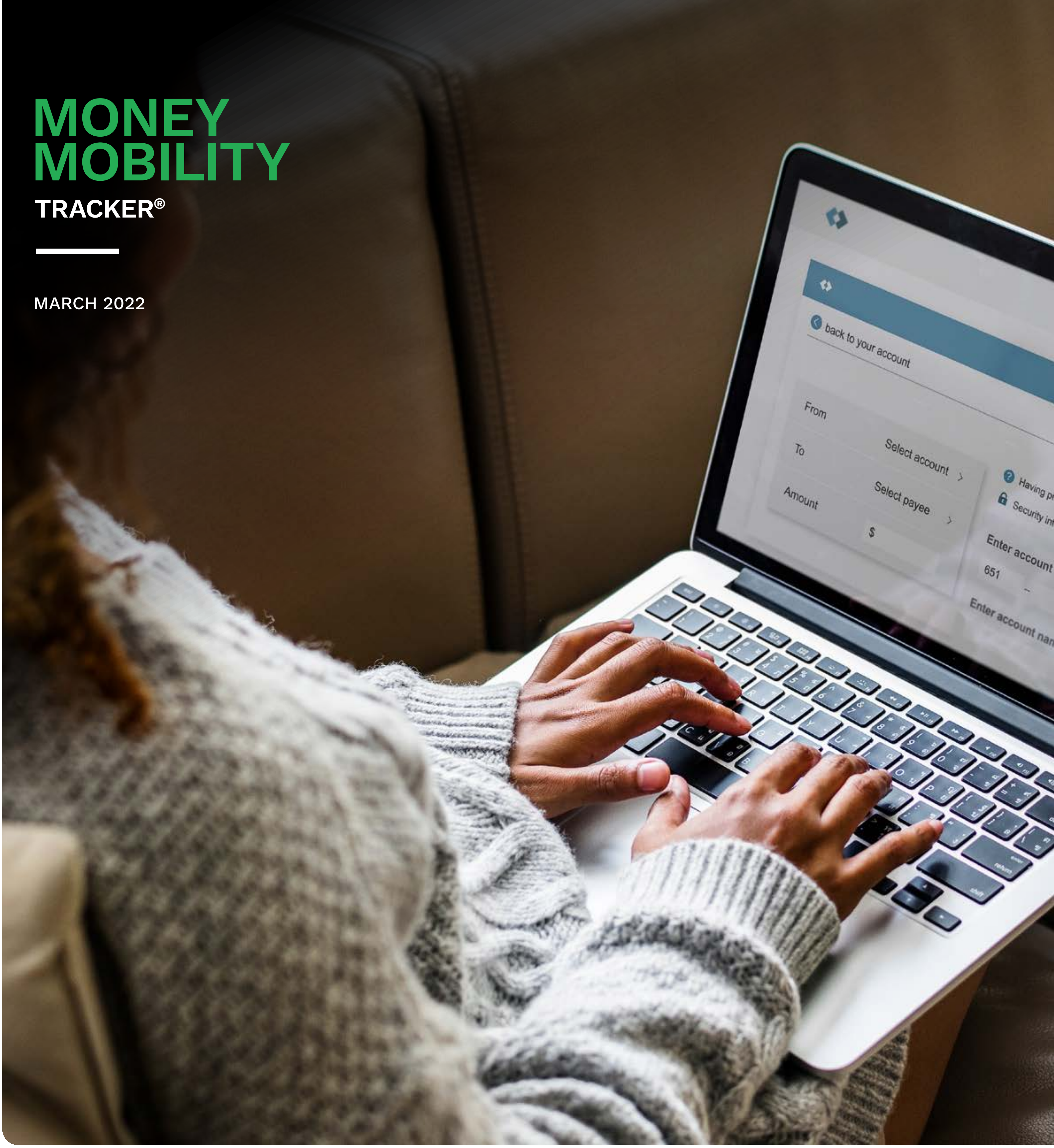
MONEY MOBILITY
TRACKER®

MARCH 2022



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ACKNOWLEDGMENT

The Money Mobility Tracker® was produced in collaboration with Ingo Money, and PYMNTS is grateful for the company's support and insight. PYMNTS.com retains full editorial control over the following findings, methodology and data analysis.

