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## SPECIAL REPORT: TECHNOLOGY

### P2P Is All The Rage, But Will Members Actually Use It?

By Kevin Jepson, *Technology Correspondent*

MUSKEGON, Mich.—Person-to-person payment services are popping up suddenly at hundreds of online and mobile banking sites, despite relatively low consumer adoption, according to a leading bill pay provider—meanwhile, a \$44-million CU here has offered the service to members for more than four years.

“Person-to-person gives members one more avenue to pay their bills,” said Tim Hichue, CEO, First General CU. “We like for members to be able to do everything at our homebanking site because it’s easier for them and cheaper for us.”

Only three of the CU’s 200 bill pay users actively use the free person-to-person (P2P) payment service, provided by iPay Technologies, he said.

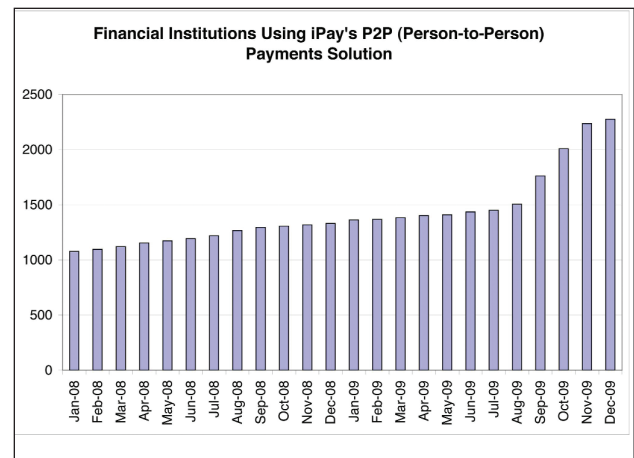
“We’re seeing a massive number of financial institutions signing up for person-to-person payments,” said Bill Ready, president at Elizabethtown, Ky.-based iPay, which delivers bill payment systems to 3600 U.S. financial institutions, a 40% market share.

About 1,400 of those financial institutions were offering iPay P2P payments as of June, but since then, nearly 1,000 more have signed-up, said Ready. More than half of those 1,000 financial institutions are credit unions, he said.

“The trajectory is going to continue,” he added, estimating that another 1,000 financial institutions will deploy iPay P2P this year.

The surge in person-to-person (P2P) payments deployments among iPay clients is not a coincidence, suggested Ready. Instead, the sudden popularity of P2P is most likely a response to PayPal’s recent interest in financial institutions and partnerships with FIS and S1, two financial services technology providers, suggested Ready.

“Paypal forced the issue with the announcement that it wanted to



partner with financial institutions” and integrate the PayPal P2P payment platform into existing online bill payment systems, explained Ready.

Hence, Paypal has helped make P2P payments “a requisite part of electronic services. Financial institutions would probably rather control the transfer of money as part of their existing payment application than have the money transferred through PayPal. And most consumers would probably choose to have their money transferred for free by their financial institution rather than pay for it at PayPal.”

iPay has teamed up with more than 50 online and mobile banking providers so that members can make P2P payments at the credit union’s online or mobile banking sites.

First General members can’t take the mobile P2P payment option yet, but that will change once the CU deploys mobile banking this year, Hichue said.



Bill Ready  
iPay



Tim Hichue  
First General CU

Although more than 200 of First General's 500 Internet banking members actively use First General's bill pay service, only three members are actively making P2P payments—and they choose the email payment option, said Hichue.

"I'm surprised that even three people are actively using it," he observed. "We don't push it. P2P is infrequent; there's only three or four times in a year that you might need as a convenience."

A broader set of members makes P2P payments on a sporadic basis, he said.

"Demand for P2P payments is created through less predictable consumer activities," added Ready. iPay plans to help financial institutions increase P2P payment usage by offering direct email campaign services and banner advertisements that clients can run on their websites, he said.

Members have two payment options with iPay P2P: payments can be sent by way of the recipient's email address or via direct check. P2P transaction history appears alongside all other bill payment transactions in online and mobile banking.



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