

## **Sleeping With the Enemy?**

### ***Credit unions must carefully choose their partners in person-to-person payments***

By Lisa Hochgraf

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Most people heard about how money could be sent to the Haiti relief effort by pressing certain numbers on their cell phones. This great example of person-to-person payments resulted in millions of dollars being transferred, according to Terence Roche, principal of CUES Supplier member [Cornerstone Advisors Inc.](#), during the most recent “Quarterly Slant” Webinar.

Sending money to charity using your mobile phone is one example of how P2P is heading for mainstream, Roche suggested. He cited statistics from Javelin Research showing that monthly usage of P2P systems almost doubled from 2008 to 2009 and that 44 percent of consumers said they have initiated an online P2P transfer in the last 12 months.

And the people who used P2P to send money to help Haiti are not alone. According to Roche, statistics from CUES Supplier member Fiserv, Brookfield, Wis., show that consumers will use P2P (either mobile or Web-based) to make a donation to charity (53 percent); send money to someone (88 percent); request money from someone (43 percent) or collect or contribute to a group gift (40 percent).

“The infrastructure is being very quickly built and the opportunity is there,” Roche said of the emerging P2P marketplace. “You could need to borrow money to pay your highway toll and we could send it to you right now.”

A key issue for credit unions considering getting into P2P payments is choosing the right partner, Roche noted. Right now, PayPal is the largest and perhaps most widely known player in the space. Partnering with PayPal can have the benefit of linking a financial company with its large base of customers already signed up for the P2P service, Roche said. And credit unions won’t be the first institutions to think of this.

In two key deals, [FIS](#) will link its bill-pay system to PayPal, and [S1](#) has connected its mobile banking system to create a PayPal-based P2P transfer service that can be offered through phones. [Mercantile Bank of Michigan](#) is planning to introduce a “powered by PayPal” mobile payment system that enables customers to send money to people using either an e-mail address or a cell phone number.

In contrast, [Fiserv](#) is integrating P2P into its legacy CheckFree bill-pay platform, but built the technology in house. [CashEdge](#) is launching POPmoney, its new e-mail and mobile person-to-person payments service. [MasterCard](#) has announced its Mobile Money Send, using technology from [Obopay](#). [Visa](#) is piloting P2P at U.S. Bank. And [American Express](#) purchased P2P provider [Revolution Money](#) for \$300 million.

Needless to say, every major player is going to offer some kind of service, Roche noted, but only a few standards are going to survive. Partnering with PayPal or another of the many players in this arena—all often viewed as credit union competitors—may seem like sleeping with the enemy. But choosing the right partner, the one that turns out to be the market survivor, may be a key strategic move.

“If Steve (Williams, another principal of Cornerstone Advisors) and I are going to exchange, he has to sign up and I have to sign up,” Roche said, noting that he thinks the marketplace winner might be the company that makes it easiest to join. “Credit unions and banks have got to be watching who do we partner up with and who’s going to survive?”

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