



**Migrant Remittance Transfer Mechanisms Between Los Angeles and Jalisco, Mexico**

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## ABSTRACT

This report examines money remittance mechanisms according to the experiences of Mexican migrants residing in the Los Angeles Metropolitan area. The research centered around four mechanisms: 1) money remittances in cash or in a document through relatives and friends; 2) money orders and checks sent by mail; 3) bank to bank money transfers; and, 4) remittances through money-wiring companies. This pilot study was conducted by a group of researchers from the North American Integration and Development Center of the University of California, Los Angeles.

The study was based on focus groups discussions with members of five Home Town Associations from the state of Jalisco, Mexico that reside in the Los Angeles Metropolitan Area. People who participate in these associations are originally from the same locality and try to promote the well being of their community in the United States and Mexico by raising money to fund social and economic projects. Home Town Associations pay particular attention to the needs of low-income people who live in their locality of origin in Mexico.

The participants in our study do not reflect the characteristics of the Mexican population of Los Angeles Metropolitan area since they tend to be older, have a higher educational attainment and live in nuclear families. These persons also show a strong integration to the United States because they have lived in this country for a long period of time and have become homeowners.

One of the most surprising findings of our study is that the Mexican migrants in our study send a large amount of money to Mexico in spite of their strong integration to the United States. Between September 1996 and December 1997, the focus groups participants sent a total of \$1,000 per family in three different remittances. We can assume that younger Mexican migrants who support parents, spouses or children living in Mexico send more money.

Another important finding of our study reveals that the market for money remittances is very tight. However, the majority of our informants, in spite of living in the core of the informational society, used the most traditional money remittance mechanisms: sending cash through relatives or friends and money orders and checks by mail. This reflects the general perception among Mexican migrants that banks and money wiring companies do not meet their needs and expectations. This frustration in part led several clients of Western Union and MoneyGram to file a class-action lawsuit against these companies in Los Angeles. The one billion lawsuit sustains that these companies provide false advertising because they do not inform their customers that they apply more costly exchange rates to money sent to Mexico than to other countries and that they make a profit on the exchange.

The participants in our study have developed creative ways for sending money to Mexico outside the formal mechanisms offered by banks and money-wiring companies. Two methods call our attention: the remittance of money from Tijuana and the use of personal signed blank checks that Mexican migrants leave behind with their relatives in their hometowns

It is estimated that Mexicans migrants in the United States send between \$2 and \$4 billion to Mexico each year. Mexican migrants in our focus groups told us that they as all immigrants

deserve a just and efficient money transfer industry.

## Introduction

For many Mexican immigrants sending money to Mexico has become a nightmare. Jesús who was born in Arandas, Jalisco and lives in East Los Angeles, does not know what to do any longer to assure the arrival of the money he sends to his parents.<sup>1</sup> During 1997, the U.S. Postal Service lost two of Jesús's money orders with a value of \$700. Jesús sends an average of \$200 per month to support his parents and a daughter who live in Mexico. In every occasion, Jesús buys money orders from the U.S. Postal Service or from stores and sends them by registered or Express mail.

At the beginning of last year, Jesús bought a money order in a post office in East Los Angeles for \$500 that he sent to Mexico by Express mail, a service for which he paid \$12. The money order never arrived to its destination and although the investigations by the Post Office determined that a bank in New York had cashed the check, Jesus has not retrieved his money. In April, Jesús bought another money order for \$200 in a store and mailed it through registered mail. His parents never received the money order and investigations still continue.

Jesús admits that his experience has taught him that if before he did not trust in the security of Mexico's Postal Service, today, he also does not trust in the U.S. Postal Service. Jesús describes, with perhaps some exaggeration, that the line of people reporting lost money orders at the nearest post office is much longer than the line of people purchasing stamps.

The Mexican magazine *Proceso* in its January 4, 1998 edition (see Acosta et al., 1998), denounced the large number of robberies of money orders and personal checks that migrants send

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<sup>1</sup> Jesús is a fictitious name as all the other names of the persons interviewed in this study.

to their families in the states of Michoacán, Jalisco, Guanajuato and Zacatecas. In each case, the money was lost due to the security flaws of Mexico's Postal Service.

The frustration of Mexicans does not only pertain to the postal service, they also consider that private money-transfer companies as Western Union, MoneyGram and Orlandi Valuta charge "hidden fees" to those picking up the money in Mexico in addition to the service charge collected in the United States. In the city of Zacatecas, a manager of Elektra that is associated with Western Union, admitted that there is a problem with the dollar exchange rate. For example, when the exchange rate is officially established at 7.50 pesos, relatives of migrant workers receive 7.30 pesos per dollar at Elektra.

