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The Honorable Mike Crapo
Chairman
Committee on Banking, Housing and
Urban Affairs
United States Senate
Washington, DC 20510

The Honorable Sherrod Brown
Ranking Member
Committee on Banking, Housing, and
Urban Affairs
United States Senate
Washington, DC 20510

Dear Chairman Crapo and Ranking Member Brown:

On behalf of America's credit unions, I am writing to express our views ahead of the hearing titled "Facilitating Faster Payments in the U.S." The Credit Union National Association (CUNA) represents America's credit unions and their 115 million members.

We thank the Banking Committee for holding this important hearing. Real-time payments will help credit unions provide necessary financial services to their members and improve members access to their funds. Credit unions exist to help their members but cannot do it alone. Credit unions rely on networks of key vendors to provide service to members and no current vendor is more critical than the Federal Reserve.

CUNA members strongly support the Board of Governors of the Federal Reserve System's (Federal Reserve Board) decision to develop and operate a real-time payments network that the Federal Reserve Board proposes to call FedNow. CUNA and our members have also supported The Clearing House's (TCH) efforts to develop their real-time payments network, which is called RTP. We think the efforts by the Federal Reserve Board and the TCH will help to bring real-time payments to consumers, who will benefit from the innovation and clarity of a faster payment system.

Although CUNA has worked closely with TCH over the course of several years as the organization has developed RTP we have also encouraged the Federal Reserve Board to develop a real-time payments network. There are several reasons why CUNA supports (at least) two real-time payments network operators and this Committee should share these same reasons if the continuation of America's vibrant financial institutions is an important goal.

From a pure public policy standpoint having multiple real-time payments networks will ensure a more robust banking system. As the plumbing of the payments systems is essentially a utility, having multiple operators will help make the system more robust against a cyber-attack or other unforeseen technical glitches. Also, competition breeds innovation, and not just in product features but in other aspects such as the security and robustness of the system.

CUNA's members' primary concerns with relying only on the TCH are more prosaic. Although, TCH has worked well with CUNA and our member credit unions in developing RTP, doing so is clearly in their best interest. The 25 or so banks that own TCH can dominate real-time payments policy and

operation if TCH is the sole operator of a real-time payments network. Although TCH has created an advisory committee for credit unions and community banks, community institutions have no ownership of TCH and no voice in the operation of TCH. Absent the Federal Reserve Board or another entity operating a real-time payments network, the more than 10,000 credit unions and community banks that are not owners of TCH would be beholden through the TCH to the whims of TCH's bank owners. Our members find this unacceptable and clearly it would be business suicide.

Why trust the Federal Reserve Board?

Luckily both the Federal Reserve Board and TCH's current payments offerings clearly demonstrate why the Federal Reserve Board is a trusted partner in the delivery of payments. Both TCH and the Federal Reserve Board provide automated clearing house (ACH) payments services to financial institutions. TCH provides ACH services for a small percentage of financial institutions while the Federal Reserve provides these vital services to the other 10,000 financial institutions. Through experience in working with the Federal Reserve and Federal Reserve's demonstrated capability in providing service to the wide variety of financial institutions that do not use TCH for ACH, CUNA members feel confident that the Federal Reserve has the infrastructure and capacity to provide services to more than 10,000 financial institutions. TCH has not demonstrated this capability through any current or past product or service.

We acknowledge that TCH has committed that they will operate RTP as a "utility" with uniform pricing for users regardless of whether the user is a TCH owner. Unfortunately, TCH backed of this pledge in a public document. In that document TCH wrote that their commitment to charge uniform pricing is conditioned on TCH being the sole operator of the U.S. real-time payments network. We can only take TCH for their word in a written document. Further, we believe that this statement sheds light on the impermanency of a promise from TCH, especially from a vendor owned by competitors with a strong business incentive to work with all stakeholders while doing so suits their needs and likely only to last until competitors are vanquished.

We have heard concerns that the Federal Reserve Board's decision will freeze the market for TCH. We understand this concern as any properly functioning market would wait for a decision by the major player in the market. We are sure that the market would not freeze if the situation were reversed and the market had to wait for a decision by TCH. The Federal Reserve is the payments vendor most capable of developing real-time payments network and providing support to all financial institutions and thus a properly functioning market should wait for decision by the leader.

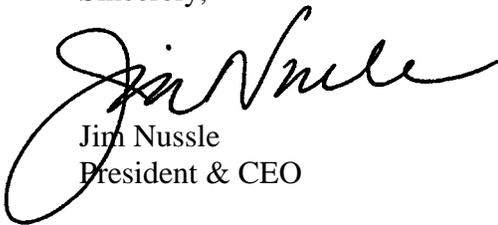
We acknowledge the FedNow's 2024 rollout seems far in the future. Nonetheless, we are encouraged by the Federal Reserve Board's outreach to key vendors necessary to help credit unions use FedNow. The Federal Reserve Board's commitment to develop FedNow in conjunction with credit union partners will help ensure a rapid rollout of FedNow to credit unions. Thus, working in conjunction with stakeholders at every step is key to making sure that 2024 date is the date that financial institution have access to FedNow and not the date in which stakeholders begin to build the necessary plumbing for access to FedNow.

CUNA looks forward to continuing to work with Federal Reserve Board leadership and staff on FedNow and will continue to support TCH's efforts as well. Nonetheless, the development of FedNow is imperative to the continued success of credit unions and community banks and is likely the only way that all credit unions will be able offer Americans of modest means critical financial services in the future.

Both TCH and the Federal Reserve are credit union vendors for payments clearing services. Currently one works with nearly all credit unions and banks while the other serves a small number of financial institutions. Having both vendors is a luxury but only the Federal Reserve is critical because they are the only vendor with the bandwidth and expertise to provide payments services to the entire financial services sector. Encouraging the Federal Reserve Board to leave real-time payments to TCH would cause the demise of many community financial institutions and deprive many Americans of the financial service provider that they know, trust and need.

On behalf of America's credit unions and their 115 million members, thank you for the opportunity to share our views.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Nussle". The signature is fluid and cursive, with a large loop at the beginning and end.

Jim Nussle
President & CEO