online services too complex.*

<sup>25</sup> Storefront and store-based are often used interchangeably. Local grocery or convenience stores contract with one or multiple remittance service providers and serve as agents for those businesses, originating the remittances in their store locations. These providers are also known as nonbank remittance transfer providers.

<sup>26</sup> “Remittance Transparency: Strengthening Business.”

**Finding: When comparison shopping, some consumers shop within the same provider or product.**

Appleseed’s research on the topic of comparison shopping has raised an important question: Do remittance consumers shop only within a single type of service provider (e.g., banks or nonbank remittance transfer providers) or do they shop across the range of providers including cheaper mobile phone and Internet-based remittance services?

We found that some customers comparison shop, but just within the options of the particular service they regularly use, as mentioned by a focus group participant from Houston.

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*Most people do not use on-line banking.  
It is too complicated and confusing.  
Most do not have newer smart phones.*

**-Participant**  
Muslim Housing Services  
Focus Group  
Seattle, Washington – December 8, 2015

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**Finding: The most popular type of remittance providers are agents located at retail businesses.**

Despite improved technology, 75% of customers in our survey reported that they continue to conduct remittances through agents located at retail businesses.

This finding is similar to findings in our prior work<sup>27</sup> and the work of other researchers.<sup>28</sup>

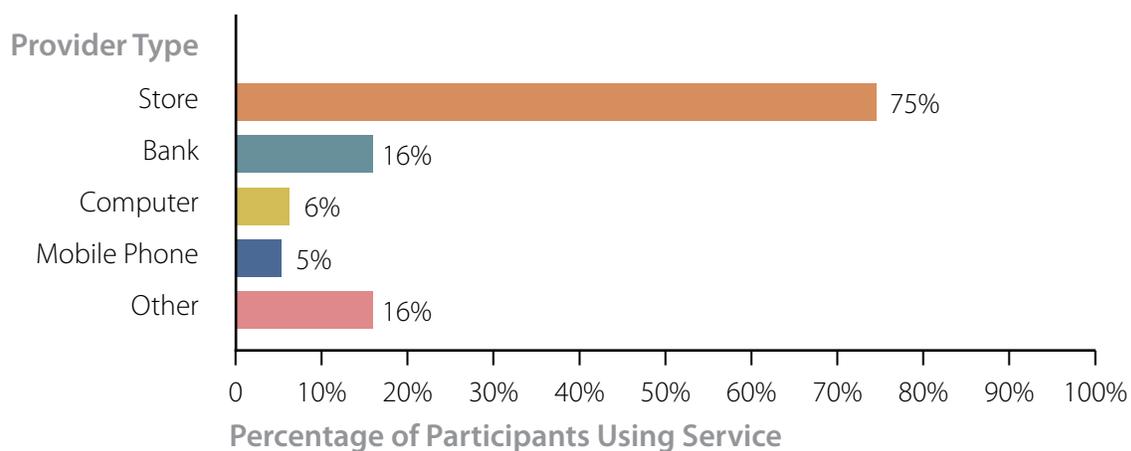
Exhibit 5 details the percentage of survey participants using different types of providers.

The survey findings suggest that the large majority of customers repeatedly use similar remittance products offered in familiar types of locations.

When asked if any of the money transfer services they use have gone out of business or stopped offering money transfers, 90% of the survey participants responded “no.”

**Exhibit 5: Activity by Provider Type**

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<sup>27</sup> Appleseed, *Immigrant Use of Financial Services*, 2008, 4 and Appleseed, “The Fair Exchange: Improving the Global Market for Remittances,” April 2007, p. 6. <http://www.appleseednetwork.org/remittance-transfers-resources/>

<sup>28</sup> “International Remittances: Money Laundering,” p. 6.

The CFPB has noted that possible future cost reduction may be achieved through Internet and mobile phone-based products:

Internet and phone-based transfer products have the potential to reduce or eliminate the need for sending and/or disbursing agent costs. It is possible that any related cost savings will be passed on to consumers.<sup>29</sup>

A 2013 survey by the Inter-American Development Bank of 2,000 Latin American and Caribbean migrants from five major metropolitan areas (New York, Chicago, Miami, Los Angeles, and Washington, D.C.) found that new technologies are starting to facilitate financial access for new immigrant communities. Per the survey, "Roughly one-quarter of all respondents monitor their bank accounts online via the Internet and 15% do so at least once a week. In addition, 13% of respondents use their cellphones for mobile banking, and the vast majority do so at least once a week."

As technology evolves to better meet the needs of remittance senders, any new technological solutions can serve to address both individual and national security concerns.

## Notable Trend:

Consumers report stable or decreasing prices.

### ***Finding: Remittance prices are flat or declining, but small transactions are still costly.***

A majority of participants either did not report noticing a change in costs (69%) or decreasing costs over the past year (6%). This correlates with international price declines. Although international remittance prices declined overall, 25% of survey respondents perceived slight increases in costs (\$0.15 for the most popular transfer of \$200 or less). Notably, customers who purchased remittances through banks were significantly more likely to report increasing costs over the past year than customers who did not use banks.

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*Fees for sending money back home have decreased over last 10 years.*

-Focus Group Participant

Lincoln, Nebraska – November 2015

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The global average cost of sending remittances was 7.37% of the amount sent, an all-time low, in the fourth quarter of 2015, but rose slightly to 7.57% of the amount sent for the first quarter of 2016.<sup>30</sup> This is a significant reduction from 9.81% of the amount sent in September 2008 when the World Bank began producing pricing summaries.

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<sup>29</sup> See also Appleseed, Federal Comment Letter to Monica Jackson Office of the Executive Secretary Consumer Financial Protection Bureau Re: Request for Information Regarding the Use of Mobile Financial Services by Consumers and Its Potential for Improving the Financial Lives of Economically Vulnerable Consumers, September 10, 2014 <http://www.appleseednetwork.org/remittance-transfer-resources/sendingmoney/> (cited May 2, 2016).

<sup>30</sup> World Bank, "Remittance Prices Worldwide," [https://remittanceprices.worldbank.org/sites/default/files/rpw\\_report\\_march\\_2016.pdf](https://remittanceprices.worldbank.org/sites/default/files/rpw_report_march_2016.pdf)

The United Nations continues to call for price reductions to as low as 3% of the amount sent.<sup>31</sup> The World Bank points out that in the first quarter of 2016, nearly 80% of corridors (country to country pathways for remittances. e.g., the U.S. to Mexico is a corridor) had an average cost of 10% or less. This shows cost reduction. In 2009, just over half of these country-to-country corridors had an average cost of 10% or less.

