

The Risks of Money in Apps

Notice from the CFPB issued to consumers



The Consumer Financial Protection Bureau (CFPB) recently issued a notice to consumers warning those who store money in popular payment apps like Venmo, PayPal, or Cash App that their funds may not be safe if these apps lack federal deposit insurance coverage. Payment apps, also called peer-to-peer or P2P apps, have grown in popularity and make it easy for consumers to purchase items from retailers, pay back a friend for dinner, and even tip street performers. In fact, the Pew Research Center says more than three-quarters of adults in the United States use a P2P app, and the CFPB estimates \$893 billion in transactions were made on these apps last year alone.

These P2P apps are used to send and receive money, and you can store money in an account on the app. While they are convenient and widely used, money stored in the app is not always covered by insurance from the Federal Deposit Insurance Corporation (FDIC). The CFPB is advising payment app users to transfer any large balances to FDIC-insured bank accounts for safe keeping.

Did you know payment apps can earn money with your stored funds? Instead of received payments being deposited into a user's linked bank account automatically, the app stores the money on the platform and can invest the funds for their gain. While the likelihood may vary depending on an app's user agreement, if these investments were to fail, customers could lose their money if it is not stored in an insured account.

Helpful Tip

Send yourself an automatic, monthly reminder to move *large* balances from your payment apps to your insured bank account linked on the app.

Do you know where your money is?

Credit cards, checking accounts, savings accounts, certificates of deposit – chances are, you have several of these! Add your payment apps to this list, and it can be hard to remember where your money is and what it's being used for. Keeping track of all your accounts using a spreadsheet, app, etc. and attributing a purpose for each account can help you monitor your spending and increase your money awareness. Visit this spreadsheet often to adjust the account amounts.

Read the CFPB notice at www.consumerfinance.gov.