A much larger gap in the exchange rate and other irregularities led several clients of Western Union and MoneyGram to file a class-action lawsuit in Los Angeles against these companies. The one-billion suit sustains that these companies provide false advertising because they do not inform their customers that they apply more-costly exchange rates to money sent to Mexico than to other countries and that they make a profit on that exchange. Both companies argue that their exchange rates take into account the volatility of the Mexican currency and that they are approved by California regulators (Garcia et al. 1998).

Enrique, who is a native of Temastian, Jalisco also complains about Western Union. "In one occasion, I sent money to Guadalajara by Western Union's 'Dinero en Minutos.' Employees of the company in Los Angeles assured me that the money would arrive effectively in a few minutes. It turns out, that the transaction took more than three days. Yes, the money did arrive in minutes, but in many minutes."

Due to the sudden death of a relative, another migrant from Arandas had to travel quickly and with very little money to his native hometown. From Jalisco, he asked his wife to wire him

\$1,000. She sent him the money through Western Union and paid a \$40 fee. Once he received the money in Mexico, the company further deducted \$1,000 pesos. Our informant was very disappointed with this service because he says that when one sends \$1,000 through Western Union, relatives in Mexico only receive \$850. In a similar vein, the plaintiffs of the lawsuit against Western Union and MoneyGram found that on October 30, 1997 Western Union charged \$34 for sending \$500 to Mexico. However, due to the fact that Western Union paid \$7.20 pesos per dollar instead of the established exchange rate of \$8.33 pesos, relatives in Mexico only received \$438.18 (Iñigo, 1997).

Bank transfers are not exempt from criticism. One of the participants in our research study was charged \$11 for sending \$500 from bank to bank. Yet, the person that received the money was also charged an additional \$10 in Mexico for the transaction. This person complains that although security is good, it is very expensive.

The general perception is that banks delay the delivery of money because they use it for other purposes rather than giving it right away to its addressees. *“los bancos jinetean el dinero.”* One of the participants in the study sent \$1,000 from Bank of America to Bancomer. He paid \$30 for the service but his parents had to wait 15 days to pick up the money.

Mexican migrants in Los Angeles contribute with a substantial amount of the money Mexico receives from labor migration in the United States. It is estimated that Mexicans send between \$2 billion and \$4 billion each year, depending on the source we use. While Massey and Parrado (1994) estimated that Mexican migrants sent \$2 billion in 1990, Lozano (1996) found that Mexican migrants remitted \$3.8 billion in 1995. According to a recent estimate of the governmental Mexican agency Telecomunicaciones de Mexico, Mexicans residing in the United States sent \$4 billion in 1996. This agency found that the two busiest days for money transfers

were Mother's Day (May 10) and December 12, when Mexicans celebrate the appearance of the Virgin of Guadalupe (Latin American Institute, 1997).

If we use the lowest estimate at \$2 billion, the money migrants send nearly equals Mexico's 1990 earnings from export agriculture, 59 percent of revenues from tourism and 56 percent of its earnings from maquila production (Durand et al, 1996). Mexican migrants are part of the nearly 80 million persons living outside their country of citizenship who remit home 67 billion annually (Martin, 1992).

The purpose of this report is to present the main findings of a pilot research project conducted by a group of researchers from the North American Integration and Development Center of the University of California, Los Angeles. The study evaluated the remittance mechanisms for money transfers according to the experiences of Mexican immigrants residing in the Los Angeles Metropolitan area.<sup>2</sup> The report is divided into three parts: the first section presents the methodology used in the research project. The second part describes the main findings about the operation of the money remittances industry. The third part discusses the most important conclusions of the study.

## **1.- Research Methodology**

Our study about the money remittance mechanisms to Mexico was based on focus group discussions. A focus group is a research technique commonly used in the social sciences and in marketing research (Morgan, 1997: Merton, 1990). Between October of 1996 and December of 1997 we organized focus groups with members of five Home Town Associations from the state of

Jalisco, Mexico who reside in the Los Angeles Metropolitan area. The persons who participate in these associations, commonly known as “clubs,” are originally from the same locality and try to promote the well being of their community in the United States and Mexico by raising money to fund social and economic projects. These associations pay particular attention to the needs of low-income persons who live in their locality of origin in Mexico by providing financial support to child care centers and convalescent homes for the elderly and by building health care clinics. They also donate medical supplies and ambulances and distribute educational grants among low-income students. In the specific case of Jalisco, we did not find productive projects that would be launched by Home Town Associations of Los Angeles.

We decided to study the experience in the use of money remittance mechanisms among people organized in Home Town Associations for three reasons. First, by participating in a Home Town Association, migrants express their strong commitment with their community of origin in Mexico. Second, based on our experience on migration studies, we know that people, who are from the same community, develop strong social networks that grant them access to the same labor markets and housing opportunities. This leads to the concentration of people in the same geographical areas of the United States (Massey et al., 1987; Portes and Rumbaut, 1996). We hypothesized that the close relationship among community members makes them share the same strategies to send money to Mexico. Lastly, the fact that Home Town Associations carry out projects in Mexico indicates that as a group they have to send money to Mexico.

