



Remittances Are Rising – Is It Time To Jump Onboard?

payments business customers International Banking

Summary: Some community financial institutions may not think that cross-border remittances are in demand in their communities. Yet, in its November report, the World Bank projected growth of 7.3% of remittance payment volume in 2021. Could some of this spill over into your footprint? Here are three ways to successfully provide remittance services.

If you live in Florida, the Caribbean islands are only 50 miles away. Bimini is the closest and boasts coral reefs, geological formations, such as Tuna Alley, and the Dolphin House Museum. While not having the popularity of Nassau, you sure don't have to go far to travel internationally.

Just as international travel can be close, so can those people needing cross-border remittances. Still, many community financial institutions (CFIs) have shied away from offering cross-border remittances as a service. As a result, many money transfer giants like Western Union or more recently, fintech upstarts, including Remitly, World Remit, Xoom, and Revolut, have been taking a big bite of the market.

In the past, CFIs may have reasoned that their local customer base had little need for these remittances and that there was little value in entering a payments space already being dominated by larger or faster-moving competitors. However, offering cross-border remittance services has arguably become more worthwhile, as the market itself starts to blossom and offer a better return on investment. It also presents a critical path to reaching unbanked or foreign-born prospective customers.

Despite expectations that the volume of remittance payments would decline in 2021 in the wake of a 1.6% dip in 2020 YoY, remittance flows actually bounced back. Furthermore, according to a November release by the World Bank, [the volume was expected to grow by a projected 7.3% in 2021 and reach \\$589B](#).

“Remittance flows from migrants have greatly complemented government cash transfer programs to support families suffering economic hardships during the COVID crisis,” Michal Rutkowski, global director for social protection and jobs for the World Bank said in the release. Experts say the market is there and becoming more essential to financial services, as the recent remittance fintech boom underscores.

What should CFIs do if they are interested in successfully providing remittance services?

Reach out to unbanked and immigrant prospects. CFIs can use cross-border remittance services as a stepping stone to reach the unbanked holdouts. Holding events in communities with a large immigrant population and hiring multilingual staff will help in this endeavor. The FDIC's latest estimate points to 7MM unbanked households in 2019; but the regulator also found that [12% of Hispanic households did not have a banking relationship](#), compared to just 2.5% of white households. Building trust through educational opportunities and informational seminars can go a long way.

Make the process easy, less expensive, and convenient. The value of the [global digital remittance market to institutions actively offering money transfers is estimated to grow to \\$42.5B by 2028](#), according to

Sept 2021 estimates from ResearchAndMarkets.com. While the market will get a boost from migrating populations, mobile options, and reducing costs for remittance, the report also found that the current market was constrained by a lack of usability and awareness. Also, even the World Bank points out that users of conventional remittance are being gouged — with an average of 6.4% of transferred amounts going to fees in Q1 2021. Here lies an opportunity to support remittance customers within your community.

Support continuing regulatory remittance reform. More than 2Ys ago, the Consumer Financial Protection Bureau (CFPB) raised the threshold for the number of international transfers allowed for CFIs to be exempt from CFPB regulatory requirements, hoping more institutions would offer remittances. Now, if they process 500 or fewer remittances per year, CFIs are exempt from existing remittance regulation. Although a big change from 100 to 500 per year, some say the threshold is still too low to start providing this service. Interested CFIs should reach out to groups like the CFPB, as well as federal and state regulators and banking associations for the good of money transfer customers and your communities.

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ECONOMY & RATES

Rates As Of: 03/08/2022 11:28AM (GMT-0700)

Treasury	Yields	MTD Chg	YTD Chg
3M	0.38	0.03	0.32
6M	0.75	0.06	0.56
1Y	1.11	0.11	0.72
2Y	1.63	0.20	0.90
5Y	1.80	0.09	0.54
10Y	1.87	0.04	0.36
30Y	2.24	0.07	0.33
FF Market		FF Disc	IORB
0.08		0.25	0.15
SOFR		Prime	QBER
0.05		3.25	0.07

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