



Payments Modernization Act

Real-Time Payments

As it stands today, working families wait days at a time just to have their checks clear. The Federal Reserve (Fed) can take up to 5 days to clear a payment. Meanwhile, the Clearinghouse, a *private* firm owned by 24 of the largest banks, has implemented a real time payments system—another clear example of our two-tiered financial system. In the absence of a real time payments system, consumers have turned to apps like Cash and Venmo to facilitate transactions that should not require a private platform. The Federal Reserve already offers real time payments between commercial bank accounts within the Fed and should extend that service to all consumers

Impact on Consumers and Families

Allowing people faster access to their money will help reduce:

- Overdraft fees: The Center for Responsible Lending estimates that consumers pay nearly \$14 billion annually in overdraft fees¹.
- Late fees: 61% of consumers make one-time bill payments, instead of automatic or recurring payments, resulting in nearly half (46%) of consumers paying a bill late.²
- Reliance on risky financial products like payday loans: According to a 2018 report from the Office of the Comptroller of the Currency (OCC), U.S. consumers borrow almost \$90 billion every year in short-term, small dollar loans that range from \$300 to \$5000.³

Real time payments will also be instrumental in allowing small businesses to more reliably make payroll. Currently, the delay in payments to vendors, contractors and other small businesses means that making payroll is significantly more stressful on small business owners.

Real Time Payments

The Payments Modernization Act would:

1. Require the Federal Reserve to establish a real time payments system that would operate as a public utility that prioritizes security, consumer health and transparency.
2. Ensure that funds are available to consumers for withdrawal in real time—providing parity for consumers and financial institutions.

¹ Borne R, Smith P, Anderson R. Broken Banking: How Overdraft Fees Harm Consumers and Discourage Responsible Bank Products. Center for Responsible Lending. 2016 May. [cited 2019 July 22]. Available from: http://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/crl_broken_banking_may2016.pdf

² Tempkin A, Maloney C. Expensive loans to desperate people built this \$90 billion industry. Bloomberg [Internet]. 2019 February 14. [cited 2019 July 22]. Available from: <https://www.bloomberg.com/news/articles/2019-02-14/expensive-loans-to-desperate-people-built-this-90-billion-industry>

³ Ring D. Six out of 10 Americans are anxious about bills and nearly half are late on paying them, study shows. Market Watch [Internet]. 2018 November 29 [cited 2019 July 22]. Available from: <https://www.marketwatch.com/press-release/six-out-of-10-americans-are-anxious-about-bills-and-nearly-half-are-late-on-paying-them-study-shows-2018-11-29>