*I do not use bank services for remittances because they are expensive.*

-Focus Group Participant  
Stamford, Connecticut – October 13, 2015

**Finding: Pricing for smaller remittance transactions remains high.**

Our focus group research suggests remittance prices are still high for some, including those sending small amounts of money.

*A young man says he worries about his family still living in Nepal. Their town was not directly hit by any of the earthquakes, but the entire country has been affected financially. Yet, he is unable to help, because he has not yet found a money transfer service that will make his transaction without charging him a fee that is equivalent to half of what he intends to send back.*

-Interview with Temporary Resident  
Emergency homeless shelter  
serving recently-arrived  
Austin, Texas – July 2015

Applesseed’s survey shows much higher percentage charges when consumers spend smaller amounts, with average fees of \$9.11, or 4.5%, to remit up to \$200. This is more than twice the amount charged to send between \$201 to \$500. The average fee is only 2% for a \$500 remittance transaction.

*Exhibit 6: Average Prices in Appleseed Survey*

| Amount Sent       | Count | Percent of Sample | Avg. Fees |
|-------------------|-------|-------------------|-----------|
| \$0-\$200         | 448   | 64%               | \$9.11    |
| \$201-\$500       | 172   | 25%               | \$10.31   |
| \$501-\$1,000     | 64    | 9%                | \$14.38   |
| More than \$1,000 | 7     | 1%                | \$36.25   |
| [No data]         | 11    | 2%                | \$9.57    |

These findings point to a core market challenge: how do we reduce the cost to send small amounts of money, a topic that often receives scant attention. Pricing tends to be for a range, but with most people sending at the lowest end of the range, it means they are being charged a high fee relative to the transaction amount.

**Finding: Store-based remittance providers are generally more expensive than other providers.**

Appleseed’s survey shows that store-based remittance providers are more expensive, on average, than other types of providers. Every type of remittance provider charges the highest percentage fee to transmit the smallest amount, which impacts the large majority of their customer base. Customers report that store-based remittance providers charge 49% to send \$200 or less.

31 Note: Global policies aim to reduce prices further. In 2009, the G8 and later the G20 called for lowering costs from 10 to 5% of the amount sent, resulting in the “5x5 Objective” embraced by the World Bank and again by the G20 in 2014. The World Bank points out that “cutting prices by at least 5 percentage points can save up to \$16 billion a year.” There are even calls for the Vatican Bank to become a global banking network to reduce costs. “How Pope Francis Turned Around Troubled Vatican Bank,” Robert Hennelly, MoneyWatch, September 12, 2015. <http://www.cbsnews.com/news/how-pope-francis-turned-around-troubled-vatican-bank/> [https://remittanceprices.worldbank.org/sites/default/files/rpw\\_report\\_march\\_2016.pdf](https://remittanceprices.worldbank.org/sites/default/files/rpw_report_march_2016.pdf) p. 1, and <http://blogs.worldbank.org/peoplemove/remittance-reality-getting-3-and-beyond> blog post (cited May 2, 2016).

*Exhibit 7: Average Fees by Method of Sending and Amount Sent*

| Method<br>Amount Sent | Count      | Percent<br>of Sample | Avg. Fees      |
|-----------------------|------------|----------------------|----------------|
| <b>Store</b>          | <b>517</b> | <b>74%</b>           | <b>\$10.57</b> |
| \$0-\$200             | 341        | 49%                  | \$9.42         |
| \$201-\$500           | 118        | 17%                  | \$10.21        |
| \$501-\$1,000         | 52         | 7%                   | \$15.74        |
| More than \$1,000     | 6          | 1%                   | \$36.25        |
| <b>Bank</b>           | <b>110</b> | <b>16%</b>           | <b>\$9.66</b>  |
| \$0-\$200             | 63         | 9%                   | \$9.03         |
| \$201-\$500           | 32         | 5%                   | \$9.95         |
| \$501-\$1,000         | 13         | 2%                   | \$9.28         |
| More than \$1,000     | 2          | 0%                   | \$25.00        |
| <b>Computer</b>       | <b>42</b>  | <b>6%</b>            | <b>\$8.05</b>  |
| \$0-\$200             | 22         | 3%                   | \$7.50         |
| \$201-\$500           | 15         | 2%                   | \$8.46         |
| \$501-\$1,000         | 4          | 1%                   | \$9.66         |
| More than \$1,000     | 1          | 0%                   |                |
| <b>Mobile Phone</b>   | <b>31</b>  | <b>4%</b>            | <b>\$7.62</b>  |
| \$0-\$200             | 20         | 3%                   | \$6.95         |
| \$201-\$500           | 10         | 1%                   | \$9.25         |
| \$501-\$1,000         | 1          | 0%                   | \$4.00         |
| <b>Prepaid</b>        | <b>3</b>   | <b>0%</b>            | <b>\$7.62</b>  |
| \$0-\$200             | 3          | 0%                   | \$7.62         |

Banks are the second most expensive provider in our survey—and some customers who want to use bank services find them hard to navigate. Another challenge banks face in attracting remittance customers is the accessibility of their products and services.

*I went to a local bank to apply for a credit card. The bank denied my application stating that DACA<sup>32</sup> is temporary and makes me ineligible for a credit card.*

*-DACA recipient  
working two jobs and  
trying to build her credit  
Lincoln, Nebraska – November 2015*

For account-to-account remittance transfers, banks prove the most expensive—charging 11.12% of the amount sent, although the World Bank points to some interesting trends that are occurring within the sector:

The cost of transfers within the same bank (or to a partner bank within the receiving country) is cheaper at 5.86% of the amount sent. The cost of account-to-account services continues to converge towards the price of cash services and, for the fifth time, as recorded by RPW (remittance prices worldwide), bank transfers within the same bank (or a partner bank in the receiving country) are cheaper than cash to cash services.

Yet, banks continue to face challenges from new technologies.<sup>33</sup>

<sup>32</sup>Deferred Action for Childhood Arrivals (“DACA”) started on August 15, 2012 under President Barack Obama’s action to delay immigration action for certain individuals who came to the U.S. when they were children.

<sup>33</sup> “Is the Money Transfer Industry Facing a Shake-up?”

## Notable Trend:

Consumers say their confidence has improved over last year or stayed the same, and receiving a statement of rights on how to correct errors was the single best predictor of confidence in remittance services.

Per the CFPB regulations, a statement of rights includes information on how the sender can contact the state agency that licenses or charters the remittance transfer provider with respect to the remittance transfer and the CFPB for questions or complaints about the remittance transfer.

