What is Zelle?

Zelle is a new bank-centric peer-to-peer (P2P) payments app that allows consumers to send and receive money from their mobile devices. Zelle establishes banks as the provider of choice for P2P payments and allows them to take back their share of the market from non-financial institutions, ensuring that they stay central to their customers’ financial lives. Rather than fragmenting the market with hundreds of apps, Zelle unites the financial services community behind a single, real-time P2P payments experience for millions of consumers. Banks in the Zelle network have seen P2P enrollments increase by as much as 300 percent since June 2017.

Customers access Zelle through their bank’s website and mobile app (if offered), or via the standalone Zelle app linked to their debit card. Equipped with an email address or phone number, customers can quickly, safely and easily send money to almost anyone, regardless of where they bank. Backed by the banking industry, Zelle can provide consumers unmatched security and convenience. Users do not have to give up sensitive bank account information to third parties, account details are not shared during transactions, and funds arrive directly in the recipients linked account.

Zelle was developed by Early Warning Services, a bank-owned technology services company. Early Warning’s vision is for a branded network that is offered by all banks and credit unions, widely-recognized by all types of consumers and universally acknowledged as the preferred digital payment solution in the country.

What does Zelle mean for customers?

Mobile Banking App

Consumers with accounts at banks that are part of the Zelle network can access the service through their bank’s mobile app and website. These customers can send payments to almost anyone with a U.S. bank account. Transactions between Zelle users typically occur in minutes unless the recipient has not yet enrolled.

Once enrolled, customers can send, request, or receive money with Zelle. To initiate a transaction, users enter the recipient’s email address or phone number and the amount to be sent or requested. Users also have the option to add a memo line to the transaction.
Zelle also offers a “split” function that gives users an easy way to divide the cost of a group purchase. The user selects each contact that owes him or her money and then enters the total amount to be split. Currently, not all in-network financial institutions have enabled the split feature.

Customers use the same process to send money to those who have not enrolled in Zelle. Recipients will receive an email or text notification letting them know they have been sent money, and the message will then guide them through the enrollment process. If the recipient does not enroll within 14 days, the payment will expire and the funds will be returned to the sender’s account.

Once a transfer has been initiated, it can only be cancelled if the recipient has not yet enrolled with Zelle. To cancel a payment, users access the activity page, choose the payment they wish to cancel, and then select “Cancel This Payment.”

The design experience for Zelle is consistent across in-network financial institutions. However, banks have flexibility to change the font or colors of the app to maintain brand consistency. In-network banks set user transaction limits and have the option to charge a fee at their discretion. Banks may also limit the ability of customers to send or receive money from users of the standalone Zelle app.

**Standalone Zelle App**

To enroll with the standalone Zelle app, customers enter their basic contact information, an email address or U.S. mobile number, and a Visa or Mastercard debit card with a U.S.-based account. Some debit cards do not yet have the capability to receive money in minutes. Those cards that are not “fast funds enabled” can’t be used with Zelle. Zelle does not accept credit cards, international debit cards, or debit cards linked to accounts based in a U.S. territory.

Customers using the standalone app can only send money to users with access to Zelle through their financial institution. Therefore, at least one side of the transaction (sender or receiver) must have access to Zelle through his or her financial institution.

Customers that use the standalone Zelle app must use their smartphone to send or receive money. The weekly send limit for users of the standalone app is based on usage and experience with the service. Initially, the limit is set to $300 per rolling 7-day period with no limit on the number of transactions.
How is Zelle Different?

**Security**—
Zelle was developed by the banking industry and benefits from the industry's cybersecurity expertise. Financial institutions in the network do not share customers' account information with each other, so the risk of account information being captured in-flight or at rest is decreased. Customers that access Zelle through their bank’s mobile app need provide no sensitive account information. Those who use the standalone app need only share debit card information. The Zelle Alias directory used to facilitate payments only includes the phone numbers and emails associated with Zelle profiles.

