



Office of the President

July 2, 2015

Mr. Robert deV. Frierson
Secretary of the Board of Governors
Federal Reserve System
20th Street and Constitution Ave., NW
Washington, DC 20551

Re: Docket No. OP-1515--Enhancements to
Federal Reserve Bank Same-Day ACH
Service, Request for Comments

Dear Mr. Frierson:

Navy Federal Credit Union provides the following remarks in response to the Federal Reserve Board's (Board) request for comments on their *Enhancements to Same-Day ACH Service*. The Board is seeking input on enhancements to the current same-day automated clearing house (SDA) service. These enhancements would require receiving depository financial institutions (RDFIs) to participate in the service and originating depository financial institutions (ODFIs) to pay a fee to RDFIs for each SDA transaction. Navy Federal Credit Union is the nation's largest natural person credit union with more than \$68 billion in assets and 5.5 million members.

Navy Federal actively participates in many industry groups that influence payments in the United States. Some of these industry groups include the National Automated Clearing House Association (NACHA) Board of Directors, the 5th District Federal Reserve Bank's (Reserve Bank) Payments Advisory Council, and the Federal Reserve Bank's Retail Payments Customer Advisory Group. In addition, we were represented at the Board's Roundtable Meeting in Chicago in May 2013, which provided early industry input to the Reserve Bank as it considered potential visions for the future of payments in the U.S. We appreciate this opportunity to provide additional feedback regarding the future of payments in the U.S.

The Board requests comment on enhancements that the Reserve Banks are considering to their current optional FedACH® SameDay Service that correspond to NACHA's approved SDA rule. The Reserve Banks propose to adopt this enhanced SDA service by incorporating the SDA rule into Operating Circular 4, which governs the Reserve Banks' ACH service. The Board is requesting comment on the Reserve Banks' adoption of an enhanced SDA service with an interbank fee for ODFIs and mandatory participation of RDFIs. As we describe below, Navy Federal generally supports efforts to promote uniformity across the payment industry, but urges the Board to carefully consider the impact of these rules on smaller financial institutions.

The Board requests comments on whether the interbank fee included in NACHA's amended operating rules equitably reapportions the initial implementation costs and ongoing operating costs

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between ODFIs and RDFIs. Because NACHA's SDA proposal mandates that all RDFIs participate, it is imperative that RDFIs be compensated by the ODFI for additional expenses incurred. SDA is optional for ODFIs so they can choose to pass on the additional costs of expedited ACH processing to their originators. However, it is the RDFIs who have to modify their processing systems and incur additional expenses such as staff augmentation to accommodate processing SDA transactions.

To illustrate, Navy Federal is among the largest ACH receivers by volume in the U.S.; however, even at our volume, the SDA volumes projected by NACHA are likely to be insufficient to generate income to cover our one-time and on-going expenses. Navy Federal believes that a fee of \$0.052 per transaction will not adequately compensate all RDFIs for the initial cost of implementation or for ongoing operating expenses. NACHA's original proposal was \$0.082 and included an opportunity cost component. We believe that this original proposal was more in-line with actual costs some RDFIs will incur. While we supported NACHA's final proposed rule at \$0.052, we think the original fee proposal was more reasonable. Many smaller RDFIs may not receive enough (or even any) SDA transactions with the accompanying interbank fee to cover their costs. However, they will still incur expenses for adjusted processing times and additional or extended staffing needed to accommodate the possibility of receiving SDA transactions. Many smaller financial institutions, especially small credit unions, operate with extremely limited staff and may not be able to carry the additional expense.

Additionally, the Board requests comment on making receipt of SDA transactions mandatory for all RDFIs. We agree that SDA will only be viable without the participation of a majority of RDFIs and the only way to ensure ubiquity is to mandate that all participating depository financial institutions receive and process SDA entries.

Navy Federal appreciates the opportunity to comment on the Federal Reserve's *Enhancements to Same-Day ACH Service--Request for Comment*. Should you or a member of your staff have additional questions about our comments, please contact Tynika Wilson, Vice President of Debit Card and Fund Services at (703) 255-8151.

Sincerely,



Cutler Dawson
President/CEO

CD/pm