Use Cases for Instant Payments

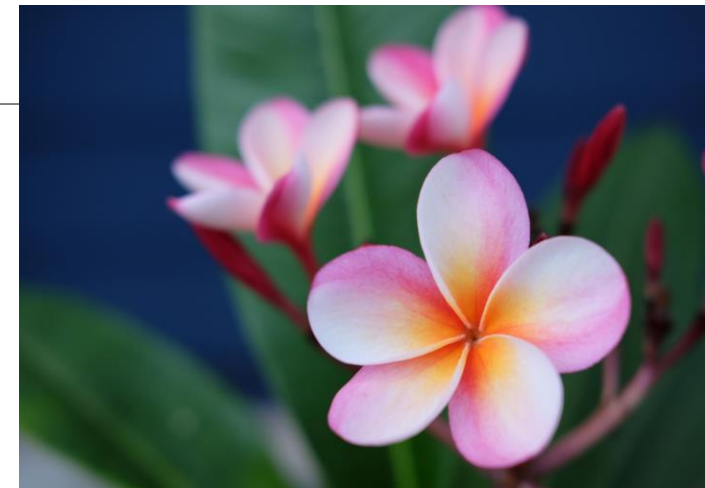MARY GILMEISTER, AAP, NCP

PRESIDENT

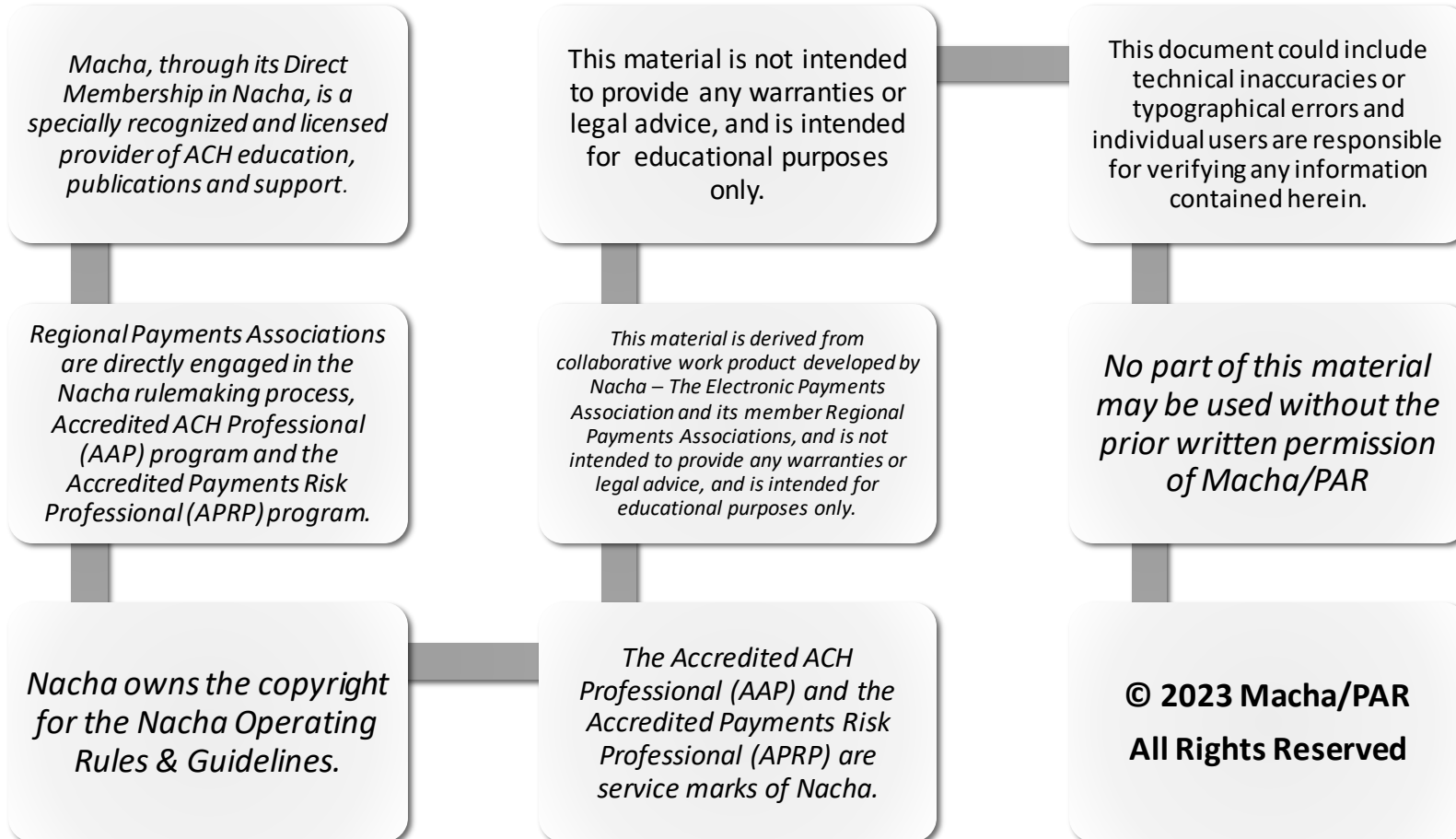WWW.MACHA.ORG

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AAP
Accredited ACH Professional

