

WHAT VALUE CAN THE FEDNOW[®] SERVICE DELIVER TO YOUR FINANCIAL INSTITUTION?

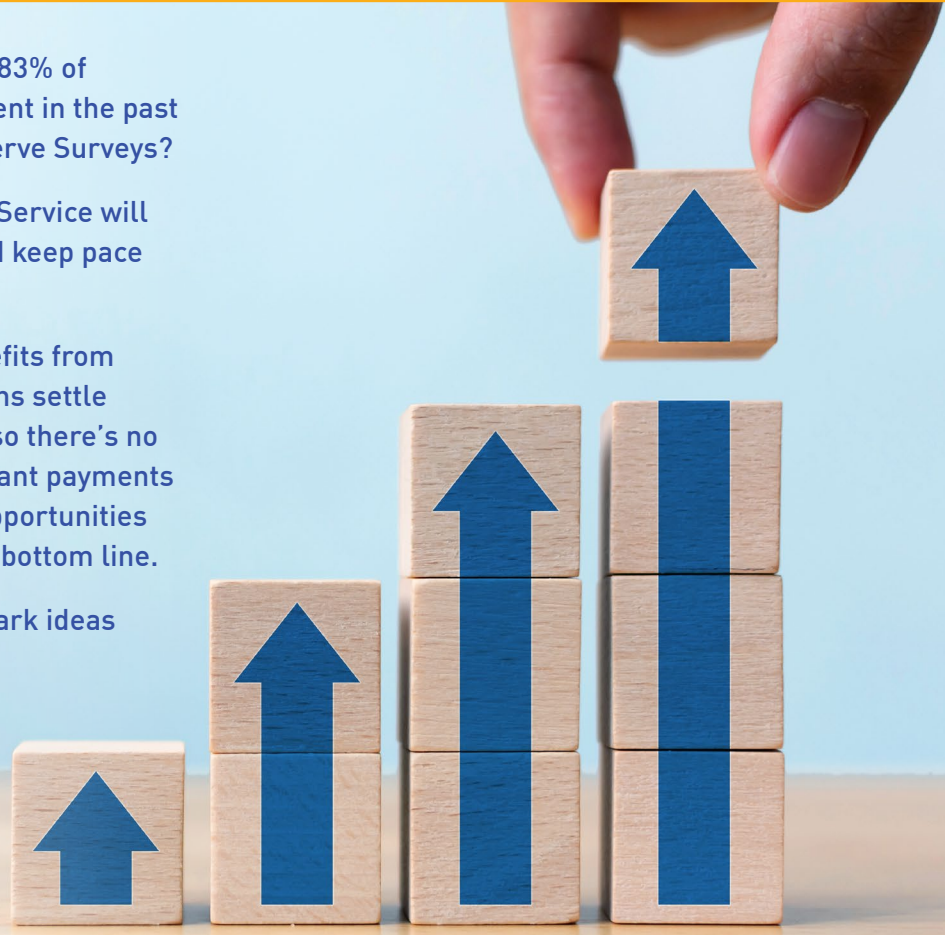
Instant payments can help your organization improve customer experience, grow revenue and save money

Did you know that 74% of consumers and 83% of businesses sent or received a faster payment in the past 12 months, according to 2022 Federal Reserve Surveys?

Offering instant payments via the FedNow Service will help your institution meet this demand and keep pace with the competition.

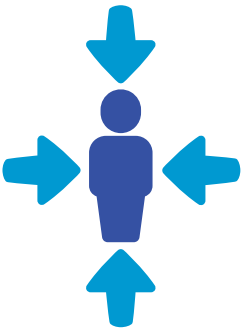
Your organization can also reap other benefits from instant payments. For example, transactions settle between financial institutions in seconds, so there's no buildup of interbank obligations. Plus, instant payments provide revenue growth and cost-saving opportunities that can benefit your financial institution's bottom line.