Read the previous edition

FEBRUARY 2022

Disbursements Tracker®

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EDITOR'S LETTER

The majority of consumers opening new accounts now choose a digital route to do so, even though far more customers still open accounts with traditional banks than with digital-only financial institutions (FIs). Regardless of the account type — whether digital wallet, peer-to-peer (P2P) or checking — consumers are often linking these new accounts and funding them with accounts they already have.

Not all these transactions are as smooth and easy as they could be, and users face obstacles even when moving money between their own accounts. Money mobility is the next frontier in the digital-first migration, according to Drew Edwards, CEO of Ingo Money, and pioneers reaching it could write the roadmap to a whole new ecosystem. Modern money movements remain the technology-enabled equivalents of their legacy banking counterparts, he charges, in which money might be withdrawn via ATM from one account and physically transported for deposit in another. Consumers today access all those accounts through a single mobile device, but moving money between them still means navigating time and accessibility hurdles.

The key problem is that the same door through which account openers walk could also admit bad actors seeking to commit fraud, whether by simply stealing someone's good name and credit history or by actually stealing their money. Even when the transaction involves paper checks, potential for criminal misconduct exists. Digital-only FIs and other FinTechs that accept mobile check deposits to accounts have to guard against potential fraud and misuse alongside ensuring that digital funding channels are secure. As with other funding routes, they must do this while making sure their security measures do not drive consumers away.

This first edition of the Money Mobility Tracker®, a PYMNTS and Ingo Money collaboration, examines the challenges impeding money mobility for consumers and details the concerns that FIs and FinTechs will need to address to ensure both seamless and secure money mobility across all accounts.

Thought Leadership Team

Feature Story

Current On Honing
The Neobank Edge In Money Mobility

MONEY MOBILITY — THE EASE WITH WHICH MONEY CAN BE MOVED INTO, OUT OF AND BETWEEN ACCOUNTS — IS CRITICAL FOR BOTH CONSUMERS AND ACCOUNT PROVIDERS, WHETHER THE LATTER ARE FIs OR OTHER KINDS OF FINANCIAL SERVICE PLATFORMS.

"People expect to get things instantly," Josh Stephens, vice president of product at neobank Current, told PYMNTS in a recent interview. "Now we live in a world of instant gratification, and I think money is really no different there."

Despite the demand for greater money mobility, the banking system is still relatively archaic in how it handles the transfer of funds, he said. Especially in the U.S., the automated clearing house (ACH) system still drives how money moves from one bank to another. Consumers do not understand all the infrastructure involved in transactions or why they get delayed, though. They just want to see results.

"[The demand is] being driven, certainly, by a younger demographic [that] has a need for things to be faster and quicker, but also because [for] folks who really need access to money, getting it quicker becomes the main pain point," Stephens said.

Lifestyle shifts have influenced the demand for better money mobility, he said. From paying shared rent to splitting the bill for a meal or just sending money to friends, consumers want their electronic transactions to be just as fast and simple as cash transactions — without having to figure out change.

"These are things that we expect to happen right away, and the need to continue pushing in that direction is pretty critical right now," Stephens said.

MAKING MONEY MOBILITY A PRIORITY

Stephens said that Current, as a neobank, has always prioritized ensuring that account holders can move their money as quickly as possible. One of the first features the company offered was the ability to make direct deposits available to account holders two days before these funds would normally appear in their accounts.

“Over time, we’ve invested in everything from instant deposits to instant peer-to-peer transactions to instant cash deposits. All of these things are driven by the idea of getting money to people as quickly as possible,” he said.

