Opening Statement

Representative Maxine Waters

Financial Services Committee, Subcommittee on Financial Institutions and Consumer Credit Hearing On

"Remittances: Regulation and Disclosure in a New Economic Environment,"

June 3, 2009

10:00 AM

Room 2128 Rayburn House Office Building

Thank you, Mr. Chairman. I would like to begin by thanking you for facilitating this hearing this morning. Remittance transfers involve issues that affect all of our communities, especially those with larger immigrant populations such as my district in California. For example, a 2004 study from the Inter-American Development Bank found that California accounts for one third of all remittances sent from the United States.

Remittance transfers are important for two main reasons. First, they are an important source of income for families in developing nations. Studies by the National Council of La Raza have found that approximately 73 percent of Latinos send funds to their families and friends abroad. This amount averages between $250 and $300 per month, and in 2008 amounted to $69 billion being transferred from families in the U.S. to those in Latin America and the Caribbean. That money is used to cover the basic cost of supplies such as food, housing and clean water.

The second reason remittance transfers are important is that they can work to acquaint the unbanked and under-banked with financial services. As someone who represents constituents with limited access to banking services, I am fully aware of the need to provide outreach to this group about safe banking services. Recently, several commercial banks have entered the remittance arena. With their entrance, these banks have brought access to traditional savings accounts and loan products while displacing predatory lending. To the extent we can move consumers away from predatory loan products, we succeed in improving their quality of life.

To this end, remittances can serve as a gateway to wealth building, but we must ensure they are safe and offer fair terms. One of the major issues with remittances is the fluctuation in fees, which ends up serving as a de facto hidden charge. In addition to a flat transfer fee, those sending remittances are also subject to an exchange rate fee, and a margin fee from the money transfer organization. Because exchange rates frequently fluctuate, it is almost impossible for a consumer to know the true cost of transferring funds at the point of purchase.

We must make sure that any remittance legislation includes clear industry standards on disclosure and fair terms to better protect the consumer.

Thank you, Mr. Chairman. I yield back the balance of my time.