



For Customers of Ross Business Development, Inc.

# RBDFASTFACTS PEER-TO-PEER PAYMENT APPS

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## FASTFacts Peer-to-Peer Payment Apps

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### Disclaimer

"The material contained in this document is not comprehensive of the continually emerging issues surrounding policies in The Multifamily Housing industry. In addition, the handbook guidance is derived from The HUD Handbook 4350.3 Rev 1 Change 4 released in August 2013 and in December 2013 and subsequent notices and memos from HUD.

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## FASTFacts Peer-to-Peer Payment Apps

### PEER TO PEER PAYMENT APPS (EWALLET)

Millennials have grown up, and while they were busy revolutionizing the technology sector with smartphone payment applications, HUD has not adapted to the changing realities of how people interact.

Owner/agents must address how to handle new types of assets such as Peer-to-Peer payment apps (e.g., *Apple Pay, Venmo, Cash App, Pay Pal, Zelle, etc.*). A Peer-to-Peer payment application is not really a bank account, but rather is a smartphone app that vaguely resembles an escrow account or clearing house. The Peer-to-Peer payment app can be used to receive income or hold assets (*money*).

A resident with a Peer-to-Peer app account can receive funds from anyone, including employers and buyers of goods.

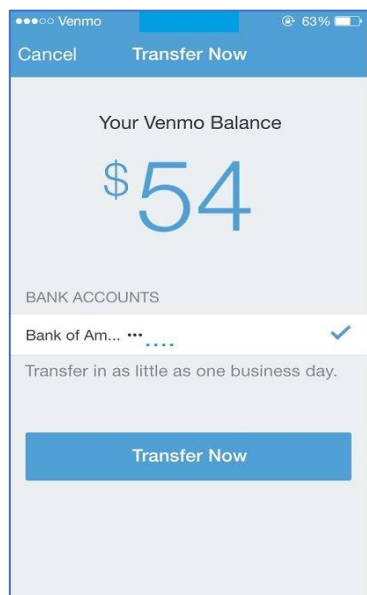
If this transfer was instantaneous, there wouldn't be a problem; the Peer-to-Peer app would simply serve as a bridge, linking two bank accounts, similar to a direct deposit.

However, a Peer-to-Peer app is not a bridge, it is a bridge with a parking lot in the middle of it.

Money is sent from the transmitting bank account and then received and held by Peer-to-Peer apps. Funds transferred from Peer-to-Peer apps into a receiving bank account only when your resident executes the transfer transaction.

In the world of housing, Peer-to-Peer apps are a problem that has not been fully realized yet. More employers are paying their employees through Peer-to-Peer apps, particularly in the wedding industry (planners, DJ's, florists, bakers, professional photographers, etc.).

If your resident never instructs the Peer-to-Peer app to deposit the funds received as wages into the receiving bank account, a problem arises. The resident's bank account would show a zero balance, when in reality, the Peer-to-Peer app could be holding thousands of dollars.



In the case of a wedding caterer, a single day's work could easily yield \$500. If that waiter worked every weekend in a month, there could be \$2000 held in a Peer-to-Peer app that is not accounted for.

A resident can essentially park assets in a Peer-to-Peer app.

Peer-to-Peer apps can be used to hide income or assets.

Why do Peer-to-Peer apps matter during the income review?

Older property managers may not know Peer-to-Peer apps exist, and managers who are aware of its existence rarely ask about Peer-to-Peer app records during certification.

A resident can say they receive little to no wages, produce bank accounts and inventories showing very low balances when in reality they earn substantial income.

A Peer-to-Peer app is neither a bank account, nor is it a social media account, but lies somewhere in between, as a smartphone app that vaguely resembles an escrow account or clearing house.

## FASTFacts Peer-to-Peer Payment Apps

We suggest updating applications and Annual Recertification Questionnaires to ask about Peer-to-Peer payment accounts, eWallets and other like payment exchange accounts.

Until we receive guidance from HUD, owner/agents should decide if they want to treat these solutions. In response to our customer inquiries, we have opted to treat these accounts as a savings account.

Owner/agents should develop a policy and apply that policy consistently.