Even Current’s approach to overdraft protection works to help with money mobility. Stephens said the program permits account holders to overdraft by as much as $200 without linking to another account or taking any other measures. While there are some eligibility restrictions, the program permits account holders to avoid overdraft fees or unpaid bills because of late deposits or small miscalculations.

“We help people bridge that gap with instant access to funds that we know they are good for, because it’ll be coming in their next paycheck,” Stephens said.

Current’s instant cash deposit system enables the neobank to provide cash deposits without having any physical branches. Through a partner FinTech, Current offers account holders the ability to take cash to a number of national retailers and have it credited to their accounts. The account holder uses the Current app on a mobile device to find a location, and the app generates a bar code that can be scanned from the mobile device’s screen. At the chosen location, the customer only has to hand over the cash and have the barcode scanned for it to be credited instantly.

“Although I think we’re moving toward a cashless world, that’s certainly not the case right now,” Stephens said. “So it’s still very important for us to be able to handle quick experiences when it comes to cash, whether that’s putting money in or taking money out.”

KEEPING THE LEADERSHIP EDGE

Smaller neobanks and FinTechs have been leading the way in offering money mobility solutions, Stephens said. From faster access to direct deposits to innovative overdraft solutions, many of the features that larger FIs now offer have been available for some time from companies such as Current. He said he believes smaller, digital-first companies may be nimbler, yet they are also driven to find innovative solutions to stand out. As innovations become more mainstream, neobanks and FinTechs will continue to find the frontiers that larger players have yet to touch. For Current, that means ensuring that customers can access their money as quickly and easily as possible, Stephens said.

“This is not so much about, ‘How do you rewrite the rules?’” Stephens said. “It’s rather, ‘How do you [remove] the complexities and complications that exist right now in the financial system and not put it on the consumer to have to figure out why their money is taking three days to deposit into their bank?’”

Stephens said that Current uses the term “banker’s hours” — the historically short working hours of traditional banks — to refer to a time when banking cared fairly little about convenience or availability. For FinTechs and neobanks that want to stay at the cutting edge of money mobility, it will be essential to recognize whether a hurdle is truly immovable or just a case of “banker’s hours.”

Q&A

DREW EDWARDS
CEO

How significant will money mobility be for consumers in the future when choosing where to open an account?

Money mobility will emerge as one of the top defining features in a consumer's choice of a financial partner over the coming months and years.

Consider how Amazon made two-day delivery standard and is now upping the game to same-day delivery. It forced large incumbents like Target and Walmart to follow suit and has made speed and cost key considerations when consumers choose a shopping partner online.

Consumers use those same filters of speed and cost when picking a rideshare or food delivery service. They can toggle between Lyft and Uber or DoorDash and Uber Eats to see which service will arrive faster and for less money.

That same determination is coming to money mobility, with the added feature of customer choice. People expect to safely send or receive money to and from any account in real time and at a competitive cost. As this capability becomes more ubiquitous, consumers will pick and choose their preferred financial partners based on the quality of their money mobility features.

Providers that offer ubiquitous payments choice, instant transactions and complete confidence at a competitive price will earn loyal users and gain top-of-wallet status. Money mobility will become the new "sticky."

What areas of money mobility are more challenging for FinTechs and digital-only FIs in comparison to traditional FIs?

One of the biggest challenges in offering money mobility is the ability to mitigate risk and reduce fraud.

A true money mobility capability allows for the instant deposit of funds from any account or transaction medium — checks, cash, ACH, app, etc. — and the ability to then immediately send those same funds to any destination account. This creates a number of liabilities that impact a company's risk factor, especially when the customer acquisition and onboarding flows are 100% digital through online or mobile.

For one, instant inbound account funding — from any modality — is rife with fraudsters. In a money mobility solution, deposited funds can instantly be spent or sent to another account. If fraud is found after the fact, providers cannot claw back this money and are on the hook for the loss.

Traditional FIs have a built-in fraud filter by virtue of their account-opening process (especially when in person), creating friction and potentially introducing a human component that makes it harder for a fraudster to succeed.