### ***Finding: Consumers report an increase in confidence and knowledge of consumer rights.***

18% of customers reported that their confidence in remittance services had improved, 74% reported no change, and only 1 percent reported a decline in confidence in these services.

### ***Finding: Receiving a statement of rights is associated with increased confidence, but only half of customers remember getting the statement of rights.***

Customers who received statements of their rights reported significantly higher confidence in remittances services and were significantly more likely to report *increased* confidence over the past year than customers who did not receive a statements of their rights.

Younger customers and those with mid-range household incomes (\$30,000-\$50,000) expressed significantly less confidence in remittance services than older customers and those in the lowest household income bracket.

It is a concern and an area for improvement that only half of the respondents remember receiving this statement explaining their error resolution rights. Receiving a statement of rights was the single best predictor of confidence in remittance services.

Additional factors improve confidence:

- Lower-income customers perceive increases in fairness over the last year.
- Accessing remittances through mobile phones is associated with identifying improved fairness in remittances over the past year.
- Customers who report higher confidence that they are receiving fair and honest treatment from the money transfer services are primarily those who are younger, save their receipts, have not filed complaints with the government, or have household incomes below \$30,000.
- The more remittance funds customers sent on average, the higher their confidence.

### ***Finding: The vast majority of customers (89%) reported feeling confident that they receive fair and honest treatment from service providers.***

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*The remittance company I use charges \$12 for sending \$200, but \$15 for sending \$100.*

-Central American Father  
ECHOS Focus Group Participant  
Houston, Texas – November 12, 2015

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### Notable Trend:

Half of remittance customers do not know how to file a complaint

**Finding: Only 1% of customers filed complaints with the government, and half did not know how to file a complaint with either a business or the relevant government agency, according to Appleseed's survey.**

Thirteen percent of consumers have experienced problems in sending remittances.

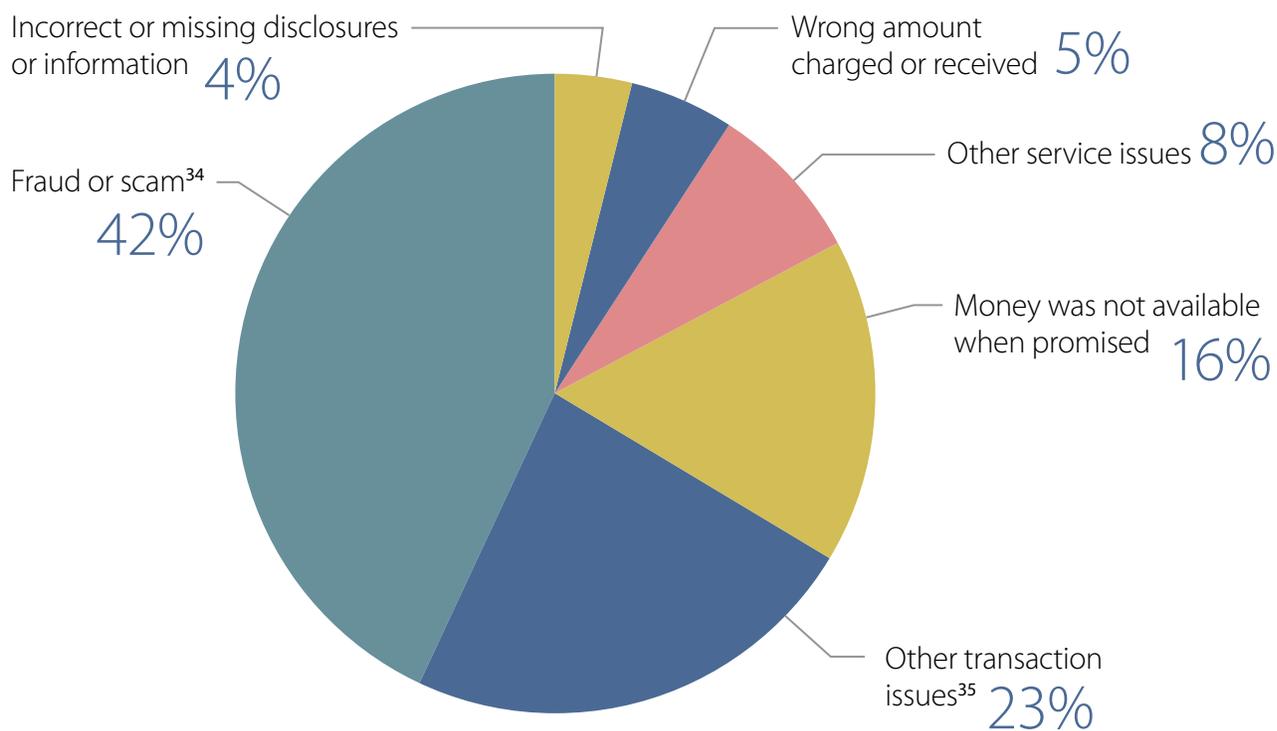
These findings suggest the need for a review of the ways in which business and government receive, manage and resolve complaints. Businesses should take note of the problems raised by consumers and solicit feedback from customers to ensure they feel comfortable voicing their concerns and boost confidence in businesses' capacity to handle and

resolve their issues. Also, federal and state agencies should review business practices to resolve complaints in a timely, complete and responsive manner.

The fact that only 1% of customers file remittance complaints with governmental agencies could be due to their perception that doing so brings more risk than reward. For example, customers with immigration issues who have remittance complaints may be uncertain about whether their identities will be shared with other government agencies. They may be unaware of complaint resolution opportunities offered by the CFPB if they do provide their names.

Such reticence would be consistent with many immigrants' approach to relationships with law enforcement in the U.S.

Exhibit 8: CFPB Complaints by Type



<sup>34</sup> This category could include scams perpetrated by individuals or groups not associated with remittance companies.

<sup>35</sup> Such as an unauthorized transaction.

Among customers who experienced problems after transactions were completed, the most common issue identified in Applesseed’s survey was late fund delivery (51%). This complaint ranks third among those collected and analyzed by the CFPB.<sup>36</sup>

From April 1, 2013 through March 31, 2016, the CFPB received 446,997 consumer complaints, 3,741 (0.8%) of which were about money transfers and 2,004 (0.4%) of which specifically addressed *international* money transfers.

