

THE WISE JUNK FEES REPORT



January 2024

7Wise

What's in this report

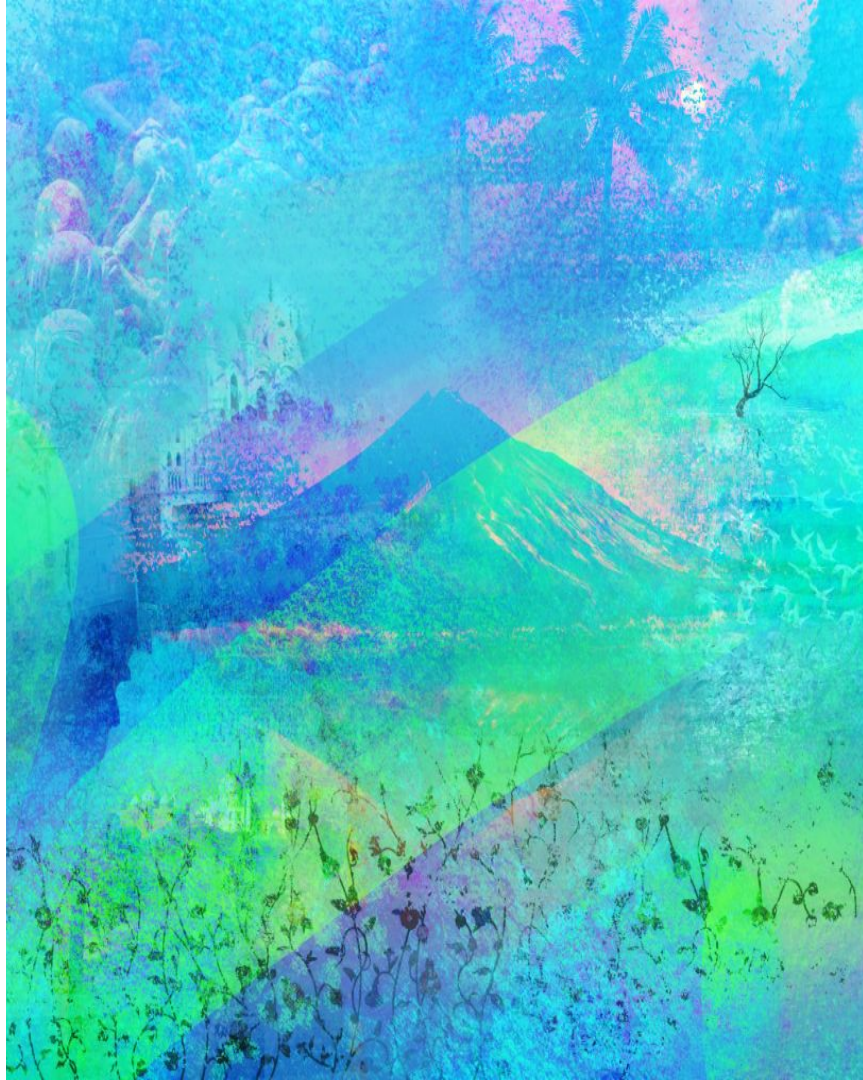
Before 2023, most Americans had likely never heard of a junk fee — but they had definitely experienced them. When the Biden Administration drew more attention to these harmful unexpected fees Americans were experiencing every day, people paid attention.

However, this new category still has a lot of unknowns about it. Including how Americans view junk fees and what they're experiencing when it comes to them.

That's why Wise and Morning Consult surveyed 2,000 Americans nationwide to understand and uncover:

- The impact junk fees have on Americans
- What industries Americans most feel the impact of junk fees from
- How growing awareness of junk fees is impacting purchasing behavior and brand trust

Ultimately, we hope this report will help to inform regulators and policymakers working on junk fees initiatives about the sentiment, concerns and action consumers are taking in response to these fees.



Why do we need to better understand junk fees?

Junk fees are everywhere

It's no secret that junk fees are a near-universal issue facing American consumers. These fees are found across industries — everything from travel to financial services — and the financial and emotional toll Americans are dealing with because of them is very real.

As it stands, there are a few core industries that have been called out to eliminate junk fees. This is a good first step, but more must be done to help Americans.