FinTechs and digital-only FIs are most at risk in this scenario because they are built around an easier, digital account-opening process, exposing them to a higher number of fraud attempts. Many of these FinTechs are also operating in specific niches and without the scale of the large banks, which leads bad actors to target them more frequently and to test their defenses.

Furthermore, they have limited visibility into the larger financial ecosystem, in part because nonbank FinTechs have limited access to bank-shared databases. But even these databases are not foolproof because they are devoid of data points tracking nonbank transactions and behaviors. Without full visibility into what's happening both inside and outside of the banks, these FinTechs are challenged to offer a good customer experience while controlling for bad actors.

For those companies with limited visibility beyond their own horizons, it's critical that they enlist fraud databases and select partners that incorporate marketwide visibility of good and bad actors. This provides a fuller view into the larger marketplace and, by leveraging a cross-functional network effect, can significantly lessen their risk profiles.

PYMNTS Intelligence

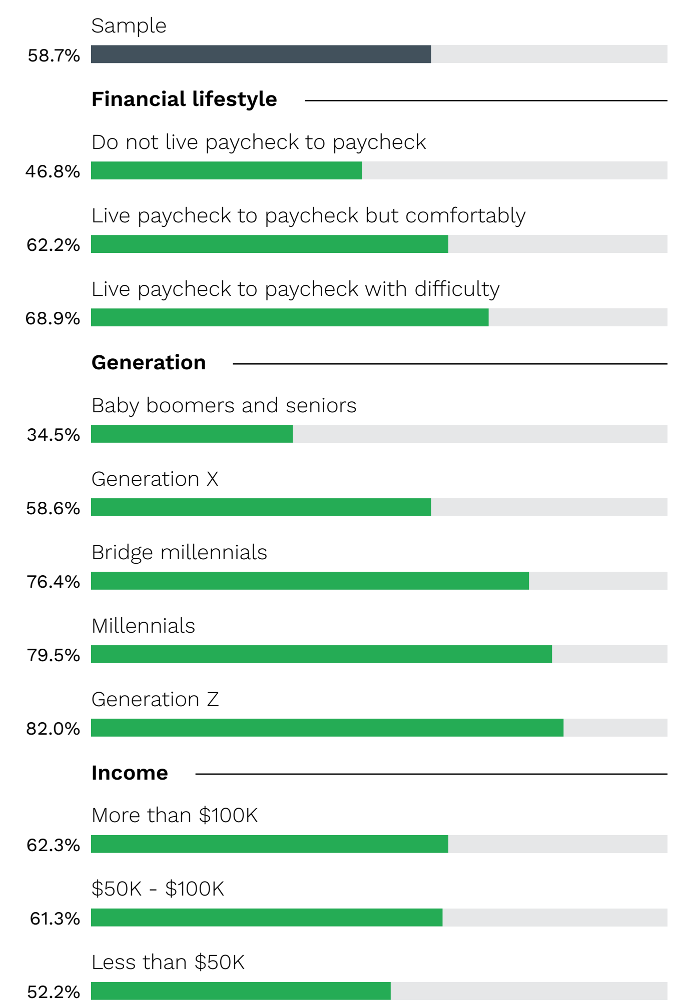
Overcoming The Challenges Of
The Money Mobility Ecosystem

THE NUMBER OF REGISTERED MOBILE MONEY ACCOUNTS GREW 13% IN 2020 TO 1.2 BILLION ACCOUNTS WORLDWIDE —

double the expected growth for that period. The number of active accounts rose as well, with consumers using their accounts more frequently and for new and more advanced use cases. This all took place alongside an increase in transaction values, with the global value of daily transactions exceeding $2 billion for the first time ever. By the end of 2022, the global value of daily transactions is expected to exceed $3 billion.