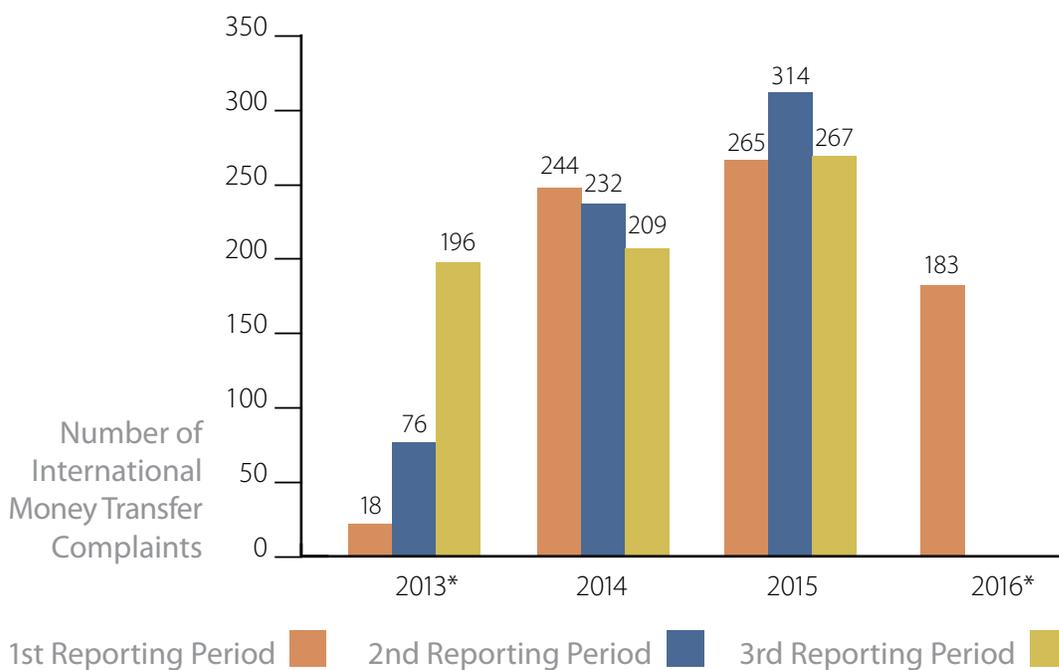
Although complaints about money transfers make up a relatively small percentage of complaints overall, they are the third fastest growing category, surpassed only by complaints about prepaid cards and “other financial services” (e.g., money orders,

traveler’s checks). The total number of complaints regarding international money transfers—in particular—has been increasing steadily since the first were processed in the second reporting period of 2013 (Exhibit 9).

For example, from September through December 2015, the CFPB reported 267 complaints related to international money transfers, compared to 209 during this same period in 2014, and 196 in that timeframe in 2013.

As with money transfers generally, most complaints about international money transfers involved fraudulent transactions (32%), “other transaction issues” (25%), or late fund delivery (23%).

*Exhibit 9: International Money Transfer Complaints by Reporting Period*



*\*Generally, the CFPB reports national complaint data in four-month increments, however the 1st Reporting Period in 2013 only includes the month of April and the 1st Reporting Period in 2016 only includes January 1 through March 1.*

Exhibit 10: International Remittance Complaints by Issue, 2013-2016

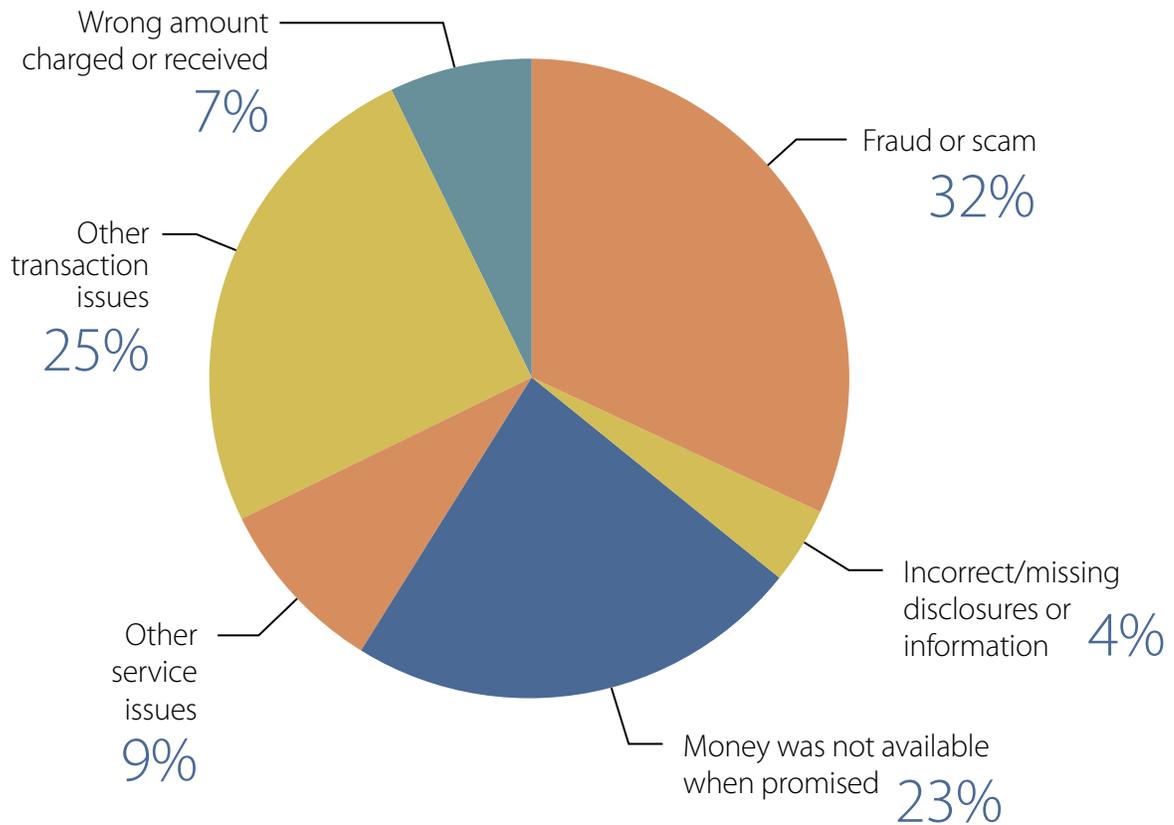


Exhibit 11: International Remittance Problems in Five States, by Issue

According to the CFPB, the most common problems experienced with international money transfers across the five states included in Appleaseed's 2016 study have been fraudulent transactions (34%), other transaction issues (27%) and late fund delivery (23%).

| State              | Total International Money Transfer Complaints | Total Money Transfer Complaints | Total Money Transfer Complaints Per 100K People |
|--------------------|---|---------------------------------|---|
| Connecticut        | 13  | 8,966                           | 250   |
| Kansas             | 6   | 4,425                           | 152   |
| Nebraska           | 7   | 2,764                           | 146   |
| Texas*             | 168   | 63,232                          | 230   |
| Washington         | 37  | 16,367                          | 228   |
| <b>Grand Total</b> | <b>231</b>                                    | <b>95,754</b>                   | <b>1,006</b>                                    |

\*According to the CFPB's Monthly Complaint Report (March 2016), of the five most populous states, Texas has experienced the greatest percentage decrease in complaints (-8%).