The following examples are intended to spark ideas and conversations among your team.





REVENUE GROWTH

Providing instant payments opens up avenues to drive revenue growth and create new revenue streams.

OPPORTUNITY	EXAMPLE
 <p>New customer segments As a platform for innovation, instant payments can open up new market segments and revenue opportunities for your institution.</p>	<p>Consider the case of a dental office that previously didn't have the supporting infrastructure to take advantage of low-fee payment types like ACH. By offering RFP capabilities via the FedNow Service, you can provide this customer the ability to instantly send e-invoices to patients. This company's patients can respond to the request and immediately pay their co-pay or amount due. Instant payments can help the dental office streamline billing, reduce the time it takes to get paid and improve the patient experience.</p>

OPPORTUNITY	EXAMPLE
 <p>Value-added benefits for business customers Instant payments can help your business customers to better manage their cash positions, reduce administrative burden and costs, and improve efficiency.</p> <p>For example, immediate confirmation of funds availability or irrevocability of credit transfers enable businesses to better manage liquidity.</p> <p>Additionally, the request for payment (RFP) functionality of the FedNow Service has the potential to reduce administrative tasks and improve efficiency.</p>	<p>Enabling business customers to switch from paper invoicing to digital billing using RFP via instant payment services could help your customers save money and also provide growth opportunities for your financial institution.</p> <p>The average paper invoice costs businesses \$10.08 and requires 8.3 days to process.* Your organization may consider offering packages for businesses to invoice their end customers with RFP to help them streamline their bill processing.</p> <p>The rich data associated with instant payments can lead to straight-through processing and reduce manual intervention. This could result in real savings to the business in resources, time and money.</p> <p><small>*Source: Innovating B2B retail payments playbook, March 2020</small></p>
 <p>Cross-selling products When your customers experience the efficiency, ease and transparency your instant payment platforms provide, it may make them more willing to explore other services and products your organization offers, and help you further strengthen those customer relationships.</p>	<p>Imagine a customer who gets paid daily for work and has their employer directly deposit their paycheck via instant payments into their account at your financial institution. With the added convenience of a mobile banking app, this same customer may elect to use your institution's bill payment services or take out a loan from your financial institution.</p>
 <p>Better customer experience With instant payments, your financial institution can increase customer satisfaction by meeting their expectations and providing payment services that give them greater convenience, control and visibility into the payment process. This could result in lower attrition.</p>	<p>Imagine a customer who can precisely time their monthly rent payment to be made as soon as their paycheck hits their account and right before the rent is due. This ability to pay instantly gives them greater control than traditional payment types. Plus, your financial institution can notify the customer that the payment is complete, giving them confidence the property owner received the rent immediately. This positive experience can lead to regular use of your organization's instant payment services.</p>

OPPORTUNITY	EXAMPLE
 <p>Loans</p> <p>Instant payments operate around the clock, every day of the year. This always-on feature makes it possible for your financial institution to disburse funds instantly on weeknights and weekends, which can lead to additional loan revenue opportunities.</p>	<p>If the terms of a loan are the same, speed can make a difference in selecting a lender. An individual buying a car on the weekend may be incentivized to choose your financial institution if the loan proceeds are available immediately versus choosing another organization that requires a payment be made during regular business hours. As an example, if this resulted in four new loans per month, here's a look at what that might look like:</p> <ul style="list-style-type: none"> • Avg. loan amount: \$33,506 • Terms (months): 68 • Interest rate (assumed): 4.5% • Estimated annual revenue from interest: \$20,780* <p><small>*Based on Lending Tree Auto Loan Statistics</small></p>
 <p>Expedited bill payments</p> <p>With the FedNow Service, your financial institution can enable RFP for your retail customers. This will allow your customers to receive requests from billers to pay invoices, meaning customers get the convenience of an end-to-end payment process — from invoice notification to payment delivery — all on their mobile phone or tablet.</p>	<p>Think of a young customer who may be closely managing her cash flow and has utility bills to pay each month. Instant bill pay services may be well received in this situation as they enable the customer to precisely time their bill payments, including those made at the last minute, to better manage their available funds and to potentially avoid a late fee or service disruption.</p>

COST SAVINGS

While the previous section highlighted some of the revenue growth and customer experience opportunities instant payments can provide, this section analyzes the cost savings your financial institution may realize by using instant payments within your own business operations.

