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Policy Makers Worldwide Have Moved to Stop Hidden Fees - Where is the United States?

Today is the International Day of Family Remittances (IDFR), which was adopted by the United Nations (UN) General Assembly to recognize the more than 200 million individuals worldwide who send money home to [800 million family members](#). Today, we celebrate the resilience of workers who have faced a global pandemic, economic turmoil, and even natural disasters to send money across borders to their families.

As we recognize IDFR, we also must take a look at how policy impacts these payment flows, and where the U.S. has fallen behind. The average cost of sending remittances abroad is [6.4%](#), a long way from the UN sustainable development goal of 3% remittance costs by [2030](#). Unfortunately, one of the reasons costs stay so high is because of the billions lost in hidden fees. Banks and remittance providers often advertise low-cost, or even “free” services, while marking up the exchange rate as much as five percent or more.

Globally, real progress has been made to address these hidden fees. A powerhouse task force made up of the UN, World Bank, and International Fund for Agricultural Development (IFAD) [recommended total cost transparency in remittances](#) in late [2020](#). The Financial Stability Board (FSB) made a [similar recommendation](#) just this month as part of their target metrics for transparency in their cross-border payments initiative. The World Bank already emphasizes “total cost” on its [remittance price tool](#), and has [stated](#) that, “the single most important factor leading to high remittance prices is a lack of transparency in the market.”

Worldwide, policy makers are taking action. The [European Union](#) (EU) has enacted rules for intra-EU online transactions, while the [UK](#) and [Australia](#) are actively seeking increased transparency on cross-border payment fees.

But where is the U.S. in this conversation? The U.S. is the **largest** source of remittance payments in the world, sending \$71.6 billion in remittances in 2019 alone and paying an average fee of nearly six percent. A lack of price transparency on international payments impacts our American friends, families, and neighbors with \$8.7 billion in *hidden* fees every year.

Yep, you read that right: [independent research](#) found that American consumers and small businesses were charged \$16.3 billion in fees when sending or spending money abroad, with more than half (\$8.7 billion) hidden in exchange rate markups. Broken down, this research found that hidden fees hit remittances, vacationers, students abroad, small businesses, and even our service members stationed overseas sending home to their families. Further, while 55% of consumers said they understood the costs of sending money abroad, **only 18% correctly identified exchange rates as a source of the costs.** Despite these costs and lack of awareness, U.S. policymakers have not taken action on this issue. We want this to change

U.S. policymakers must act to ensure the fees shown to consumers include inflated exchange rates. We're calling on the Consumer Financial Protection Bureau (CFPB) to update its Remittance Rule to require disclosures to show the "total cost" that includes both exchange rate margin and upfront fees. The exchange rate shown to consumers would be based on the active mid-market rate. With increased awareness of the total cost of sending money abroad, consumers are more likely to choose better options, leading to healthy competition in the market and bringing down remittance costs worldwide.

For those of you who, like me, have sent money home either while working abroad or to family abroad, I wish you a happy International Day of Family Remittances. We will keep working hard to stop hidden fees.

ABOUT WISE

Wise is a global technology company, building the best way to move money around the world. With the Wise account people and businesses can hold over 50 currencies, move money between countries and spend money abroad. Large companies and banks use Wise technology too; an entirely new cross-border payments network

that will one day power money without borders for everyone, everywhere. However you use the platform, Wise is on a mission to make your life easier and save you money.

Co-founded by Kristo Käärmann and Taavet Hinrikus, Wise launched in 2011 under its original name TransferWise. It is one of the world's fastest growing, profitable technology companies and is listed on the London Stock Exchange under the ticker, WISE.

13 million people and businesses use Wise, which processes over £6 billion in cross-border transactions every month, saving customers over £1 billion a year.

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