APRP
Accredited Payments Risk Professional

Nacha
Direct Member

Writing Up a Use Case

Create brief (no more than one page) explanations of a use case

Content to consider
- Description
- User journey
- Why is this better?
- What is the addressable market?
  - How will this grow?
- Business model – increase revenue, decrease expense, customer experience, retention
  - It is possible to solve real problems which are not directly revenue/expense
  - Operations Receive- no (2) day exceptions
  - Liquidity – Receive interest – another selling point
  - Send aware of balances

Generating Enthusiasm Behind the Use Case

Internally
- Explaining to peers
- Explaining to management
- Analyzing utility

Stakeholders, providers, partners

Be open to suggestion
- Allow people to discount the idea – but make them explain why
- "That'll never work" is not good enough

Look for analogues

Image: https://www.leadersinstitute.com/leadership-training/adding-enthusiasm-power-communication/

Choose Some Use Cases and Develop More Detailed Stories

Keep the stories simple

Use a common format
- Suggested questions for a worksheet to the right, but feel free to modify to suit your purpose

It is OK to have options
- Think up multiple use cases and create stories around them

Compare ideas

Engage with ecosystem partners

USE CASE STORY

1. What problem is this use case looking to address?
2. What opportunities does this use case present?
3. Who will benefit from the solution?
4. Describe the customer journey for the use case.
5. Describe the ecosystem in which the use case operates?
6. Are there security, regulatory or compliance considerations that are introduced by using instant payments for this use case?
7. Why does this use case create a better experience than existing alternatives?
8. How does the use case create value for the financial institution(s) involved?

Keep in Mind the Options Over Which YOU Have Control

Your products are your products

- Don't need to be made available to everyone
- Don't need to be 24x7x365
- The customer journey doesn't need to be instant – until you put the payment on the rail
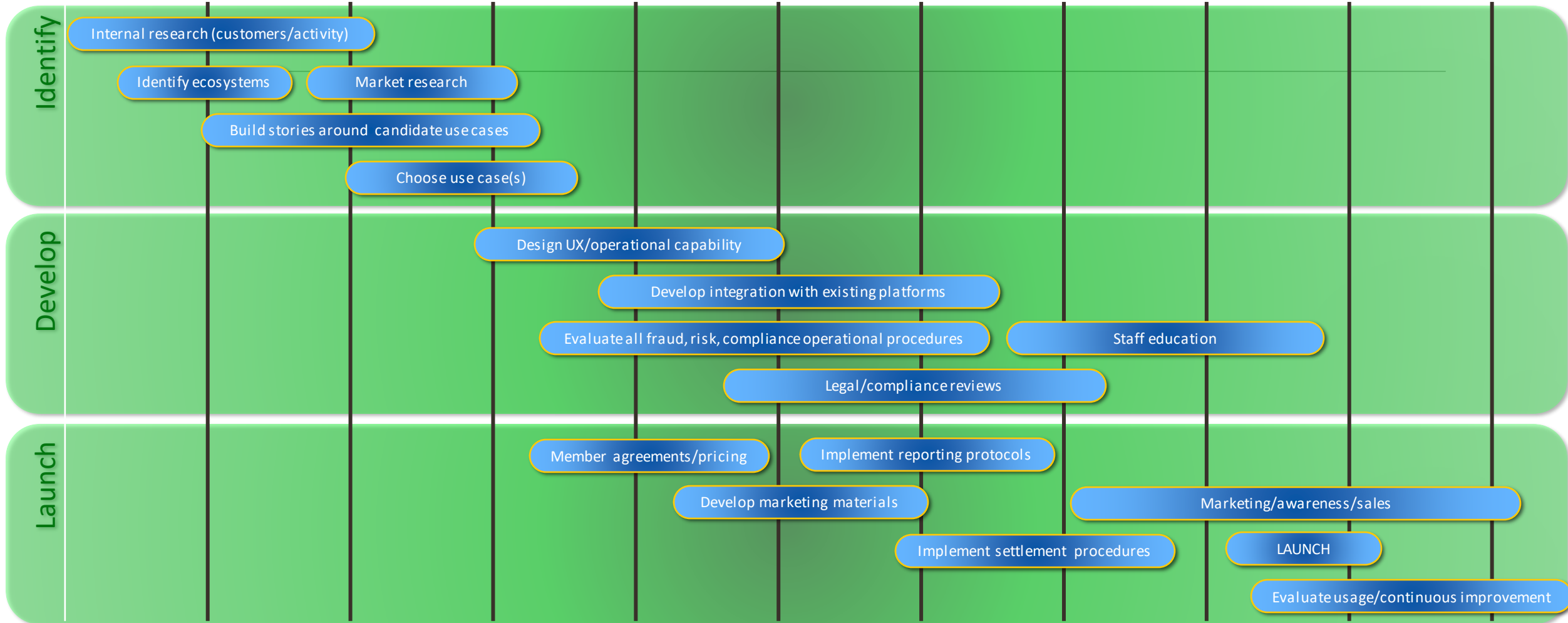
FedNow offers a negative list

