HIGHLANDS COMMUNITY BANK, ROBERT E. HEMSATH

Proposal and Comment Information

Title: Proposed Revisions to the Federal Reserve Policy on Payment System Risk and the Guidelines for Account and Services Requests, OP-1878

Comment ID: FR-2026-0013-01-C13

Subject

Docket No. OP-[1878]

Submitter Information

Organization Name: Highlands Community Bank

Organization Type: Organization

Name: Robert E. Hemsath

Submitted Date: 07/14/2026

This message was sent securely using Zix®

NONCONFIDENTIAL // EXTERNAL

July 14, 2026

Benjamin W. McDonough
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

RE: Proposed Revisions to the Federal Reserve Policy on Payment System Risk and the Guidelines for Account and Services Requests [Docket No. OP-1878]

Dear Secretary McDonough:

I am Robert E. Hemsath, President and CEO at Highlands Community Bank, a community bank based in Covington, Virginia that serves an underserved rural market consisting of families, small businesses, and farmers across our three town area. I appreciate the opportunity to comment on the Board's proposal to establish a special-purpose payment account.

Community banks meet rigorous standards for capital, supervision, consumer protection, and deposit insurance. These requirements protect depositors, support responsible local lending, and help keep the payment system safe. By granting direct access to the Federal Reserve payment system to institutions that are not subject to the same prudential, supervisory, and community-focused requirements, the proposal extends the benefits of Federal Reserve access without the corresponding safeguards. It could also divert deposits and payment activity away from the community banks like mine that support local economic development.

I am also concerned about the risk to the payment system. Extending this access shifts critical responsibilities, including Bank Secrecy Act/anti-money laundering and sanctions compliance, onto entities that may have less oversight than banks.

If the Board proceeds, I urge it to adopt strong, mandatory guardrails: a low limit on account balances and on the number of accounts during an initial period; mandatory Bank Secrecy Act/anti-money laundering and sanctions compliance requirements for every account holder; clear off-ramps and ongoing review if risks emerge; and an explicit statement that a payment account is not a pathway to a master account. Access to the Federal Reserve's accounts and services should remain tied to strong prudential oversight.

Access to the payments system is one advantage that my community bank retains in the face of increased competition for deposits. If we lose this advantage, the bank will lose a vital source of funding that allows us to make loans in our markets. My community bank focuses our lending to small businesses which provides vital employments in our community and to families to purchase their homes. Deposits are the most important funding source our community bank has to further these lending programs.

But even more importantly, our customers who rely on us to provide them access to a safe and secure payment system may be exposed to higher risks from entities that do not maintain the same standards due to lower regulatory oversight. Fraud is ever increasing and without strong guardrails consumers could be unknowingly taking additional risks of loss.

Thank you for considering my views.

Respectfully,

Robert E. Hemsath
President and CEO
Highlands Community Bank
Covington, Virginia