



# UNITE

## CREDIT UNION



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## Top Peer-to-Peer Payment Apps: Pros, Cons and How to Use Them



Peer-to-peer payment services are apps or app features that allow you to send money to other people — often by searching for their phone number, email address or username — quickly and usually for free.

Here are some of the most common P2P services available, the benefits and drawbacks of each (according to NerdWallet), and a few comments from experiences our members have had with some of these services.

## Zelle

**What it is:** Zelle is a service that is offered by most major banks in the U.S. and allows people to send money to other Zelle users either through their bank account or the Zelle app.

**How it works:** After setting up a Zelle account either through their bank or the Zelle app, users can send or request money by entering another Zelle user's registered email address or phone number. If the recipient doesn't have a Zelle account, they will have to set one up in order to send or receive money.

### Benefits:

- Money transfers happen quickly. Money transfers to other enrolled Zelle users tend to happen within a matter of minutes. If the recipient isn't enrolled in Zelle, they'll have to enroll before they can receive money.
- Zelle is compatible with many banks and credit unions. Quick, direct money transfers between different banks and credit unions is one of the biggest benefits of Zelle. Unlike some other money transfer services, Zelle transfers money directly into your bank account, so you don't have to wait to move it out of a third-party app.

### Drawbacks:

- You can't connect a credit card to pay others. There are other peer-to-peer payment apps that allow users to connect credit cards for payment, which can be helpful if there aren't enough funds in your bank account or app account.
- This service typically requires a smartphone. If Zelle is available through your bank, you can usually use your bank's desktop login to send money. Otherwise, you'll need a mobile device like a smartphone or tablet to send and receive money through the Zelle app or your bank's app.
- You can't send money to international bank accounts. Zelle only works with domestic banks.

***UNITE Comment:** Zelle is commonly used as a scam on Facebook Marketplace. The scammer contacts a seller through Facebook Marketplace requesting to buy the item and pay using Zelle®. If the seller agrees, scammer asks for the seller's email to send the payment — but the scammer does not send payment. Instead, the scammer convinces the seller to send them money to establish a Zelle connection, and the scammer claims they will refund the seller's money. Once the scammer has the seller's money, they block the seller.*

## Venmo

**What it is:** Venmo is an app that allows users to send money to each other via linked bank account, Venmo balance or credit card. The service is owned by PayPal, but it has some different functionality compared to PayPal's peer-to-peer money transfer service. One of Venmo's most interesting draws is that the app also offers a free, optional debit card that allows users to spend money from their Venmo account balance.

**How it works:** Users download the Venmo app and create an account. They can then link a bank account or credit card to fund their Venmo account; then they can send, request or receive money from other Venmo users.

**Benefits:**

- A lot of people use Venmo, so it can be a convenient way to go cashless. At the end of the first quarter of 2019, PayPal announced that Venmo had 40 million users, which makes it a very popular way to send, request and receive money.
- Free, optional debit card. Users who opt in to the Venmo card can use the debit card with retailers, and the card will draw upon the user's Venmo balance for funding. The debit card also gives users cash back for shopping at certain retailers, which is added to a user's Venmo balance.

**Drawbacks:**

- There's a fee to send money via credit card. Venmo charges 3% of the transfer total to send money via credit card.
- Venmo charges a fee for instant cash-out transfers to your bank account. There's a 1% fee — with a minimum of 25 cents and a maximum of \$10 — if you want to transfer your Venmo funds instantly to your bank account. Otherwise you'll have to wait one to three business days to receive your funds for free.

## Cash App

**What it is:** Cash App is a money transfer app created by Block Inc. that allows people to send money via their Cash App balance or linked bank account, credit card or debit card. The service offers an optional debit card — called a Cash Card — that allows users to spend the money in their Cash App balance as well as receive “cash boosts,” which are savings that are applied to various vendors.

**How it works:** Once Cash App is downloaded to a smartphone or tablet, users create an account and link a debit card, credit card or bank account. Once their Cash App account is set up, they can send, request and receive money from other Cash App users as well as invest in stocks and buy and sell bitcoin.

**Benefits:**

- Free, optional debit card. Cash App gives users the option to receive a “Cash Card” debit card that allows them to spend their Cash App balances at different retailers.
- “Cash boosts” can help users save money. Users who have the Cash Card can use Cash App to activate “cash boosts,” which are discounts with certain retailers that are automatically applied to a purchase (e.g. 10% off of a DoorDash order). Only

one cash boost can be active at a time, but users can easily switch which cash boost is active in the app.

- Users can use the app to invest in stocks and buy and sell bitcoin. A unique feature of Cash App is that it allows users to invest their money in individual stocks as well as buy and sell bitcoin, potentially allowing them to earn money through the app.

**Drawbacks:**

- There's a fee to send money via credit card. Cash App charges a 3% fee to people who use a credit card to send money.
- A fee for instant deposits. Cash App offers free standard cash outs — which take one to three business days to deposit to your linked debit card — but if you want an instant cash out deposit, Cash App will charge a 1.5% fee with a minimum of 25 cents.

*UNITE Comment: While CashApp does have security features in place, we have seen quite a bit of fraud when using CashApp. Here is an article about [12 commonly known CashApp scams](#).*

## PayPal

**What it is:** PayPal is a payment service that runs the gamut of helping people with personal money transfers, online purchases and e-commerce. Using PayPal as a peer-to-peer money transfer service, individuals can send money to each other via a linked bank account or a debit or credit card.

**How it works:** PayPal offers many different functions, perhaps the most popular being payment services for online merchants and buyers. But PayPal also offers P2P money transfers for registered users. Once you've created a PayPal account, you can send and request money by searching for another user's name, email or phone number and then filling out the amount you want to send or request.