FIGURE 1:

Financial accounts opened by consumers
Share of consumers who opened new financial accounts in 2021, by demographic



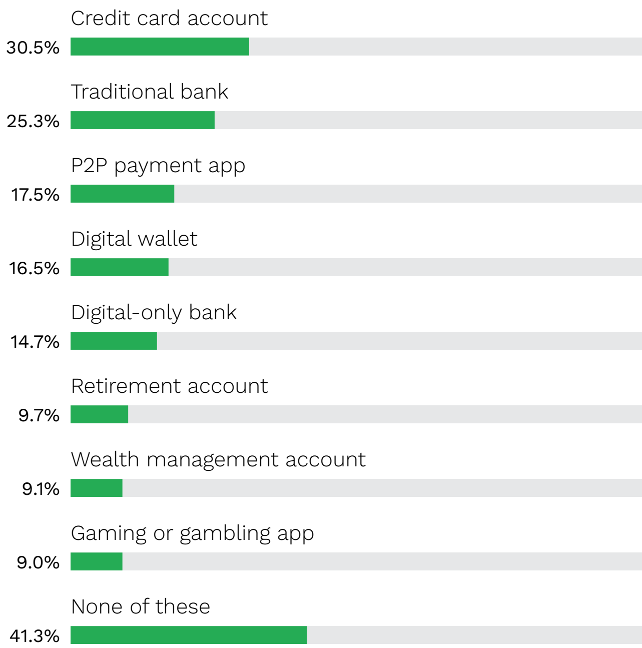
Source: PYMNTS.com

Despite that growth, not all monetary transactions are as simple or easy as they could be, and users face restrictions even in moving money between accounts they own. Drew Edwards, CEO of Ingo Money, told PYMNTS that some modern money movements are the tech-enabled equivalents of removing money from one account through an ATM and traveling across town to deposit those funds into a different account. Today those accounts are all accessed through a single mobile device, but moving money between them still requires overcoming barriers affecting both accessibility and processing time.

This month, PYMNTS Intelligence examines the challenges impeding money mobility for consumers and the concerns FIs will need to address.

FIGURE 2:

Financial accounts opened by consumers
Share of consumers who opened new financial accounts in 2021, by account type



Source: PYMNTS.com

THE WHO, WHERE AND HOW OF ACCOUNT OPENINGS

During 2021, 59% of U.S. adults opened a new financial account. Not surprisingly, Generation Z consumers, many of whom are just getting started in their financial journeys, led in opening new accounts, as 82% did so. Millennials and bridge millennials were not far behind, however, at 80% and 76%, respectively.

Credit cards were the top pull for consumers, with 30% of U.S. adults opening a new account for one in 2021, while 25% opened a traditional banking account, 18% created an account with a P2P payment app and 17% opened a new digital wallet account. Just under 15% of surveyed consumers opened accounts at digital-only banks.

Digital still has a place even outside digital-only financial products, and 76% of new accounts opened in 2021 were opened using either a web browser or a mobile app. In addition, 41% of consumers said they were more likely to use digital channels to open a financial account in 2021 than they were in 2020.

FIGURE 3:

Accounts opened and funded at the same time
Share of consumers who opened and funded an account at the same time, by account type

Source: PYMNTS.com

GETTING AROUND THE MONEY MOVEMENT OBSTACLE COURSE

Even in opening all these new accounts, money mobility comes into play. The most common way for consumers to fund a new account was by linking it to an existing bank account, with 48% of surveyed consumers saying they funded a new account by this means. Even 80% of P2P payment accounts were funded as they were opened, with 59% of those funded by linking a personal bank account.

Whether funding a new account or transferring money between different accounts, consumers can encounter challenges and may have to get creative in how they move money. If the accounts are with the same institution, the task may be relatively simple, but even a credit card that bears the same logo as the FI where a checking account is held may be serviced by a separate company.

