

Proposal: 1625 Potential FR Actions to Support Interbank Settlement of Faster Payments

Description:

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From: Brad Lane

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Subject: OP-1625 -Potential Federal Reserve Actions to Support Interbank Settlement of Faster Payments

Comments:

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Federal Reserve,

First of all, thank you so much for all of your efforts, concerns and proactive measures that you have taken in regards to your potential actions with a faster payment system. The Faster Payments Town Hall Meetings that you provided shows your dedication and desire to come up with a process that will be beneficial to the banking industry and our customers. Bankers realize that this is a very difficult process and we certainly appreciate everything that you are doing.

We are a smaller community bank in rural Iowa. We are about \$125 million in assets and are members of the Iowa Bankers Association, Community Bankers of Iowa, American Bankers Association, Independent Community Bankers Association and are part of the Shazam network. Personally, I am currently the chair-elect and on the board of directors for the Iowa Bankers Association and a board member of Shazam. Our bank is very proud and grateful to be a part of these tremendous organizations and know that they are all working extremely hard to look out for our banking interests.

One of our concerns at Security Savings Bank is the fact that we are a small bank in an area that has a declining population. Part of our strategic plan, in order for us to continue to be an independent and thriving bank in the future, is to find way to attract and retain the younger generation. Very few of the kids that grow up in this area have job opportunities to remain in our area. Even though most move away they would rather bank with us verses the large financial institutions because they know they know who they are banking with have a higher trust level with us. The issue becomes when the bank is unable to provide a need or service due to distance and therefore they sometimes feel that they need to bank with someone closer to them and most often with a large bank. We have worked extremely hard over the years with the help of technology to be able to provide what they need no matter where they live. The younger generation doesn't necessarily feel that they have to come into the bank but they do expect that everything is convenient and the information about their accounts is at their fingertips.

One of the issues we are starting to see is that our customers, especially the younger generation, want to have access to a faster payment system. Since we are a member of Shazam and are using a program of theirs called Shazam Bolt\$ we have the technology already. The issue is that the Bolt\$ transactions are blocked from using established real-time payment rails and

are forced to use a slower ACH system when accessing non Shazam financial institutions. This is harmful to our community institutions in the fact that this put us at a competitive disadvantage with the big banks. These large bank control and decide how their competitors access the faster payment system.

Our bank feels that in order for this to change that the Federal Reserve needs to be the driving force in the creation and implementation of a new faster payment rail. We need you in order to have safe, universal and equitable access to this system. We also strongly support the Fed developing a 24x7x365 Real Time Gross Settlement Service for faster payments. This is something that feel we need to get into place as soon as possible as our customers need for this is changing very rapidly.

These small banks throughout the United States are the backbone of our communities and without a strong bank it is difficult to have strong communities. In the 1980's there were over 14,000 banks, at the end of 2007 there were just over 7,200 banks and at the end of 2017 there were about 4,900 banks. This is a trend that has been occurring very rapidly especially over the past 10 years and has me very concerned as this seems to be occurring at the expense of the smaller banks. We already face a lot of other challenges due to these large institutions so please help us with this issue so that we can remain equally competitive in this area with the large banks.

In summary, our bank supports the Fed in the creations of a real-time payment system in order to meet our customer's needs and their expectation that all financial institutions offer a safe and secure payments to anyone at any time and with immediate funds availability. Our system currently limits access to our customers and we feel that this is something that we need to get changed as soon as possible.

Again, thank you so much for allowing me to voice my concerns. I certainly realize that this is not an easy process and I appreciate your time and effort on this issue as well. I know you are looking out for all of us and want to see us strong and successful in the future.

Thanks!

Brad Lane