Furthermore, banks operate in a heavily regulated industry with strong consumer protection laws. It is unclear if certain rules, like Regulation E, adequately protect consumers that use alternative payment services.

**Speed**—
Many P2P payment apps, such as Venmo, store funds within the application. It can take one to three business days for that money to transfer to the user's bank account. Conversely, money sent through Zelle to recipients already enrolled in the network arrives directly in the recipient's bank account, typically within minutes. The funds, once in the recipient's account, are made available immediately. Consumers can access their money through ATMs or make electronic transfers or check payments. This process may take longer if the payment is made to a standalone Zelle app user or someone who has not yet enrolled.

**Fees**—
Some P2P payment apps allow users to expedite the transfer of stored funds to their bank account if they need the funds immediately; however, they charge a fee for the convenience. Zelle does not charge a fee to consumers to send or receive money. However, banks that offer Zelle through their mobile banking applications can elect to charge a fee.

**Privacy**—
Some P2P payment apps have chosen to incorporate a social media element that allows users to see who their friends are sending money to and receiving money from. However, given the sensitive nature of personal finance, Zelle has chosen to keep information about user payments private.

**Relationship**—
In-network financial institutions offer Zelle directly through their online and mobile banking experiences, allowing them to maintain a central role in payments and in the broader financial lives of their customers. More information about joining the Zelle network is included below.
Commerce

Zelle recommends that users avoid using the app to purchase goods or services from strangers if they are unsure they will receive the items for which they have paid (for example, items purchased on sales sites like Craigslist). According to Zelle, neither Zelle nor the in-network bank is responsible for goods or services that are not received or are received but do not meet expectations. While Reg E protects consumers from unauthorized transactions, consumers are encouraged to exercise caution before authorizing transactions with unknown parties.

Some consumers are using Zelle to make payments to small businesses, like lawn services and pet sitters. Early Warning is still in the process of formalizing this use case and expects to make an announcement sometime in the first half of 2018.

B2C Disbursements and Payroll

Zelle enables banks to provide treasury management clients and business clients a new way to digitally disburse funds to their customers, sometimes called business-to-consumer (B2C) payments. Through Zelle, business clients can avoid collecting and storing sensitive account details for disbursement recipients.

Banks can choose to place pricing around these features, creating new revenue streams while reducing cash and check expenses. Furthermore, there are limited options in the market for real-time disbursements, providing banks a competitive advantage.

What does Zelle mean for banks?

Joining Zelle

There are two options for banks interested in joining the Zelle network. The first option involves working directly with Early Warning. Banks can either develop a Direct API into Early Warning internally or work with one of Zelle’s technology integrators to do so. Banks that choose this route are responsible for managing all components of the API. Banks can contact an Early Warning Account Manager at webinquiry@earlywarning.com or contact Zelle through the “Partners” page at zellepay.com. For information about the costs of implementing Zelle, please contact Early Warning directly.

Alternatively, banks that receive technology services from FIS, Fiserv, Jack Henry, or Co-Op Financial Services can learn more about adopting Zelle by contacting their core relationship manager. The four core processors have entered into an agreement with Early Warning to resell Zelle to their bank clients in place of their legacy payments products. Resellers have the ability to help banks with integrating all necessary components of the Zelle experience.

All in-network banks operate under the same set of rules for payments, disputes, settlement and common user experience. Integrations can take as long as six to 18 months depending on a bank’s current capabilities and there is often a waiting list. There are a number of components banks should consider as they determine how best to integrate into the Zelle network:
User Experience—
In-network banks will need to integrate the Zelle branding and user experience into their mobile banking app. Banks that outsource mobile app development will need to partner with their outsourcer to integrate Zelle. Banks must also allow customers to manage preferences within the Zelle app. For example, allowing the user to choose to receive notifications via SMS or email and providing the ability to turn off notifications.

Network Directory—
In-network banks agree to develop and support integration of the Zelle network Shared Directory API, also known as the Alias Directory. Banks are also expected to maintain the relationship of customers’ account numbers to their email and mobile number.