We selected five Home Town Associations from among 50 organizations that belong to the *Federación de Clubs de Jalisco en Los Angeles*. The five clubs are originally from the localities of Arandas, Autlan, Cihuatlan, Pegueros and Temastian.

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<sup>2</sup> In this study, the Los Angeles Metropolitan area encompasses the counties of Los Angeles and Orange.

These localities are located in three regions of Jalisco with high migration rates to the United States (Arroyo, De Leon and Valenzuela 1991; Alarcon et al, 1990). Arandas and Pegueros belong to los Altos de Jalisco. Temastian is in the northern region and Autlan and Cihuatlan are located along the coast. These five localities offer an interesting variety in terms of location, economic development, migration patterns and availability of banks and other credit institutions. These factors are key to understand the options people have to send money to their relatives. For example, it is evident that it is not possible to make bank to bank transfers in places where banks do not exist.

Although there is an important geographical dispersion, members of Club Arandas concentrate in Anaheim in Orange County. Many of the families from Club Autlan reside in Huntington Park. Members of Club Cihuatlan live in several areas of Orange County. The community of Pegueros is distributed between Santa Monica and the San Fernando Valley. Finally, the members of Club Temastian concentrate in the area of El Monte, Baldwin Park and San Gabriel Valley.

For the organization of the focus groups, we carried out the following tasks. We contacted the club's leaders to ask their collaboration. Then, we attended one of the club's meetings to formally invite the members and to plan the focus group. Next, we called a meeting of 12 members of the club without making distinctions regarding age, gender or economic status. The only requirement we established was previous experience in sending money to Mexico. We invited twelve persons with the idea of counting with the participation of at least six. Participation in the focus groups was in general very encouraging. Of the five groups, one of them participated with twelve people, another with ten, one with seven and two with six.

For each focus group, we organized a dinner in a Mexican restaurant located in the area

where the club members reside. The discussions took place before or after dinner for an average of two hours.

The sessions included three parts:

1. - General orientation about the topic.
  
- 2.- Completion of a personal questionnaire (see Annex 1). We asked participants to fill out a questionnaire that was designed to obtain some quantitative data and included three parts:
  - a) Personal information of the participant (age, gender, place of birth, educational attainment, home ownership in Mexico and in the United States, year of first trip to the United States and year of settlement in this country, presence of nuclear family in the United States).
  - b) Number of money remittances during the last year and use of remittance mechanisms. Specific information about the last remittance (date, mechanism utilized, amount of money, fees, etc).
  - c) Use of bank services (bank accounts in the United States, use of bank services in Mexico by the recipients of money, use of ATMs, etc.).
  
- 3.- The discussion centered around four topics i) description of personal experiences sending money to Mexico; ii) evaluation of existing mechanisms; iii) migration process to the United States from the town of origin; and, iv) organization and goals of the club. (see Annex 2).

All of the participants of the focus groups filled out the personal questionnaire. We wanted to have a minimum of eight questionnaires per group. In the cases in which we had an attendance of fewer than eight members, we completed the rest of the questionnaires through phone interviews with those members who were not able to attend the focus group. For this reason, we were able to collect information from 42 persons.

The information collected in the questionnaires comes from a very small and non-random sample of Mexican migrants, therefore, it is not representative of the Mexican migrants in Los Angeles. If we use the data it is with the purpose of illustrating certain processes and for the development of hypotheses for a future more comprehensive investigation.

Table 1 shows the demographic characteristics of the persons who participated in the five focus groups. The data clearly reveal that the people we interviewed do not reflect the Mexican population of Los Angeles Metropolitan area since they tend to be older, have a higher educational attainment and live in the context of nuclear families. These persons also show a strong integration to the United States because they have lived in the United States for a long period of time and a significant percentage of them own their homes in this country.

<b>Table 1</b>	
<b>Demographic Characteristics of Focus Groups</b>	
<b>Participants. Los Angeles, 1997.</b>	
Median age	43.5
% Female	23.8
Years of education (median)	9
First visit to U.S.(median)	1972
Year of settlement in U.S. (median)	1974
% with nuclear family in U.S.	90.5
% of home owners in U.S.	71.4
% of home owners in Mexico	59.5
Number of Persons	42
<i>Source: Personal Questionnaire</i>	

It is important to take into account the demographic characteristics of our focus groups participants in order to correctly assess the amount of money they send to Mexico. The fact that our informants belong to an older cohort of highly settled migrants suggests that they do not send as much money as those who have their immediate family members in Mexico and are less

integrated to the social and economic life of the United States.

## **2.- Money Remittance Mechanisms between Los Angeles and Mexico**

One of the most surprising findings of our study is that Mexican migrants send a large amount of money to Mexico in spite of their strong integration to the United States. Last year, the participants in our focus groups sent a total of \$1,000 per family. This is a very high amount considering that 17 percent of the participants did not send any money at all. This money was usually sent in three different remittances of approximately \$300.