- Accounts you are not allowing to receive funds via FedNow

FedNow/RTP fraud reporting

Image; https://www.iadb.org/en/research-and-data/regional-policy-dialogue/financial-institutions-network

What Does a Project Look Like?

Identify
- Internal research (customers/activity)
- Identify ecosystems
- Market research
- Build stories around candidate use cases
- Choose use case(s)

Develop
- Design UX/operational capability
- Develop integration with existing platforms
- Evaluate all fraud, risk, compliance operational procedures
- Staff education
- Legal/compliance reviews

Launch
- Member agreements/pricing
- Implement reporting protocols
- Develop marketing materials
- Marketing/awareness/sales
- Implement settlement procedures
- LAUNCH
- Evaluate usage/continuous improvement

Macha's Top Use cases

Lending Category

- Real Estate Closing
- Indirect Lending (Dealer Direct)
- Loan Payments

Payroll

- Employee Reimbursement
- On Demand Payroll (Gig, Entry Level)
- Emergency Payroll Disbursement

Receipt

Cashier/Bank Checks

Benefits to Receiving

Retain Account Holders

Attract New Account Holders

Receiving Credits only
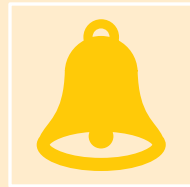
Minimal Exception handling

Funds settled in seconds

Less Risk

Liquidity

Why does this use case create a better experience?

✓ Same Day ACH and Wire there is uncertainty when the funds will be posted and available
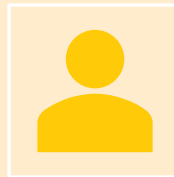
🔔 No notification is provided

Considerations

$ Credit Unions post on share account numbers and unlike ACH there are no tran codes to distinguish checking vs savings.
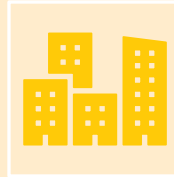
FIs bring down systems to update and there will have to be alternative solution

On call staff 24x7x365

Similar to debit cards

Fraud reporting

Payroll – Enable Same Day Payroll with Instant Same Day Availability

- What Problem is this use case looking to address?
    - With Same Day ACH, Receiving institutions post at different times and no confirmation if the payment was received and posted.
    - Settlement occurs immediately
    - Compliance with state laws – for terminated employees
    - No uncleared deposits for month end
    - Employers could satisfy payroll advances in times of employee needs
    - Employees could use personal credit cards for expenses and receive awards
    - May save wire costs – if late ACH files
    - Decrease in writing checks

Lending

- Use Request for Payment (RFP) for loan payoffs

- Collection departments today they are using TEL and WEB
  - May be returned NSF or unauthorized

- Decrease number of checks in lockbox

- No day (2) processing

- Not sending statements could tell account holders escrow balance in message

- Title companies – down payment vs writing a check or a wire

- Less late payments

Considerations

Loan Systems currently have cut-off times and the loan systems are not 24x7x365

Eliminating multiple departments (Operations, Check, Night drop, Frontline)

Bill Payment

Collections phone verification of account holder

Regulation Z

Reversals

Cashier Checks

- Problem this use case is looking to address
    - Fraud
    - Timeliness of sending cashier checks for CDs and loans vs snail mail
    - Administrative
        - Stuff, mail
        - Security
        - Printers expensive and everywhere
        - Stop Payments
        - Lost Interest
        - Uncertainty of receipt of payment
        - Cost to FI for payment not received
        - Reputational
        - Account holders don't have to come into the branch
        - Loan Payoffs
            - Collect data by phone and then send funds by wire or check

Considerations

- Hard to find data vs just a payee

- User would have to opt in through FI

- Education for consumer

- Mobile APP or Online Banking

Why ?

Increase Market Share

Social Media

Competition