

The Payments Modernization Act of 2019

The Problem: Inefficient payments push Americans into high-cost alternatives

- Too many American workers pay expensive fees because their paychecks take three or more days to clear.
- The inefficiency of our current payments system harms everyday Americans struggling to access their funds in real time.
- Our inefficient payments system drives families to use high-cost financial services in order to access their funds more rapidly.
- [The Federal Reserve](#) found that nearly a third of all Americans cannot pay their bills on time. Waiting for checks to clear over a weekend or a holiday is one reason why American families spend billions in overdraft fees. This is especially true for individuals who do not have conventional work schedules and are paid over the weekend.
- The various payments rules and clearing schedules make it nearly impossible for people with volatile incomes and limited reserves to avoid overdraft and other fees.

The Federal Reserve has delayed its implementation of real-time payments for too long.

- In 2015, the Federal Reserve launched its Faster Payments Task Force with the goal of developing a plan to bring faster payments to the United States by 2020.
- Recently, Federal Reserve Chairman Jerome Powell said that the Federal Reserve would not make this deadline.
- This delay puts the United States behind other countries in its adoption of a faster payments system.
- Central banks, including those in the U.K., Australia, South Africa, Japan, Mexico, and Iceland, have already implemented real-time payments systems.

A real-time payments system is a utility that should not be controlled by the largest banks.

- The American people deserve a public utility that allows them to safely and securely access their own money and that allows small institutions and entrepreneurs to compete on a more even playing field.
- The Department of the Treasury, in its July 2018 report entitled, “[A Financial System that Creates Economic Opportunities](#),” recommended the Fed work to facilitate a faster retail payments system, in particular, for smaller financial institutions such as community banks and credit unions.
- The Fed’s delay could result in a *de facto* monopoly of our payments system by the big banks.
- According to [Thomas Hoenig](#), former President of the Federal Reserve Bank of Kansas City, “This new immediate payments system will in every sense be a public utility and support payment innovations by banks and non-bank financial technology companies worldwide.”

The Solution: The Payments Modernization Act:

- Clarifies that the Federal Reserve has the existing authority to build a real-time payments system.
- Ensures the United States has a fast, efficient, equitable, and fair payments system by updating the Expedited Funds Availability Act to require financial institutions to recognize funds in real time.
- Requires the Fed to build and implement its own real-time payments system.