The decision on how to send money to Mexico is difficult and depends on factors such as the economic characteristics of the destination place, the shared experience of the migrant group and the availability of money transfer mechanisms that exist in the market.

Between September 1996 and December 1997, the participants in our focus groups made a total of 76 money remittances to Mexico. Table 2 shows the distribution of the remittances mechanisms used in this period of time.

<b>Table 2</b>	
<b>Money Remittance Mechanisms to Mexico</b>	
<b>Los Angeles, Sept. 1996-Dec.1997. .</b>	
In-Cash Remittances through Relatives and Friends	27.6
Money Orders and Checks Sent by Mail	25.0
Bank to Bank Money Transfers	22.4
Remittances through Money-Wiring Companies	19.7
Other	5.3
Total	100.0
Number of Remittances	76
<i>Source: Personal Questionnaire</i>	

Table 2 shows that the market for money remittances is very tight. However, the majority of our informants, in spite of living in the core of the informational society, used the most traditional money remittance mechanisms, sending cash through relatives or friends and money orders and checks by mail. This reflects the general perception among Mexican migrants that banks and money wiring companies do not meet their needs and expectations.

The following section examines the four main mechanisms utilized by our informants: 1)

money remittances in cash or in a document through relatives and friends; 2) money orders and checks sent by mail; 3) bank to bank money transfers; and, 4) remittances through money-wiring companies. Appendix 3 highlights the main characteristics (transaction fees, type of service, and exchanges rates) of the formal mechanisms by examining the transfer of \$300 to Mexico on January 27, 1998.

#### 1) Money Remittances through Relatives and Friends

In our focus group discussions, it appeared very clear that the most common mechanism to send money was through relatives and friends. This mechanism is based on the fact that there is a great circulation of people between Mexico and the United States and on the social networks, which are established between relatives, friends and *paisanos* (natives from the same locality). Our informants consistently told us that this is a very reliable mechanism. Of all the stories we heard, only one person told us that in one occasion he sent money to Cihuatlan with a relative and that he spent the money in Puerto Vallarta on his way to Cihuatlan.

This method has the great advantages of being free of charge and that recipients in Mexico receive the money in cash and consequently receive the highest value for their dollars. It is obvious that this mechanism has problems because of the incidence of accidents and robberies. In regards to this, a female participant told us that she establishes a sort of contract with the people who ask her to take money to Mexico. She tells them: “I take your money but if I have an accident or someone steals it from me, I am not responsible.” She prefers to take money orders

or personal checks.

Other people complain about the fact that when they send money with relatives or friends they have problems with the Internal Revenue Service because they have no way of proving that they have sent this money to their dependents.

An interesting variant of this mechanism is the method practiced by migrants from Monterrey, Mexico who reside in Houston, Texas. There is a small company that transports people and delivers money, letters and all sorts of packages between Houston and Monterrey. A fleet of vans travel the 500 miles between the two cities to deliver about \$40,000 a week. This company that is owned by a migrant from Monterrey is also based on trust among migrants from a few municipalities (Hernandez, 1997). Clearly, the participants in the focus groups can not implement a similar method due to the longer distance between Jalisco and California.

## 2) Money Orders and Checks Sent by Mail

This mechanism includes sending money orders, cashier's checks and personal checks by mail. Without doubt the money orders are the most popular documents. They can be purchased from the U.S. Postal Service and from other private companies in convenience stores. However, the general perception is that this service is the most insecure. Mexican migrants do not trust the Mexican Postal Service although it is widely known that corruption takes place away from small towns where post office employees are generally honest because of a more severe social control. In spite of this, one of the participants in our study still sends cash by mail. In order to protect his

money he covers it with aluminum paper and puts it in an envelope.

The remittance of documents by mail is the only option available for people who live in small towns that do not have banks or any other credit institutions like the popular “Cajas de Ahorro”. Temastian does not have banks. For this reason, people used to go to nearby Totatiche to make use of the banks but when frequent robberies began to occur, the banks were closed down. Lately, mobile banks from Bancomer visit Totatiche two or three times a week.

People who have retired in their hometowns after working in the United States and receive Social Security checks also rely on the mail for the delivery of their checks. In 1996, more than 50 Social Security checks would arrive to Pegueros per month.

Another problem with the postal service is that it is very slow. For example, registered mail takes more than a month to get to Temastian and three weeks to reach Pegueros. Because of this situation, many of our informants are starting to use express delivery services such as Federal Express and Mejico Express. People from Autlan, are very happy with the services offered by Mejico Express. According to them the money orders are delivered in 48 hours and the cost is \$15 for sending up to \$500. The company sends a receipt to the sender in the United States as proof that the money was received in Mexico.