Among the five states included in Appleseed’s 2015 study, the most common problems experienced with international money transfers have been fraudulent transactions (34%), other transaction issues (27%), and late fund delivery (23%).

*Exhibit 12: Common Problems across States*

| Problems                              | CT        | KS       | NE       | TX         | WA        | Grand Total       |
|---------------------------------------|-----------|----------|----------|------------|-----------|-------------------|
| Fraud or scam                         | 3         | 3        | 3        | 60         | 9         | 78 (34%)          |
| Incorrect/missing disclosures or info | 1         |          |          | 5          |           | 6 (3%)            |
| Money was not available when promised | 3         | 2        | 2        | 36         | 10        | 53 (23%)          |
| Other service issues                  |           |          |          | 15         | 5         | 20 (9%)           |
| Other transaction issues              | 5         | 1        |          | 46         | 11        | 63 (27%)          |
| Wrong amount charged or received      | 1         |          | 2        | 6          | 2         | 11 (5%)           |
| <b>Grand Total</b>                    | <b>13</b> | <b>6</b> | <b>7</b> | <b>168</b> | <b>37</b> | <b>231 (100%)</b> |

**Notable Trend:**  
Language Matters

***Finding: Receiving information in the consumer’s primary language significantly improves the consumer’s ability to remember seeing fees and exchange rates on the disclosures.***

Although a majority of consumers received disclosures, only 59% noticed that the disclosures included information about fees, and only 63% remembered seeing an exchange rate. Importantly, language barriers appear to have played a consistent role in these discrepancies.

Disclosures must be in English and (if applicable) either in (a) each of the foreign languages principally used by the remittance transfer provider to advertise, solicit, or market remittance transfer services at the office in which a sender conducts a transaction or

asserts an error; or (b) the foreign language primarily used by the sender with the remittance transfer provider to conduct the transaction, provided that such foreign language is principally used by the remittance transfer provider to advertise, solicit, or market remittance transfer services.

In addition, there are model forms that can be used to make the required disclosures.<sup>37</sup>

It follows that statements of rights must adhere to these disclosure rules.

Appleseed has stressed language access in our work.<sup>38</sup>

A majority of survey participants (87%) speak Spanish as their primary language. Other participants reported speaking languages as varied as Amharic, Castilian, and Tigrinya.

<sup>37</sup> Kathleen A. Scott, “Consumer Financial Protection Bureau Final Rule on Remittance Transfers,” <http://www.appleseednetwork.org/remittance-transfer-resources/sendingmoney/> (cited May 1, 2016).

<sup>38</sup> See Appleseed, Comments on the CFPB’s Language Access Plan, Docket Number CFPB-2014-002. January 6, 2015. Nine Centers joined national Appleseed in advocating for detailed language access in CFPB documents.

## Data Collection

This report is based on data from a market survey of international remittance customers' preferences and behavior administered by Appleaseed in five states—Connecticut, Kansas, Nebraska, Texas and Washington—from September 2015 through December 2015. Appleaseed surveyed customers about their typical remittance transactions, comparison shopping behaviors, past problems with remittances, knowledge of their rights, and overall confidence in remittance services. Study participants included 702 customers recruited by local community partners identified as serving predominately immigrant communities. (e.g., Connecticut Appleaseed worked with Neighbors Link Stamford.) Customers completed pencil-

and-paper surveys on site, typically in 15-20 minutes, and were each given a \$10 gift card upon completing the survey. Appleaseed then conducted follow-up focus groups in Connecticut, Nebraska, Texas and Washington to understand other immigrant financial concerns.

## National Data

In addition to the online survey described above, this report is supplemented with public data from the CFPB's Consumer Complaint Database, available online at:

<http://www.consumerfinance.gov/data-research/consumer-complaints/>



## Regulations are Working but Problems Persist and Call for Solutions

A smooth running remittance system requires effort by all interested constituencies—remittance senders, businesses, the CFPB, the nonprofit organizations that work with them and academics who study the market and pricing trends.

These groups can each contribute to achieving Appleseed's three recommendations:

### Recommendation One:

All consumers should be given clear and conspicuous legally-required disclosures for all remittance transactions including prominent error resolution notices/statements of rights required in the Dodd-Frank Act to increase consumer confidence.

#### *Why is this important?*

The main focus of the regulations is to require that certain disclosures be made prior to and after a customer orders a funds transfer.

- About 84% of customers confirmed that they receive written disclosures before transactions.
- Similarly, 72% of customers confirmed that they received written receipts following transactions.
- Receiving an error resolution notice/statement of rights is the strongest predictor of consumer confidence in the remittance process.
- However, half of all consumers surveyed do not remember seeing a statement of rights.

A “statement of rights” could be referred to differently by sectors of the industry (e.g., as a statement about the rights of the sender regarding the resolution of errors and cancellation of the transaction, as an error resolution notice, or as a statement of consumer rights).

In addition, there are CFPB model forms that can be used to make the required disclosures.

### **Recommendation Two:**

Measures should be enacted to promote better customer understanding of disclosures.

#### ***Why is this important?***

- Although a majority receive disclosures, only 59% of remittance customers notice information about fees, and only 63% remember seeing an exchange rate.
- Language barriers appear to play a consistent role: customers who reported receiving disclosures in their primary language were significantly more likely to remember seeing fees and exchange rates on the disclosures.

### **Recommendation Three:**

The complaint process should be improved and consumers should receive assurances that complaints will be resolved where possible.

#### ***Why is this important?***

- Among customers who experienced problems after transactions were completed, the most common issues were late funds delivery (51%), money being lost (13%) and the transaction going through after cancellation (13%).
- Thirteen percent of respondents experienced problems, and only 1% filed complaints with the government, according to Appleseed surveys.
- Almost half of respondents do not know how to file complaints with business or government.