When consumers need their money to arrive reliably and on time, they may turn to other options, such as transferring money to themselves using a P2P app. They may also simply fall back on the familiar paper check. With modern mobile check deposit, users may be able to write a check from one account and immediately deposit it into another they own. This harks back to the analogy put forward by Edwards, though, and even raises some concerns about fraud for digital-only FIs. He pointed out in a separate interview that checks have become a fraud magnet and a particular concern for digital institutions.

FinTechs can successfully manage these risks, Edwards said, by giving consumers the opportunity to choose between making a deposit or paying a fee to have instant irreversible access. This makes check transactions safer because the consumer can choose to take the risk themselves for free or pay a fee and cover the costs necessary to ensure funds availability.

As consumers explore their options for financial accounts, many providers will be looking to stay ahead of the competition by making account opening smooth and easy. FIs also will not want to do anything that hinders consumers' access to and movement of their funds among various accounts. For neobanks and FinTechs, the key will be to manage the fraud risk in a way that both keeps customers satisfied and minimizes the potential for bad actors to exploit the system.

NEWS & TRENDS

TRENDS IN CONSUMER **MONEY MOBILITY**

MASTERCARD SEND AIMS TO DO HEAVY LIFTING IN DELIVERING INSTANT PAYMENTS

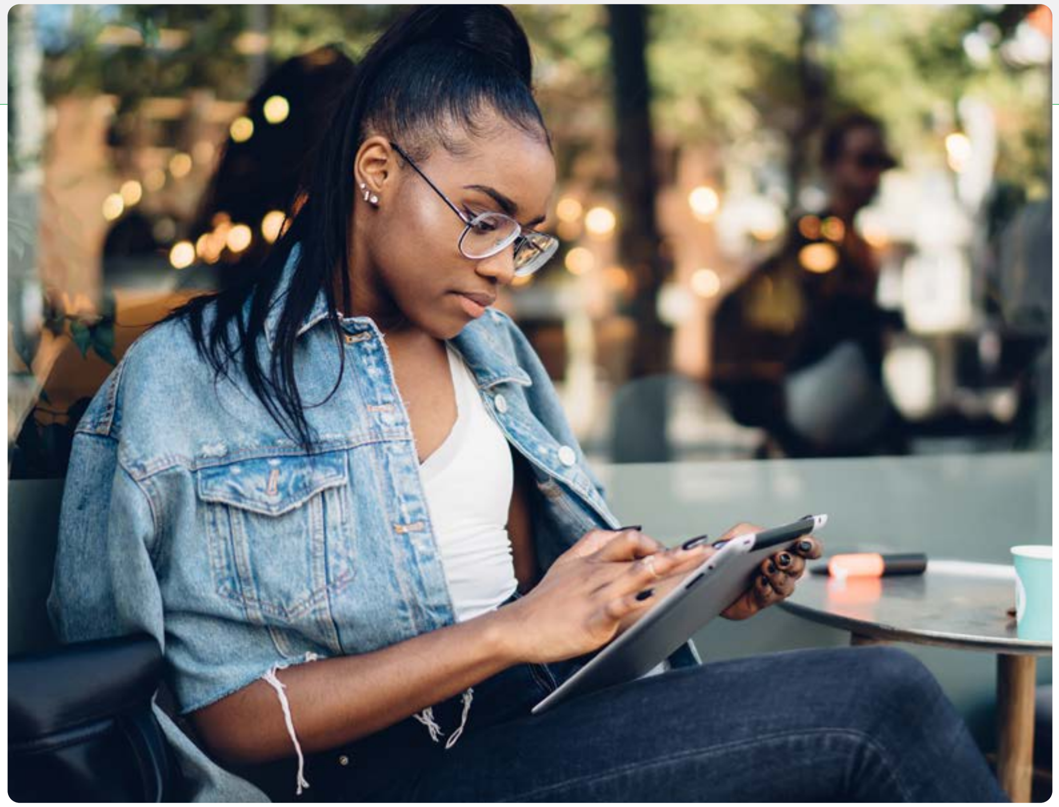
Connecting the disparate pieces of consumers' digital journeys will be key to making the connected economy work, and this means that open banking and in-place payment rails will have to coexist and collaborate. The optimal method of moving money may also vary. In some cases, card payment rails may be the simplest way, while some transactions may make more sense through account-to-account (A2A) transfers. The Mastercard Send Partner Program is one example of how industry players are attempting to develop solutions for banks, FinTechs and system integrators seeking to deliver instant digital payments.