One of our informants sent an international money order he bought in a bank through Federal Express. He paid \$3 for the money order and \$8 for the delivery service. The package arrived in Guadalajara the next day. The security of this mechanism relies upon the fact, that the money order can be insured and since it is sent through a fast delivery service it is possible to find out soon whether the check is lost in order to cancel it. Migrants from Temastian are currently testing Federal Express. They know that where there is residential delivery it only takes three days for the money to arrive. They would use this service if it were available in Temastian.

Some people are using Federal Express, declaring that only documents (not a check) are included in the envelope. Some people pay the insurance fee of around \$1.50 per every \$100 sent.

For people who do not declare they are sending a check or money order there could be some problems. In one occasion, Luis from Arandas sent a cashier's check from Bank of America for \$280 to his hometown by Express Mail. In the form that he filled out he did not mention that he was sending money and only indicated that he included some photographs. The package never arrived to its destination. In Anaheim, Luis filled out a claim form to inquire about his package. A year has elapsed and they have not told him anything about the package. Fortunately, since he used a cashier's check he went to the bank and claimed the money. After 90 days the money was reimbursed into his account.

### 3) Bank to Bank Money Transfers

The bank to bank transfers could only be made in places that have bank branches. In all the towns we studied this could be done with the exception of Temastian. While in Autlan there are branches from all the Mexican banks, in Pegueros there is only one branch from Banca Promex. In Cihuatlan there are branches from Bancomer and Banamex. Finally, Arandas has branches from Bancomer, Banamex, Banca Promex and Bitel. In all of these places there are also currency exchange houses (*Casas de Cambio*) and various other businesses such as stores, pharmacies and liquor stores that also buy dollars.

In addition to the problem about the availability of banks in certain areas of Jalisco, many of our interviewees have limited use of bank services and for this reason they do not use them to send money remittances. While 88 per cent of our interviewees have some type of bank account

in the United States, only half of them use (ATMs). Fifty two per cent of people who receive money remittances in Mexico have some sort of account and in most cases it is a savings account.

There is a substantial difference between those who use ATMs and those who do not use them. ATM users are younger (39 years old) and have at least a high school education. They also send more money. On average they sent \$1,400 last year. Finally, half of those who use ATMs used the banks to send money to Mexico last year.

In comparison, people who do not use ATMs have a median age of 52 years and only six years of education. Last year they sent an average of \$1,000 through money orders sent by mail or in cash through relatives and friends.

In general, bank to bank money transfers are considered a good option since they are reliable and rapid. For some, it would be ideal to have “binational bank accounts” to transfer money to relatives in Mexico, but they fear that banks may charge high fee for this service.

Of all the banks that do these types of transactions, Bancomer is the most popular among our informants because it is a Mexican bank that has branches in Los Angeles and is associated with the US Postal Service. According to one of our interviewees, Bancomer is offering bank accounts to people who live in the U.S. so that they could give to their relatives an ATM card to withdraw money from that account in Mexico.

A migrant from Temastian would like to have an account with Banamex in Los Angeles because his sister lives close to a Banamex branch in Guadalajara. “Everything would be much easier if all the Mexican banks would have offices where many Mexicans live.”

#### 4.- Remittances through Money-Wiring Companies

The general feeling in relation to the companies that wire money to Mexico such as Western Union, MoneyGram and Orlandi Valuta is that these companies offer a fast service but for a very high price which includes an adverse exchange rate for the dollar. In general there was a negative attitude towards these companies, which was probably generated by the publicity surrounding the lawsuit against Western Union and MoneyGram.

Our interviewees talked about dishonest treatment of customers. Pedro, a native from Autlan related that employees from one of these companies try to intimidate customers by speaking in English to those who only speak Spanish. In one case, a person was originally charged \$37 for transferring \$200 to Mexico. After a long discussion the company accepted to charge only \$8.50. Another of our interviewees had to send \$150 for an emergency in Mexico. He went to one of those companies and according to him: “with excuses the employees didn’t want to tell me how much they were going to charge me for the service... at the end they only sent \$135.”

Nonetheless, one of our interviewees was satisfied for the service that he received in Western Union. Raul paid \$34 for sending \$450, which were made available in Colima within 15 minutes. Fortunately thanks to a last minute special offer, Raul only paid \$26. His relatives had the option to pick up the money at four different locations: Bital, Bancomer, Elektra and Woolworth. Furthermore, he was given the opportunity to make a fast free phone call to their relatives informing them about the remittance.

### **3.- Final Considerations**

Our pilot study on the money remittance industry reveals that there is a very tight market for money transfers to Mexico and that in general, Mexican migrants in Los Angeles send a large

amount of money, pay high transaction fees and receive a poor service.

Although the participants in our focus groups belong to an older immigrant cohort, live in the company of immediate relatives and are long-term residents of the United States, they still send a substantial amount of money to Mexico. We can assume that younger Mexican migrants who support parents, spouses or children living in Mexico send more money. For this reason, based on the results of our small non-random sample of Mexican migrants, we can hypothesize that the general Mexican immigrant population in Los Angeles sends at least \$1,000 per year per household.