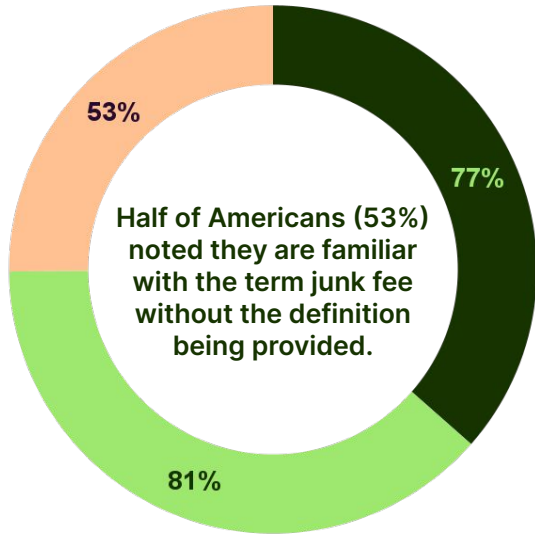
But where are Americans feeling the impact most?

In conducting this research, Wise and Morning Consult uncovered further areas of impact where consumers are feeling the strain of junk fees.

While initiatives focused on travel, hospitality and entertainment are crucial, there are everyday areas of American life where junk fees also need to be eliminated.

RESEARCH FINDINGS

Americans may just be starting to understand junk fees, but they definitely feel the strain of them



Importantly, a majority of Americans (81%) do consider a **fee that is hidden in a financial transaction to be a junk fee.**

With the definition shared, this **risks to 77% of Americans.**

In fact, Americans said they **are most impacted by a junk or hidden fee being included when using a credit card or in financial services.** Utility bills, hotels and event tickets also ranked highly.

The top areas noted for experiencing unexpected fees when making a purchase include:

- 27%** Financial Services 🏠
- 41%** Hotels 🏨
- 37%** Utility bills 📄
- 36%** Credit cards 💳
- 31%** Event tickets 🎫

The reality is that consumers are feeling the pressure of junk fees in their day to day lives.

27%



Americans said junk fees have created more financial stress than other issues (like inflation)

22%



Stated they have adjusted their budget to accommodate them

56%



Over half said junk fees are negatively impacting their financial situations

51%



Have reported a negative impact on their emotional well-being

As awareness builds, junk fees are now driving consumer choice

Over three-quarters (76%) of Americans said junk fees have impacted how they choose which companies to buy from or use.

Half (50%) of respondents say they've started to ask about fees before making a decision or purchase

And 42% of Americans said they have changed or stopped using a specific company or brand that had a junk fee.

It's clear consumers are paying attention.

Junk fees are also shifting purchasing habits

Nearly one-third (31%) of respondents stating they've delayed or canceled certain plans for a purchase because of them.

Plus, 36% said they delayed or canceled a purchase, but only after they learned about a junk fee they were not aware of.

Financial transactions are a crucial area consumers experience junk fees

The strain of junk fees isn't just impacting consumer choice, it's also affecting trust — particularly for financial services

Almost two-thirds (62%) of respondents noted that their experience with junk fees has made them **less trusting of financial services institutions**.

Respondents noted their financial situations were negatively impacted by a multitude of transactions

Among those respondents who have experienced a junk fee in a financial transaction, their financial situations were negatively impacted most by overdraft fees (79%), not paying a bill on time (73%), and closing costs and home buying fees (75%).

Consumers have been experiencing unexpected fees in financial transactions and it's adding up.



Respondents noted top areas for unexpected fees are:

Charges for using a credit / debit card at ATMs in a foreign country

29%

Overdraft fees

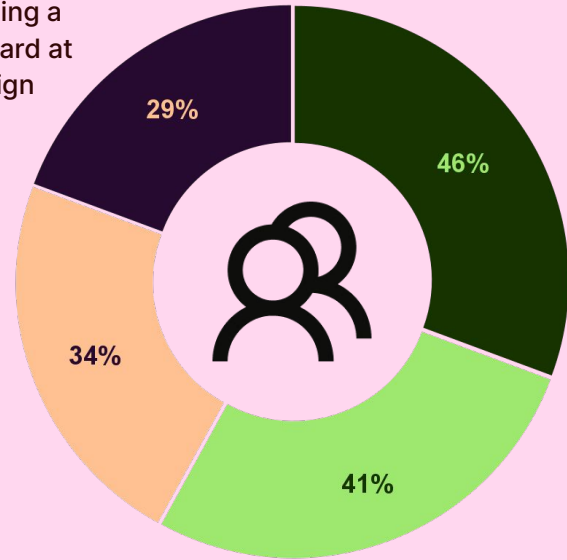
34%

Late fees for not paying a bill on time

41%

Convenience fees for using a credit card

46%



Importantly, international payments and transactions are a main point of concern for Americans.