## Appleseed Recommendations for People who Send Remittances:

- 1) Take time to study your disclosure and make certain you fully understand it before you send money. Shop for the lowest price. Ask someone you trust if you don't understand the disclosure.
- 2) Be sure the information below appears on the disclosure you receive before you send any money:
  - a) The amount that will be transferred to the recipient in the currency in which you are paying for the transaction.
  - b) Any fees imposed and any taxes collected on the remittance transfer by the provider.
  - c) The total amount of the transaction [the sum of (a) and (b)].
  - d) The exchange rate used by the provider for the remittance transfer.
  - e) The amount that will be received by the recipient in the currency in which the funds will be received.
  - f) A statement indicating that there might be fees in connection with the transfer that are collected by a person other than the provider (such as on the receiving end) that may result in the recipient receiving less than the amount disclosed in (a).
- 3) Be sure you receive a receipt after you make your payment that includes the information noted above and the additional information below:
  - a) The date in the foreign country when funds will be available to the recipient.
  - b) The name, the telephone number(s), and/or address of the recipient.
  - c) A statement about your rights regarding the resolution of errors and cancellation of the transaction.
  - d) The name, telephone number(s), and web site of the remittance transfer provider.
  - e) A statement that you can contact the state agency that licenses or charters the remittance transfer provider with respect to the remittance transfer as well as the CFPB for questions or complaints about the remittance transfer.
- 4) Keep your post-payment receipt in case there is a problem.
- 5) Use the information on the error resolution notice/statement of rights to contact officials if you have a problem.

## Appleaseed Recommendations for Businesses:

- 1) Conduct internal audit, agent practices audits, or other reviews of disclosure practices to make certain the legally-required pre-transaction disclosure and post-transaction receipt are provided at all physical or online locations and that agents are providing pre-transaction and combined disclosures prior to the transaction.
- 2) Verify that pre-transaction disclosure is shown to the customer before the transaction where combined disclosures are used.
- 3) Make certain language is “clear and conspicuous.” Implement necessary formatting and distribution practices to make certain disclosures are easy to understand. Place the error resolution notice/statement of rights as required in close proximity to the pricing information contained on the post-transaction receipts. Provide the error resolution notice/statement of rights in the appropriate language.
- 4) Train agents on their responsibilities under the regulations. A remittance transfer provider is liable for any violation of the regulations by its agent. Remittance transfer providers should conduct internal audits, and consider anonymous testing, to ensure that agents are following all the regulations’ requirements.
- 5) Analyze complaint trends (nature of complaint, city or state of sender, ethnicity, provider, method of service and destination country), and determine contributing factors that could lead to possible solutions. Where there are patterns of problems, take corrective action and inform consumers.
- 6) Resolve all consumer complaints within the time frames set out by the CFPB. Create a feedback loop with customers on individual complaints so they understand how their complaint has been resolved.
- 7) Publish complaints received by category of problem and the percent of complaints resolved by problem category. Analyze whether there has been improvement in the number and type of complaints quarter to quarter and year to year.

## Appleseed Recommendations for the CFPB:

- 1) Review compliance with all disclosure requirements. Make certain that diverse types of providers—large and small, urban and rural, different technology users—are following disclosure requirements.

The CFPB could collect samples of disclosures to review for compliance and consider testing by sending money through various types of providers using varied methods to determine if the regulations' language and disclosure requirements are being met.

- a) Determine if language requirements are met.
  - b) Verify that pre-transaction disclosure is shown to the customer before the transaction where combined disclosures are used.
  - c) Determine if “clear and conspicuous” requirements are being met.
- 2) Review the types of extra charges that are imposed on remittance transfers and see how those how extra charges are handled on disclosures.
  - 3) Conduct research to determine why some customers do not understand the disclosures even if the disclosures comply with the regulations. What are the factors improving or inhibiting comprehension? Is information on the same screen or page so consumers don't have to hunt for information? Are model disclosures being used? Are new model disclosures needed to address comprehension problems? Are fees and exchange rate separated from the error resolution notice such that some customers don't see these items?

Are fees and exchange rate separated from the error resolution notice such that some customers don't see these items? Determine if language requirements are met. Through

supervision, review the placement of the error resolution notice/statement of rights on the receipt and consider whether the regulations should be more specific about the placement of the notice and its prominence (e.g., bold or bigger font) and provide revised model forms.

- 4) Ensure that no population is disenfranchised from government complaint services. Monitor complaints filed by customers (by nature of complaints, complaint resolution, and patterns of problems categorized by city or state of sender, ethnicity, provider, method of service and destination country).

Determine whether an alternative method of securing information about consumer satisfaction can be developed, such as through a CFPB remittance ombudsman.

Conduct public outreach to inform consumers about availability of the complaint system, percent of complaints resolved, and the steps taken to protect a customer's identity.

- 5) Promulgate a standard format companies should use to collect and document complaints and resolution. Include categories, level of detail, and the percentage resolved in favor of the consumer or the business. A consumer may have multiple complaints so formats should include room for multiple complaints.
- 6) Urge consumers to save their receipts in case there is a problem.
- 7) Through supervision, review the placement of the error resolution notice/statement of rights on the receipt and consider whether the regulations should be more specific about the placement of the notice and its prominence (e.g., bold or bigger font) and provide revised model forms.

## Appleseed Recommendations for Nonprofit Organizations and Academics:

- 1) Study customer practices of (i) obtaining both pre-transaction disclosures and post-transaction receipts, (ii) comparison shopping, (iii) saving post-transaction receipts, and (iv) filing complaints with the CFPB and/or remittance transfer provider if there is a problem. Reach out to consumers to better understand their level of comprehension of their error resolution rights and consider whether revised proposed language can be developed and proposed to the CFPB that might be clearer to the consumer.
- 2) Encourage customers to use disclosures to comparison shop before they send money, save post-transaction receipts, and file a complaint with the CFPB and business if an error occurs.
- 3) Use English as a Second Language and other community forums to explain the important information found on remittance disclosures.
- 4) Interview immigrants to understand the circumstances or factors that encourage or inhibit filing of complaints. Will immigrants attach their names to complaints filed with the government? Will the frequency of complaints increase if immigrants understand that personal information is not shared with government agencies? Is the low number of complaints related to lack of information and awareness of the complaint system or to discomfort due to particular factors that can be addressed?
- 5) Alert customers about any patterns of problems unique to a city or state.

## Areas for Future Remittance Research

Appleaseed recommends additional research in the following areas:

### **Examine high prices attached to small amounts sent**

Appleaseed's survey shows much higher percentage charges to send small amounts of money, with average fees of \$9.11 for pricing of small-scale remittances (under \$200). The percent charges are more than twice as high as those to send \$201-\$500.

These findings point to a core market challenge: how do we reduce the cost to send small amounts of money, a topic that often receives scant attention? Pricing tends to be for a range of money sent, but with most people sending amounts under \$200. The highest fees are impacting the largest number of remittance consumers sending the smallest dollar amounts.