The most important finding of our study reveals that in spite of living in the core of the informational society, the participants of our focus groups use the most traditional money remittance mechanisms, specially sending cash through relatives or friends. This mechanism is based on the great circulation of people between Mexico and the United States and on the social networks that are established between relatives, friends and *paisanos*. The second most important mechanism is sending money orders and other documents by mail. This reflects the general perception that banks and money wiring companies do not meet the Mexican migrants' needs.

In general, Mexican migrants have little trust on banks and money wiring companies. This is a very important finding because some of our informants expressed that the ideal system to send money to Mexico would be via the banking system because it can be a more reliable and fast method. Participants in our study suggested that they would like to have "binational bank accounts" which could be used by persons in both countries to transfer money. The only problem they see is that banks always charge high fees for their services. The limitations for bank to bank transfers is that banking services are not available everywhere in Mexico. There is also opposition on the part of potential customers, mainly older and with lower levels of education, who for

example resist the use of ATMs.

The participants in our study have developed very creative ways for sending money to Mexico outside the formal mechanisms. Two methods call our attention: the remittance of money from Tijuana and the use of personal checks.

Several of the focus groups participants who live in Orange County send their money to other parts of Mexico from Tijuana. Most of them, exchange their dollars for pesos in San Ysidro where they get a favorable exchange rate, cross the border and send the money via a telegram or through banks. This is a very reliable mechanism and is less expensive than any service in the United States. On one occasion, Ruben who is from Autlan sent \$1,700 to Queretaro to buy musical instruments. He paid \$114 for such transaction with MoneyGram. Since he thought that the service fee was very high and he needed to send another \$800, he decided to go to Tijuana and send the money via Telegrafos de Mexico which resulted very inexpensive. Ruben reflected “with the money that I have to pay in the United States, I can go to Tijuana, eat in a good restaurant, have fun and send the money.”

Mario who is from Arandas and has an art crafts store in Orange County does something similar. He exchanges his dollars in San Ysidro and then sends the money from Bancomer in Tijuana. Mario likes this system because the money he sends is in pesos and therefore does not have to pay any other fee.

Esteban does not send money to Cihuatlan very often but when he does, he likes to send it bank to bank in Tijuana. Esteban enjoys going to Tijuana: “as soon as I cross the border I feel different.” In Tijuana Esteban deposits the money directly into his brother’s account and only pays \$6 dollars for any amount he sends. “In three seconds my brother could dispose of the money.”

It is obvious that the option of sending money from Tijuana is only limited to Mexican immigrants who are documented in this country and for those who live in cities near the border region. However, it is interesting to see that Mexican border cities like Tijuana provide this type of financial service, in addition to entertainment and health services.

One of the most original methods we discovered was the use of personal signed blank checks that Mexican migrants leave behind with their close relatives in their hometowns. When need arises, relatives fill out the check and cash it at a *Casa de Cambio* or in any other store where they know them. In 1994, one of our informants cashed a personal check for \$5,000 at a currency exchange house in his hometown. Half of the money was given to him in dollars and the other half in pesos. This system is based on trust because there is a personal relationship between currency exchange houses owners and their clients. Many of the participants in the focus groups told us that they could cash personal checks in their hometowns. The system of leaving personal signed blank checks is relatively risky but it is very convenient because the person manages money remittances with his or her own checking account.

Money remittances to Mexico subsidize agriculture and other industries. However, the emergence of a more settled Mexican population in the United States might lead to an important decline in the amount of money migrants send to Mexico. A more settled immigrant population is beginning to shift their investments to the United States putting their resources into housing, education, and the formation of small businesses (Alarcon, 1995).

Money remittances also play an important role in Mexican communities. Due to the absence of a welfare state in Mexico, money remittances that migrants send function as the Aid to Families with dependent Children (AFDC), Supplemental Security Income (SSI), Medicare and Social Security for a large number of Mexican Families.

The participants in our focus groups told us that they as all immigrants deserve a just and efficient money transfer industry.

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ANNEX 1

**North American Integration and Development Center  
University of California, Los Angeles**

**QUESTIONNAIRE FOR PARTICIPANTS IN FOCUS GROUPS**

1.- Age \_\_\_\_\_ 2.- Gender \_\_\_\_\_

3.- Place of Birth \_\_\_\_\_

Municipality \_\_\_\_\_

State \_\_\_\_\_

4.- What was the last grade you attend at school ? \_\_\_\_\_

5.- Occupation \_\_\_\_\_

6.- Do you own a house in the United States ?

Yes \_\_\_\_\_ No \_\_\_\_\_

7.- Do you own a house in Mexico ?

Yes \_\_\_\_\_ No \_\_\_\_\_

8.- When did you come to the United States for the first time ?