Risk/Compliance—
Banks are responsible for doing the risk assessment on transactions before sending them to the Zelle network. Once transactions have been sent to Zelle, the sending bank assumes liability. Zelle provides receiver side data to assist with risk assessments.

Banks are also required to contribute Account Owner Elements (AOE) and fraud data to Zelle. AOE data helps Zelle tie debit card users to their identities to mitigate fraud. Fraud data allows Zelle to continuously improve and evolve its fraud strategies.

Moving the Money
While money sent over the Zelle network appears immediately in the recipient’s account, the funds are actually settled behind the scenes afterwards. Despite this delay, funds are made immediately available for use by the consumer.

In-Network to In-Network—
If both customers in a Zelle transaction are using in-network banks, the sending bank will conduct a risk assessment of the customers and send the transaction to the Zelle network. Zelle sends a notification to the receiving bank that, through a service level agreement, has five minutes to make the funds available to the recipient. Despite the immediate availability of the funds, settlement takes place over the normal ACH cycle. As was discussed above, banks are responsible for doing the risk assessment on these transactions before they are sent into the network. Once the transaction is sent to Zelle, the sending bank assumes the risk of the transaction.

In-Network to Out-of-Network—
Payments sent to out-of-network users leverage the Visa and Mastercard payment rails. In-network banks are set up as an acquirer with an acquiring VIN for Visa and an acquiring VIN for Mastercard. Once a transaction is sent to the network, Zelle completes the acquiring processing on behalf of the in-network bank. Zelle originates an original credit transaction (OCT) over Visa Direct or Mastercard Send using the in-network bank’s VIN. Visa and Mastercard have 30 minutes to make funds available to recipients. At the end of the day, the in-network bank sends either a wire transfer or ACH to Visa or Mastercard. The liability for in-network to out-of-network transactions always lies with the in-network acquiring bank.
Marketing to Customers

In-network banks and Zelle are both involved in the marketing and consumer messaging around Zelle. The Zelle Rhythm and Flow Campaign consists of display banners, 15-second informational videos, digital audio and radio ads, paid social, paid search, TV, print, and out-of-home marketing. Zelle provides marketing and messaging materials for all areas of the bank as a benefit to in-network financial institutions.

If your bank is not part of the Zelle network, it may still be valuable to educate customers that choose to tie a bank-backed debit card to the standalone Zelle app. More information about the standalone Zelle app user experience can be found above. Common questions include:

Can I use Zelle if it is not offered by my bank?
Yes. Consumers with debit cards linked to a U.S. bank can download the standalone Zelle app.

Can customers connect more than one bank account to their Zelle profile?
As of now, customers can only connect one bank account to their Zelle profile at any given time. Though, customers can change which account is associated with their profile.

How do customers change the bank account linked to their Zelle profile?
The process may vary for customers that access Zelle through their bank’s mobile app. Customers may be able to change the account associated with their Zelle profile by viewing the setting options within their bank’s mobile app. Users can select a different account associated with that financial institution or unregister the phone number or email associated with the account. Customers can contact their bank’s customer support team if additional help is needed.

Customers that use the standalone app should call Zelle at 844-428-8542 for help removing their current account.

Why am I receiving an error message that my card is ineligible?
Zelle only accepts Visa or Mastercard debit cards. Some debit cards do not yet have the capability to receive money in minutes. Those cards that are not “fast funds enabled” can’t be used with Zelle. Additionally, Zelle does not currently support debit cards linked to accounts based in a U.S. territory.

Why is Zelle telling me that I am already enrolled?
Customers receive this message if their mobile number or email address is already enrolled with a bank, a credit union, or with clearXchange.com. Customers that are unsure where they initially enrolled can contact Zelle customer support.

Why have the funds I sent not arrived in my recipients account?
Customers should first check if the payment status is pending, the recipient may not have enrolled yet with Zelle. If the payment status is complete, the funds are already available in the recipients account, or will be within three business days for newly enrolled profiles. Otherwise, customers should contact Zelle customer support.