When companies price by dollar range, it can be unfair for most remittance senders.

### **Conduct research to understand what leads customers to comparison shop among multiple providers**

Conduct research to determine if remittance consumers shop only within a certain category of service provider (e.g., only among banks or non-bank remittance transfer providers) or do they shop across the range of service providers to consider using cheaper mobile phone and Internet-based remittance services?

### **Evaluate price as a motivating factor in comparison shopping**

Is price more important among certain individuals? Collect information on factors that affect comparison shopping by demographic categories such as income level, tenure in the U.S., age, and gender.

### **Connect sending remittances to financial inclusion**

An immigrant's ability to send money home demonstrates an ability to save and plan, but most of the lowest income immigrants do not have bank accounts. The marketplace needs research about how remittances can be linked to simple bank products that offer savings and checking accounts without heavy fees.

Markets cannot ignore immigrants' purchasing power and the contributions they make through employment and taxes to local, state and federal government. Integrating immigrants into the financial system is good business and creates opportunities. And law enforcement finds crime reductions related to consumers paid in cash on payday. And low-income immigrants find more opportunity to rise out of poverty and build assets.

Remittances constitute a large-volume and recurrent payment stream. The World Bank Group Committee on Payments and Market Infrastructure, encourages "...leveraging of large-volume and recurrent payment streams for financial inclusion objectives, which act as catalytic pillars/drivers to facilitate access to and promote wide usage of transaction accounts."<sup>36</sup>

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36 Committee on Payments and Market Infrastructures World Bank Group, "Payment Aspects of Financial Inclusion," p. 56. April 2016. <http://pubdocs.worldbank.org/pubdocs/publicdoc/2016/4/963011459859364335/payment-systems-PAFI-Report2016.pdf>

## **The Federal Reserve FedGlobal system can reduce remittance costs**

Like past generations of immigrants, today's new Americans are an important market for financial institutions. Their climb up the economic ladder can involve opening a savings account and/or checking account, repaying small-dollar commercial and personal loans reliably, and stimulating more financial institutions to expand their international remittance business. The Federal Reserve System's FedGlobal ACH Payments (Automated Clearinghouse) is poised to grow and reduce costs for immigrants by using FedGlobal.

Remittance providers and the Federal Reserve should explore pooling transactions to further reduce rates.

## **Collect and present real time pricing information to the public**

Study the best manner to present current pricing information. Internet-based and mobile phone online services and some pricing aggregators provide real-time prices and exchange rates. Although numbers are rising, not all remittance senders can access mobile phones and computers. The public needs real-time pricing information to comparison shop.

## **Study complaint resolution among businesses**

What percentage of complaints are resolved at the company level? Are certain complaints resolved more often and quickly than others? What is the sequence of complaints: Do remittance senders complain first to the business and then to the CFPB only if a resolution is not secured? Can the CFPB encourage more thorough complaint resolution at the company level?

Conduct follow-up surveys and focus groups of persons facing problems with remittances to understand nuances of their problems and patterns (by nature of complaint, city or state of sender, ethnicity, provider, method of service and destination country, and provider's relationships with other financial providers).

Review how often disclosures are provided in languages other than English and confirm that they are provided when the remittance transfer provider solicits or markets in those other languages.

## **Conclusion**

The Dodd-Frank remittance regulations are working. Appleseed believes that these regulations bring pricing transparency that will reduce prices and improve remittance sending options in the marketplace. Appleseed views the remittance regulations as a global model. These regulations can be replicated in other countries to improve both the sending and receipt of remittances. And in so doing, hard-working families who send money to relatives and friends back home—and local economies in the U.S.—will benefit from the important cost savings that a transparent and price-competitive market creates.

## APPENDIX 1

### Amount and frequency by type of sender

Appleaseed survey participants are largely female (59%), reflective of recent data on who sends remittances. Research shows that women compose about half of all immigrants from Latin America and the Caribbean and Mexico.<sup>1</sup>

Female survey respondents send remittances more frequently than their male counterparts, most often once a month of \$200 or less.

*Exhibit 1: Frequency of Remittances by Gender and Amount Sent*

| <b>Gender / Amount Sent</b> | <b>At least once a week</b> | <b>At least once a month</b> | <b>At least twice a year</b> | <b>At least once a year</b> |
|-----------------------------|-----------------------------|------------------------------|------------------------------|-----------------------------|
| <b>Female</b>               | <b>40 (6%)<sup>2</sup></b>  | <b>215 (31%)</b>             | <b>101 (14%)</b>             | <b>40 (6%)</b>              |
| \$0-\$200                   | 28                          | 155                          | 58                           | 29                          |
| \$201-\$500                 | 11                          | 44                           | 22                           | 8                           |
| \$501-\$1,000               | 1                           | 12                           | 17                           | 2                           |
| More than \$1,000           | --                          | 1                            | 2                            | --                          |
| <b>Male</b>                 | <b>32 (5%)</b>              | <b>115 (16%)</b>             | <b>48 (7%)</b>               | <b>23 (3%)</b>              |
| \$0-\$200                   | 21                          | 70                           | 22                           | 9                           |
| \$201-\$500                 | 9                           | 35                           | 13                           | 8                           |
| \$501-\$1,000               | 1                           | 9                            | 12                           | 5                           |
| More than \$1,000           | 1                           | --                           | 1                            | 1                           |
| <b>Grand Total*</b>         | <b>81 (12%)</b>             | <b>361 (51%)</b>             | <b>157 (22%)</b>             | <b>71 (10%)</b>             |

*\*Grand total includes participants without responses for Gender/Amount Sent.*

1 Paloma Monroy and Jesus Cervantes, "Women Move: Mexican Women and Remittances," World Bank Blogs, May 5, 2015. <https://blogs.worldbank.org/peoplemove/prospects/women-move-mexican-women-and-remittances> (cited May 1, 2016).

2 Percentages reflect percentage of the entire same, not percentage within the gender group.

## Amount and frequency of remittance transactions, by income

Half of survey respondents earn \$30,000 or less per year. These respondents accounted for half of the remittances in our survey and generally send remittances of \$200 or less, at least once a month.