Year \_\_\_\_\_

9.- Does your family live with you in the United States ?

Yes \_\_\_\_\_ No \_\_\_\_\_

10.- Since when have you lived permanently in the United States ?

Year \_\_\_\_\_

11.- How many times did you send money to Mexico last year ?  
(September of 1996 to September of 1997)

\_\_\_\_\_

12.- How much money did you send to Mexico in total last year ?  
(September of 1996 to September of 1997)

\_\_\_\_\_dollars

13.- What services did you use to send money to Mexico last year ?  
(September of 1996 to September of 1997)

[Please, mark all the services you used]

Bank to bank transfer:

- Bancomer
- Bank of America
- California Commerce Bank - BANAMEX
- Wells- Fargo - BANAMEX
- Other Bank \_\_\_\_\_

US Post Office:

- Dinero Seguro

- Money Order
- Aeroexpress
- Express Pay-Mex
- Giromex
- Mexico Express
- Money Gram
- Money Max
- Orlandi Valuta
- Ria Envia

Western Union

- Dinero en Minutos
- Giro Telegrafico
- In cash through relatives and friends
- Other \_\_\_\_\_

14.- When was the last time that you sent money to Mexico ?

Month \_\_\_\_\_ Year \_\_\_\_\_

15.- Which service did you use to send money the last time ?

\_\_\_\_\_

16.- How much money did you send to Mexico the last time ?

\_\_\_\_\_ dollars

17.- How much did you pay for the service ? \_\_\_\_\_ dollars

18.- How would you evaluate this service in terms of :  
(1- Very Good 2- Good 3- Not Good 4.- Bad)

Quickness of transaction	( )
Safety of transaction	( )
Cost of transaction	( )
Fees in Mexico (to pick up the money)	( )
Exchange rate of dollar	( )
Courtesy towards customers	( )
Business hours	( )

19.- Do you have a bank account in the United States ?

Yes \_\_\_\_\_ No \_\_\_\_\_

What kind ? Checking \_\_\_\_\_ Savings \_\_\_\_\_ Other \_\_\_\_\_

20.- Do your relatives in Mexico have a bank account ?

Yes \_\_\_\_\_ No \_\_\_\_\_

What kind ? Checking \_\_\_\_\_ Savings \_\_\_\_\_ Other \_\_\_\_\_

21.- Do you use ATMs ?

Yes \_\_\_\_\_ No \_\_\_\_\_

What do you use them for ? Withdrawals \_\_\_\_\_ Deposits \_\_\_\_\_

Money Transfers \_\_\_\_\_

## ANNEX 2

**North American Integration and Development Center  
University of California, Los Angeles**

### **GUIDE FOR DISCUSSION OF FOCUS GROUPS (Moderator's Guide)**

**Each focus group will consist of 12 members of the Jalisco Home Town Associations. Participants must have experience in sending money to Mexico.**

Our discussion will center around three topics:

- 1.- Evaluation of the Mechanisms for Remittance Transfers to Mexico
- 2.- Characteristics of Immigration to the United States from your home town
- 3.- Home Town Association activities

#### **EVALUATION OF THE MECHANISMS FOR REMITTANCE TRANSFERS TO MEXICO**

- 1.- This question is to be answered by each of you. Based on your experience, how would you evaluate the quality of the existing mechanisms to send money to Mexico ?
- 2.- Have you had any problems sending money to Mexico?
- 3.- How can the services to send money to Mexico be improved?
- 4.- Would you use bank services to transfer money to Mexico?

- 5.- Would you use ATM cards to transfer money to Mexico ?
- 6.- Would you be willing to use the “money in minutes system” ? By using this service, your relatives can pick up the money in a local store in your town (i.e. grocery stores, pharmacies etc.).
- 7.- What do you think of the Patronato del Ahorro Nacional ? Would you be willing to save in this institution in Mexico ?
- 8.- Would you be willing to receive information about investment opportunities in your region of origin ? This information can be provided by the State Government of Jalisco.
- 9.- How do your relatives utilize the money that you send ?
- 10.- Do you know if your relatives save part of the money that you send ?
- 11.- Do you know if your relatives have invested a portion of the money that you have sent them?
- 12.- Would you be willing to invest in a business in Mexico?

## **IMMIGRATION TO THE UNITED STATES**

- 13.- Where are the people from your hometown concentrated in the United States?
- 14.- What kind of jobs do the people in these locations have?
- 15.- What collective projects of production have been started by the people from your hometown that now reside in the United States ?
- 16.- What collective projects of public interest have been started by the people from your hometown that now reside in the United States ?
- 17.- What are the most important businesses in your hometown that were started with money earned in the United States ?

## **HOME TOWN ASSOCIATION ACTIVITIES**

18.- How is your Home Town Association organized ?

19.- Where in Southern California do the Home Town Association members reside and where do they work ?