The Send program seeks to facilitate collaboration among stakeholders to develop commerce ecosystems across old and new payment rails with rapid global scalability. It aims to avoid the added burden of direct integrations and permit partner firms to offer enterprise clients instant digital payments without having to create payment and commerce solutions.

CHECKING ACCOUNTS SERVE AS A MONETARY STOPOVER FOR MANY CONSUMERS

Most consumers treat their checking accounts as waypoints for funds. Money that is deposited into a checking account usually already has a set expense for which it will be used only a short time later. As a result, consumers rarely have significant balances in their checking accounts for prolonged periods of time. Of the 95% of U.S. consumers who have a checking account, a recent survey indicates that 34% maintain a balance of less than $100. Some keep a larger cushion against potential overdrafts, and 29% of surveyed consumers said they have a running balance that exceeds $1,000.

Even the 13% of consumers who keep more than $2,000 in their checking accounts that is not earmarked for a specific expense may fall well below the threshold some experts recommend. A general recommendation is for consumers to pad their checking accounts by approximately 25% to 30% of their monthly expenses while also keeping enough in to cover one to two months of living expenses. Other experts argue that consumers should have any extra funds in savings accounts earning interest, pointing out that moving money into less-accessible accounts reduces the chance of losing those funds to fraud.



DIGITAL BANKS BECOMING MORE COMMON PRIMARY CHECKING ACCOUNT PROVIDERS

Younger consumers are increasingly looking to digital banks as their primary FIs, with more than one-quarter of those aged 21 to 26 and almost one-third of those aged 27 to 41 saying their primary checking account providers are digital. Digital banking is not just for the young, though, and the portion of consumers aged 42 to 56 who said they have their primary checking accounts with digital providers grew from 8% in October 2020 to 22% in January 2022.

All those consumers must come from somewhere, and there is some indication that larger banks such as Bank of America and JPMorgan Chase are taking the biggest hits to digital providers. There has been a significant decline in the portion of consumers reporting that they have a primary checking account with a large national bank since the start of the pandemic, with drops ranging from 10 to 18 percentage points.

MANAGING EXPOSURE TO **THEFT AND FRAUD** IN THE DIGITAL AGE

ADDRESSING THE RISK OF CHECKS AS A FUNDING SOURCE FOR DIGITAL TRANSACTIONS

Even as the world moves further from cash transactions, checks remain a significant part of payments and are even growing as an inbound funding source for digital accounts. Alongside that growth in checks as a payment tool is a subsequent growth in check fraud as well. The American Bankers Association estimates that $15 billion in check fraud happens annually. For FinTechs, the challenge is whether to cash checks for their customers, taking on the risk of potential bad checks themselves, or to offer depository services, leaving the risk on the customer making the deposit if the check does not go through.

Regardless of which approach FinTechs take, they will also need to determine the speed at which funds will be made available. Even when waiting periods are enforced against deposits, the waiting period may not be sufficient to offset the risk that the check will be returned: 12% of check returns occur after 10 days, according to Ingo Money.

CYBERCRIMINALS TAKE TO STEALING PAPER CHECKS

While consumers increasingly want ease of movement for their funds, there are still times when they would rather keep their money out of someone else's hands. Payments are becoming increasingly digital, but fraud and theft in the physical world still pose a significant risk. Criminals are still exploiting physical mail for theft and fraud activities, and reports of mail theft rose 161% year over year between March 2020 and February 2021. Thieves are not simply stealing checks and cashing them under fraudulent identities, moreover, as incidents also include altering checks to change the amount and the intended recipient.

