

# New regulations affect foreign money transfers

**Fees and exchange rates must be clearly revealed under the Texas law**

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**By ANURADHA RAGHUNATHAN / The Dallas Morning News**

Sending money overseas? You're entitled to a receipt that clearly spells out the fees, the exchange rate and the amount to be paid in foreign currency. That's the new law in Texas, effective Sept. 1.

If the money transmitter does not toe the line, Texas can fine the company up to \$1,000 per violation. The law applies only to specialty money transmitters such as Western Union and MoneyGram that operate outside the banking system.

The law provides the first serious regulation of Texas' huge foreign currency transmission market, and it's one of only a few in the nation. In 2002, money transmitters handled \$60 billion in transactions, including wire transfers, drafts and money orders. There were nearly 45 million non-bank money transfers - both foreign and domestic - amounting to \$21 billion last year.

Experts say the law will be beneficial to the many immigrants who send billions of dollars each year to relatives and friends internationally. Industry representatives, however, say these rules only formalize and standardize what they already do.

"We were already doing these things," said Wendy Carver-Herbert, a spokeswoman for Western Union. "We were very much ready for this."

Experts say the law might be harder on small operations. Texas has 66 non-bank money-transfer licensees that run thousands of storefront operations across the state.

The state Banking Department, which provides the licenses, says Texas residents frequently send money to relatives in Mexico, Vietnam and the Philippines. The new law will help those people shop for better rates.

**"This creates standard disclosures that everyone must follow," said Ann Baddour, program manager at Texas Appleseed, an advocacy group. "Previously all the regulations were focused on how to avoid money laundering or international crime or smuggling. We didn't have as many disclosures for lower-dollar-amount transactions for consumers."**

The law also says a consumer can cancel a transaction within 30 minutes, if the recipient has not picked up the money. In such cases, the company has to refund all the fees and funds that were transmitted.

Pricing disclosure is critical because the cost of the service comes with two components: the service fee and the exchange rate. Companies buy currency at the wholesale foreign exchange rate and set their retail rate to charge consumers.

Industry representatives say the law reinforces some of the changes that the industry instituted after recent class-action lawsuits. Western Union, its subsidiary Orlandi Valuta, and MoneyGram were the subject of lawsuits alleging hidden charges and insufficient disclosures. Western Union said that even though it believed its disclosures were clear, it enhanced its rules.

For instance, Western Union now clearly states that it makes money on the difference between the wholesale foreign exchange rate and the retail rate. It also changed some pricing-related information on its ads.

Experts say the effectiveness of Texas' law will lie in the implementation.

"It comes down to enforcement," said Mark Budnitz, a law professor at Georgia State University. "There are lots of consumer laws that are ignored."