Increasing efficiency and shifting to higher profitability margin products

Your financial institution likely still receives paper checks from some customers for loan repayments. Or perhaps, your financial institution issues or processes bill payments by check on behalf of your customers.

These payments may impact your financial institution's bottom line, since paper payment services (e.g., traditional lock box or check issuing) are typically less profitable services.

Similarly, your treasury operations department likely issues payments to vendors, consultants and utilities, or executes an ad-hoc payroll at the request of your human resources department. Some portion of these payments might be paper-based.

As instant payments gain popularity, so will straight-through processing rates, which can contribute to higher profitability margins for your financial institution.



Savings on loan collection with instant payments

Here's one way converting paper payments from your customers to instant payments could benefit your financial institution. Imagine you could shift just **10% of 1,000 loan** payments from paper checks or in person/over the phone to instant payments. Here's what the savings might look like:

Action	Calculation	Projected Savings
Delivery of paper bill (23%)	Estimated average postage cost \$0.507+ materials/production \$0.07 x 12 mailings/year	\$159.25
Portion paid via checks (22%)	Estimated processing cost per check \$1.50 (annualized)	\$396
Portion paid in person or by phone (14%)	Estimated cost per transaction \$4.15 (annualized)	\$697.20
Manual reconciliation due to errors (10%)	Estimated payments requiring manual intervention; \$19 hour/rate; 10 minutes per invoice to resolve; 12 payments/year	\$380
Estimated savings per year based on 1,000 loans/10% shifting to instant payments		\$1,632.45

Sources:

- [How Americans Pay Their Bills: Sizing Bill Pay Channels and Methods, 2020 Update | Aite-Novarica](#)
- [2022 AFP payment cost survey](#)
- [Bank Teller Fees: How Much It Costs to Talk to a Live Person | MyBankTracker](#)

Reducing customer calls and inquiries

With traditional payment channels, your customers may not know when a payment will be completed or when funds will be available. These questions, among others, can generate customer calls and inquiries. Responding to these calls not only requires resources on your end, but this payment uncertainty can contribute to lower customer satisfaction.

While instant payments may not eliminate inquiries entirely, calls may be significantly reduced due to attributes such as immediate settlement, transparency, information-rich formats capable of carrying large amounts of structured remittance data, and messaging capability. This translates to a better experience for your customers and cost savings to your organization.



Converting some of your customers' paper payments to instant payments can result in cost savings by reducing customer inquiries on payment status.

Description	10,000 Customers
Assumes 10,000 customers/12 bills/customer/month, 61% enrolled in online banking, 14% of bills paid via online banking	10,248 bills paid via online banking
Customer inquiries on payment status	2%
Estimated savings (cost per call \$4.15 x 12)	\$10,207

Sources:

Managing your cost per call | F. Curtis Barry & Company
[How Americans Pay Their Bills: Sizing Bill Pay Channels and Methods, 2020 Update | Aite-Novarica](#)
[2022 AFP payment cost benchmarking survey](#)

LEARN MORE

The FedNow Service provides financial institutions the opportunity to improve customer satisfaction, grow revenue and save on costs. Learn more about instant payments and how to prepare for the FedNow Service at FedNowExplorer.org or contact your [Federal Reserve relationship manager](#).

Note: The calculations in this document are for illustrative purposes only. Financial institutions should conduct their own analyses to determine actual cost savings or revenue impacts to their bottom line from using instant payments.