Consumers who have experienced a junk fee in a financial transaction noted negative impacts from:

↑ **70%**

Sending a payment to someone in another country

↓ **69%**

Receiving a payment from another country

🏠 **64%**

Using a credit card in a foreign country

↓ **64%**

Using a credit / debit card at ATMs in a foreign country

Junk fees initiatives must extend to international payments — and Americans know it

Consumers are looking twice at financial services providers, especially for international payments

68% of consumers will or have changed who they use for international money transfers due to markup on exchange rates after experiencing an unexpected fee.

Whether you frequently send money internationally or not, markups on exchange rates are a problem

Americans are aligned here — 81% agree that a hidden fee included in a currency exchange transfer (i.e. currency exchange markup) is a junk fee.

94% noted it would have a negative impact if they or their recipient incurred an unexpected fee when sending money overseas.

The expectation from Americans is clear.

Among all survey respondents an overwhelming 89% agreed that all fees should be transparent before sending money.

The 2024 election may be swayed by junk fees



71%

Nearly three-quarters of Americans noted junk fees are impacting how much they want policymakers to prioritize this issue.

74%

In fact, looking at the upcoming election, Americans said junk fees are an important issue when determining a candidate to support or vote for.

**WHAT HAPPENS
NEXT?**

The research shows

**Action must be taken against
junk fees in financial
transactions and international
payments**

Additional research shows Americans lost \$5.8 billion in hidden exchange rate markups during 2023

Exchange rate markup is a junk fee

The numbers speak for themselves: Americans are losing billions of dollars in unexpected and hidden fees within exchange rate makrips.

This is a junk fee. And action must be taken accordingly to help the millions of Americans being impacted.

Transparency can solve this problem

Bringing transparency into international payments and remittances will save Americans billions of dollars.

The World Bank agrees, having stated that a lack of transparency in the market is one of the most important reasons why the price of international transfers remains high.

Here's the current situation with international payments and remittances in the US

\$656b

The World Bank's estimate for the growth of global remittances

\$67.8b

Forecasted remittance volume for the US in 2023

5.66%

The average cost of sending a remittance in the US

\$12.1b

The amount Americans lost in foreign exchange transaction fees in 2023 [in addition to hidden exchange rate markups]

Let's talk junk fees in international payments

What can be done?

As a start, we need to include financial transactions, including international payments / remittances, as part of junk fees initiatives by regulators and policymakers.

The research is clear — this is a priority area for Americans. They feel a serious impact of junk fees in everyday payments.



Specifically, let's do this:

We know junk fees initiatives are continuing to grow and expand, which is why we're advocating for the following:

- The White House to incorporate transparency in exchange rate markup in junk fees initiatives
- The CFPB to update the Remittance Rule to require exchange rate markups to be included as a fee
- The CFPB to issue Best Practices Guidance providing instructions for simplified, transparent pricing of remittance disclosures
- Congress to include banning hidden fees in exchange rate markups in upcoming legislation on junk fees

What can Americans do about junk fees?



Tell the CFPB about your experience

Help us end junk fees in remittance payments by **sharing your hidden fees story** directly with the U.S. consumer finance watchdog (CFPB). This will help save Americans millions of dollars.

Join Nothing to Hide

Our **global grassroots campaign** strives to bring transparent pricing to international payments to help achieve the United Nations Sustainable Development Goal of reducing remittance prices below 3% by 2030.

THANK YOU

APPENDIX

Research Background & Methodology [slides 5-12]

This poll was conducted between November 2 - November 9, 2023 among a national sample of 2,006 adults.

The interviews were conducted online and data were weighted to ensure a nationally representative sample of the U.S. population.

Results from the full survey have a margin of error of plus or minus 2 percentage points. Percentages in this report may not add up to 100% due to rounding.

Research Background & Methodology [slide 15]

Research for the exchange rate markup fees was conducted by Capital Economics. Capital Economics has estimated the fees on foreign exchange transactions paid by US consumers and small and medium-sized businesses nationally and in every state.

The estimates are produced for the years 2018 to 2023 using data from US and international organizations as well as research of the typical transaction fees and exchange rates margins charged in five areas: consumer travel spending abroad, remittances sent from the US, trade in goods and services by small and medium-sized enterprises and portfolio investment earnings abroad.