Thieves may not even cash the checks themselves, and stolen checks regularly show up in online black marketplaces for sale — a trend that evidence suggests is on the rise. Those who have to rely on mailing out paper checks can invest in monitoring services that will alert them if their information, such as that displayed on a check, shows up on a black market site, but most methods ensuring against fraud will still catch the theft only after it has already happened.

Finding the way toward secure money mobility

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As FIs, FinTechs and other financial services providers adapt to the digital transformation, they will need to determine how to provide all the payment rails consumers want for their disbursements in a way that offers both security and ease of use.

Share of consumers more likely to continue doing business with senders offering select disbursement methods[1]

Digital disbursements are becoming more common, but many consumers would still prefer to receive some other form of payment, making it essential for providers to be able to maintain multiple payment rails.

66%
Free instant payments

39%
Three- to five-day bank account deposit

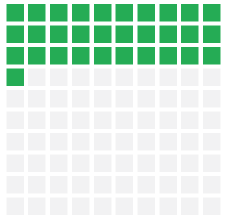
40%
Multiple options, excluding instant payments

34%
Check only

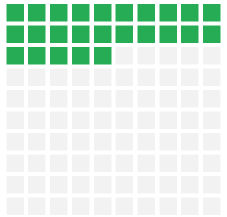
Share of consumers who opened new accounts, by account type[2]

In 2021, consumers opened a variety of new accounts of all types, the majority of them through digital channels. At the same time, not all accounts they opened were digital-first.

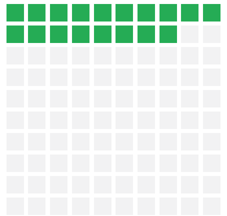
31%
Credit card account



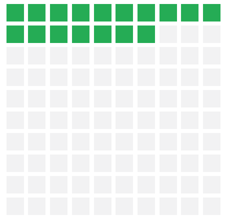
25%
Traditional bank



18%
P2P payment app



17%
Digital wallet



Share of consumers who funded new accounts in select ways, by account type[2]

Consumers tended to prefer funding new accounts by linking them to existing ones.

Funded new account by linking personal bank account:

36%	Traditional bank account
60%	Digital wallet
47%	Digital-only bank

Funded new account by transferring money with credit or debit card:

17%	Traditional bank account
17%	Digital wallet
30%	Digital-only bank

Funded new account with payment:

44%	Traditional bank account
22%	Digital wallet
21%	Digital-only bank

1 The State Of Consumer Disbursements 2021. PYMNTS.com. November 2021. https://www.pymnts.com/study/the-state-of-consumer-disbursements-instant-payment-choice/. Accessed March 2022.

2 Account Opening And Loan Servicing In The Digital Environment. PYMNTS.com. February 2022. https://www.pymnts.com/study/account-opening-and-loan-servicing-in-the-digital-environment-consumer-finance-digital-payments/. Accessed March 2022.

MONEY MOBILITY TRACKER®

ABOUT

PYMNTS.com

PYMNTS.com is where the best minds and the best content meet on the web to learn about "What's Next" in payments and commerce. Our interactive platform is reinventing the way in which companies in payments share relevant information about the initiatives that shape the future of this dynamic sector and make news. Our data and analytics team includes economists, data scientists and industry analysts who work with companies to measure and quantify the innovation that is at the cutting edge of this new world.

Ingo Money is the money mobility company. Founded in 2001, it provides technology platforms and expert risk management to fintechs, banks and businesses that enable safe and instant money movement, from any source to any destination. Ingo's solutions power deposits and transfers for inbound and outbound money flows, cross-platform P2P and digital payouts, with network reach to more than 4.5 billion bank accounts, cards, digital wallets and cash out locations. This transformation of traditional payments helps businesses reduce cost and delays while dramatically improving the consumer experience. Headquartered in Alpharetta, Georgia, Ingo employs over 200 professionals and serves some of the largest brands in North America.

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