20.- What activities does your Home Town Association carry out in your town in Mexico?

21.- What activities does your Home Town Association in the United States carry out in order to raise money?

22.- What future plans does your Home Town Association have ?

**Costs of Remitting US\$300 to Mexico from Los Angeles on January 27<sup>th</sup>, 1998**

FIRM	TYPE OF SERVICE	PARTNER IN MEXICO	DURATION	NOTIFICATION	SEC. CODE.	ID REQ.	TRANSA FEE
Western Union	Giro Telegrafico	<b>Telegrafos</b>	1-2 Days	Notice Delivered to House	No	No	
Western Union	Dinero en Minutos	Elekra	"Minutos"	Sender Must Notify (\$2.95)	Yes	No	
Western Union	Dinero en Minutos	Centrales	"Minutos"	Sender Must Notify (\$2.95)	Yes	No	
Western Union	Dinero en Minutos	Telecom	"Minutos"	Sender Must Notify (\$2.95)	Yes	No	
Western Union	Dinero en Minutos	Telegrafos	"Minutos"	Sender Must Notify (\$2.95)	Yes	No	
Western Union	Dinero en Minutos	Hecali	"Minutos"	Sender Must Notify (\$2.95)	Yes	No	
Western Union	Dinero en Minutos	Banco Promex	"Minutos"	Sender Must Notify (\$2.95)	Yes	No	
Western Union	Dinero en Minutos	Bital	"Minutos"	Sender Must Notify (\$2.95)	Yes	No	
Western Union	Dinero en Minutos	Woolworth	"Minutos"	Sender Must Notify (\$2.95)	Yes	No	
Western Union	Visa/Mastercard/Disc.	All of the above	"Minutos"	Sender Must Notify (\$2.95)	Yes	No	
Money Gram	Next Day	Banamex	24 hours	Prepaid 3 min. phone card	Yes	Yes	
Money Gram	Instant	Banamex	Instantly	Prepaid 3 min. phone card	Yes	Yes	
Money Gram	10 minutes	Gigante	10 mins.	Prepaid 3 min. phone card	Yes	Yes	
Money Gram	10 minutes	American Express	10 mins.	Prepaid 3 min. phone card	Yes	Yes	
Money Gram	10 minutes	Salinas y Rochas	10 mins.	Prepaid 3 min. phone card	Yes	Yes	
Money Gram	Giro Telegrafico	Telgrafos office in sm. Town	3-5 Days		Yes	Yes	
Money Gram	Visa/mastercard: next day	Banamex	24 hours		No	Yes	
Money Gram	Visa/mastercard: instant	Banamex	Instantly	Prepaid 3 min. phone card	Yes	Yes	
Money Gram	Visa/mastercard: instant	Banamex	Instantly		No	Yes	
Money Gram	Visa/mastercard:10 mins.	American Express & Salinas y Rocha	10 mins.	Prepaid 3 min. phone card	Yes	Yes	
US Post Office	Dinero Seguro	Bancomer (1,200)	3-15 Min.	Prepaid 3 min. phone card	Yes	Yes	
US Post Office	Money Order (\$3.00)	Mexican Post Office	1 Month	Delivery to House	No	No	
US Post Office	Money Order (\$3.00)	Mexican Post Office	5-10 Days	Delivery to House	No	Yes	
US Post Office	Money Order (\$3.00)	Mexican Post Office	2-3 Days	Delivery to House	No	Yes	
CA Commerce Bank	Banmex Express	Banamex	Few Mins	Sender Must Notify	Yes	Yes	
Wells Fargo Bank	Intercuenta Express	Banamex	24 hours	Directly into receiver's Acct	no	Yes	
Orlandi Valuta	Money Transaction	Various contract Offices	3 min.	Sender Must Notify	Yes	Yes	
Orlandi Valuta	Money Transaction	Bancomer	24 hours	Sender Must Notify	Yes	Receiver	
Ria Envia	Money Transaction	Casa de cambio	2-3 hours	Sender Must Notify	Yes	Both	
Ria Envia	Money Transaction	Bancomer	24 hours	Sender Must Notify	Yes	Both	
Ria Envia	Money Transaction	Banamex	24 hours	Sender Must Notify	Yes	Both	
Ria Envia	Money Transaction	Telegrafos	3 days	Notice delivered to house	No	No	
Bancomer	Envio directo	bancomer	15 Min.	Sender Must Notify	Yes	Receiver	
Aeroexpress	Deliver Personal Check	Delivered to City or Pueblo	24-48/hrs.	Delivery to House	No	Receiver	
Aeroexpress (\$3)	Deliver Personal Check	Delivered to City or pueblo	24-48/hrs.	Delivery to House	No	Receiver	

\* Exchange rate used by firm on 1/27/98

\*\*Difference from the bank exchange rate of 8.2 pesos per dollar

\*\*\*Does not include annual cost of bank accounts or value of phone call/delivery/notification