**Benefits:**

- The service is widely used and has many payment functions. In addition to peer-to-peer transfers, PayPal allows users to buy and sell online and is integrated with many online retailer checkout pages.
- PayPal has high transfer limits. You can send up to \$60,000 — but may be limited to \$10,000 — in a single transaction. This amount may vary depending on your currency and whether your account is verified.
- There are multiple methods of payment for transfers. Users can send money with a debit card, a credit card, a bank account, PayPal balance and PayPal Credit. PayPal Credit is an individual credit line that's offered by PayPal, and it can be used to send money to friends and family.

**Drawbacks:**

- There's a fee to use a credit card, debit card or PayPal Credit to send money. Sending money via linked bank account or PayPal balance are the only free ways.

The other options all charge a 2.9% transaction fee, and PayPal Credit has interest rates that are on par with credit cards.

- Transfers can take some time to move to and from your bank account to your PayPal account. Free transfers from PayPal to your bank account usually take one business day but can take up to three to five business days depending on your bank's clearing process. If you want to cash out to your bank account immediately, PayPal charges a fee of 1% of the amount transferred, with a maximum fee of \$10.

## Google Pay

**What it is:** Google Pay is a digital payment app that allows users to make purchases and money transfers with a digital wallet.

**How it works:** Google Pay is an app that can be downloaded to Android (running Android Lollipop 5.0 or higher) and Apple devices (iOS 7 or higher) and allows users to not only send each other money but also pay retailers for goods and services if they have a point-of-sale near-field communication reader. Users must download the app, sign in with a Google account and link payment and banking information. Then they'll have access to sending money and making payments. Google Pay users can also split costs for rent, utilities and meals out with each other, and the app helps users do the math.

### Benefits:

- Google Pay can be used at checkout with a lot of retailers. Google Pay isn't just convenient for P2P transfers; it can be useful for day-to-day shopping too. If a merchant has a point-of-sale system with an NFC reader, your smartphone has NFC turned on and you're enrolled in Google Pay, then you should be able to tap your smartphone at the kiosk to pay. Google Pay also now allows customers to activate promotional prices and discounts through the app and save money with retailers.
- It can be used on Apple devices like iPhone and iPad that run with iOS 7 or above. Whereas the Apple Pay Cash app works only with other Apple product users, Google Pay can be downloaded to Android and Apple products alike.

### Drawbacks:

- Only available in the U.S. For U.S. territories, Google Pay is only supported if a linked debit card was issued by a U.S.-licensed bank.
- You can't use a credit card to send money. Google Pay doesn't allow users to link credit cards as a form of payment.

## Apple Pay Cash

**What it is:** Apple Pay Cash allows Apple users to send and receive money in the Messages app, which is compatible with more recent versions of iPhone, iPad, Apple Watch and Mac.

**How it works:** Users enroll in Apple Pay with their compatible Apple device and, after linking a debit card in the Apple Wallet app, they are able to send, request and accept

money from other users through Messages.

**Benefits:**

- You can use Apple Pay at checkout with a lot of retailers. Like Google Pay, the Apple Pay app can make retail transactions fast and convenient. As long as you're enrolled in Apple Pay, have an Apple device with technology that supports NFC and are shopping with a retailer that allows NFC payments, then you can use the app to quickly pay for things.
- Convenient for Apple users. If your friends and family are part of the Apple ecosystem, Apple Pay Cash can be handy for sending, requesting and receiving money.

**Drawbacks:**

- It doesn't work with non-Apple devices. Apple Pay Cash is limited to Apple devices like iPhone, iPad, Apple Watch and Macs with appropriate operating software. Apple Pay Cash can't be used on Android devices, which means it might be a limited way to send money to friends and family if they don't have iOS products.

## Social media money transfers

**What it is:** Some social media and communication networks allow users to send peer-to-peer money transfers to each other. Facebook Messenger, for example, allows people to send, request and receive money via linked bank account.

**How it works:** Users can usually easily enroll in a social network's P2P payment system by linking a bank account, debit card or PayPal account. When they want to send or request money, they can send a payment message over the platform to another enrolled user. If another user is sending you money, it should automatically appear in your linked bank account.

**Benefits:**

- Money transfers usually happen quickly. If both parties are already enrolled with a linked bank account, they should be able to send and receive money instantaneously. Transfer speed may vary depending on how long it takes to enroll in the money transfer service or if your bank takes a while to post money to your account.
- It's a convenient way to pay or request money from friends and family. If your friends and family are already using the same social networking site as you, then it can be easy and convenient to send money.
- Some apps allow users to send money abroad. Facebook Messenger allows U.S. users to send money internationally, although some countries are ineligible for the service.

**Drawbacks:**

- Usually limited to very basic transfer features. Social networks don't typically offer the additional bells and whistles of debit card offers or smartphone cash register



transactions. These social networks also might not allow users to send each other payments with credit cards.

- The danger of scams. Perhaps more so than other payment services, social networks can be attractive to scammers since they're much more personal platforms. Be on the lookout for payment requests from other social network users that you don't know in person or that seem out of character for people you do know. Cybercriminals can hack accounts or spin tales that are meant to tug at your heartstrings before they ask for money. Some common tactics include romantic scams, lottery scams, donation scams, inheritance scams and loan scams.

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UNITE Credit Union was established in 1955, and since then has provided financial services to the students, parents of students, alumni, faculty, staff & retirees of the University of Northern Iowa; the employees, families & retirees of MidAmerican Energy & the students, parents of students, alumni, faculty, staff & retirees of the Cedar Falls School District.

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