*Exhibit 2: Frequency of Remittances by Income and Amount Sent*

| <b>Household Income / Amount Sent</b> | <b>At least once a week</b> | <b>At least once a month</b> | <b>At least twice a year</b> | <b>At least once a year</b> |
|---------------------------------------|-----------------------------|------------------------------|------------------------------|-----------------------------|
| <b>\$0-\$15,000</b>                   | <b>17 (2%)</b>              | <b>84 (12%)</b>              | <b>35 (5%)</b>               | <b>20 (3%)</b>              |
| \$0-\$200                             | 13                          | 64                           | 28                           | 16                          |
| \$201-\$500                           | 4                           | 15                           | 6                            | 2                           |
| \$501-\$1,000                         | --                          | 5                            | 1                            | 2                           |
| <b>\$15,001-\$30,000</b>              | <b>17 (2%)</b>              | <b>122 (17%)</b>             | <b>56 (8%)</b>               | <b>12 (2%)</b>              |
| \$0-\$200                             | 10                          | 76                           | 24                           | 10                          |
| \$201-\$500                           | 6                           | 36                           | 19                           | 2                           |
| \$501-\$1,000                         | 1                           | 10                           | 11                           | --                          |
| More than \$1,000                     | --                          | --                           | 1                            | --                          |
| <b>\$30,001-\$50,000</b>              | <b>7 (1%)</b>               | <b>44 (6%)</b>               | <b>23 (3%)</b>               | <b>17 (2%)</b>              |
| \$0-\$200                             | 5                           | 30                           | 9                            | 5                           |
| \$201-\$500                           | 2                           | 11                           | 5                            | 10                          |
| \$501-\$1,000                         | --                          | 2                            | 9                            | 2                           |
| <b>\$50,000 or more</b>               | <b>1 (0%)</b>               | <b>12 (2%)</b>               | <b>7 (1%)</b>                | <b>4 (1%)</b>               |
| \$0-\$200                             | 1                           | 9                            | 2                            | 2                           |
| \$201-\$500                           | --                          | 3                            | 3                            | --                          |
| \$501-\$1,000                         | --                          | --                           | 2                            | 2                           |
| <b>Unknown</b>                        | <b>21 (3%)</b>              | <b>47 (7%)</b>               | <b>15 (3%)</b>               | <b>10 (1%)</b>              |
| \$0-\$200                             | 15                          | 33                           | 10                           | 7                           |
| \$201-\$500                           | 5                           | 10                           | 1                            | 1                           |
| \$501-\$1,000                         | 1                           | 2                            | 3                            | 1                           |
| More than \$1,000                     | --                          | --                           | 1                            | 1                           |
| <b>Grand Total*</b>                   | <b>81 (12%)</b>             | <b>361 (51%)</b>             | <b>157 (22%)</b>             | <b>71 (10%)</b>             |

*\*Grand total includes participants without responses for Household Income/Amount Sent.*

## Remittance amount and frequency by amount of time in the U.S.

Survey respondents living in the U.S. for ten years or more sent almost half of the remittances in our survey. These customers generally sent amounts of \$200 or less, at least once a month, a pattern that we also observed with low-income senders.

*Exhibit 3: Frequency of Remittances by Years in the U.S. and Amount Sent*

| <b>Years in U.S. /<br/>Amount Sent</b> | <b>At least once a<br/>week</b> | <b>At least once a<br/>month</b> | <b>At least twice a<br/>year</b> | <b>At least once a<br/>year</b> |
|--|---------------------------------|----------------------------------|----------------------------------|---------------------------------|
| <b>1-5 years</b>                       | <b>14 (2%)</b>                  | <b>77 (11%)</b>                  | <b>28 (4%)</b>                   | <b>16 (2%)</b>                  |
| \$0-\$200                              | 11                              | 49                               | 13                               | 13                              |
| \$201-\$500                            | 3                               | 19                               | 9                                | --                              |
| \$501-\$1,000                          | --                              | 6                                | 3                                | 2                               |
| More than \$1,000                      |                                 |                                  | 1                                |                                 |
| <b>10 or more years</b>                | <b>34 (5%)</b>                  | <b>165 (24%)</b>                 | <b>82 (12%)</b>                  | <b>32 (5%)</b>                  |
| \$0-\$200                              | 20                              | 113                              | 48                               | 17                              |
| \$201-\$500                            | 12                              | 41                               | 18                               | 10                              |
| \$501-\$1,000                          | 1                               | 10                               | 15                               | 4                               |
| More than \$1,000                      | 1                               |                                  | 1                                | 1                               |
| <b>6-10 years</b>                      | <b>23 (3%)</b>                  | <b>79 (11%)</b>                  | <b>29 (4%)</b>                   | <b>19 (3%)</b>                  |
| \$0-\$200                              | 16                              | 54                               | 14                               | 11                              |
| \$201-\$500                            | 6                               | 18                               | 6                                | 6                               |
| \$501-\$1,000                          | 1                               | 5                                | 7                                | 1                               |
| More than \$1,000                      | --                              | 1                                | 1                                | --                              |
| <b>Grand Total*</b>                    | <b>81 (12%)</b>                 | <b>361 (51%)</b>                 | <b>157 (22%)</b>                 | <b>71 (10%)</b>                 |

*\*Grand total includes participants without responses for Years in U.S./Amount Sent.*

## APPENDIX 2

### Data and Methodology

Survey data were analyzed using R and Microsoft Excel Pivot Tables. Only one survey item was excluded from analysis due to inconsistent wording between the item question and response options.

Binomial and ordinal logistic regressions<sup>1</sup> were used to compute the relative influence of various demographic (e.g., gender) and situational factors (e.g., typical amount sent) on customers' remittance-related decision-making and confidence. For example:

- To determine which demographic and situational factors predict whether customers perceived increasing or decreasing fees over the past year (binary outcome), we employed a binary logistic regression model with four predictor variables (age, length of time in U.S.,

whether customer received a disclosure in his or her primary language, accessibility of the disclosure) and customers' tendency to remember seeing fees on disclosures ("Yes" or "No") as the dependent variable.

- To determine which demographic and situational factors predict the likelihood that a customer will shop around for the service with the lowest fees (ordered outcome), we employed an ordinal logistic regression model with four predictor variables (age, sex, household income, and length of time in the U.S.) and customers' tendency to choose the service with the lowest fees ("Never" "Sometimes" or "Always") as the dependent variable.

Statements about significance reflect a significance threshold of  $p < 0.05$ .<sup>2</sup>

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<sup>1</sup> Generally, logistic regression is a type of statistical modeling used to estimate probability of an event by fitting the data to a logistic curve. It makes use of one or more independent variables, which may either numerical or categorical.

<sup>2</sup> For logistic regression models, p-values reflect the extent to which the observed data fit a logistic curve. Models with p-values less than 0.05 are considered "significant," meaning one or more of the independent variables in the model reliably predict the outcome.



 **APPLESEED**

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