

JACK HENRY PAYMENTS

Making the Case for Faster Payments



Based on a recent survey of Jack Henry clients, the common barriers to implementing real-time payments are:

- Technology and infrastructure – **39%**
- Staffing resources – **26%**
- Education – **15%**
- Financial resources – **11%**
- Lack of market demand – **9%**

But in the convenience-driven digital era banks and credit unions like yours must offer real-time payments. It's an essential service to meet the expectations of consumers and businesses and to compete with the fintechs, big techs, and mega banks that are reinventing the payments experience.

According to ACI Worldwide, real-time payments in the U.S. are expected to grow at a 43% annual rate through 2025 with transaction volumes increasing from 1.2 billion payments in 2020 to 7.4 billion by 2025¹. With this strong and growing demand, most banks and credit unions are in various stages of building business cases to modernize their payments platforms with real-time payments.

Making the Case

Despite the distinct, institution-defined instant payment strategies, each business case should include:

- Criteria for selecting real-time payments networks
- Network connection alternatives
- Initial and ongoing costs



Real-time payments and digital innovations are changing the industry at an unprecedented rate. If you want to know more about building your business case for instant payments we recorded important information in the latest edition of the *Faster Payments Talks* webinar series, **[What to Expect When You're Expecting ... Faster Payments.](#)** You can register for the ongoing webinar series **[here.](#)**

- Marketing and user adoption support
- Fraud mitigation

And the Winners Are

An array of organizations recognized the importance of real-time payments and they have developed functionally distinct faster payments networks. One of the initial decisions you must make is which networks to implement.

Zelle Network® – With Zelle almost any individual with a U.S. checking or savings account can send and receive person-to-person payments. Money also can be sent to people not currently enrolled with Zelle without using sensitive personal or account information.

RTP® – With RTP, consumers and businesses can immediately send and receive funds directly from all types of DDA accounts and U.S. financial institutions can clear and settle those payments real-time.

FedNowSM – The FedNow network is currently in development with its functions and user experience being shaped by program partners, including Jack Henry. This network is expected to provide instant payment clearing and settlement by 2023.

Based on each network's unique features, many financial institutions are electing to implement multiple instant payment solutions.

Get Connected

You have two options for connecting to the real-time networks:

- Budget, build, and maintain direct connections to each network
- Partner with a payments hub provider for ready-built network connections

Considering the inherent complexities, the required technical resources, and the initial and ongoing expense, most financial institutions are electing to partner with providers of payment hubs for seamless network connections. A sophisticated, high availability hub:

- Provides network certification and onboarding assistance
- Generates all required data feeds for the distinct networks
- Supports network-specific settlement, clearing, and dispute management
- Provides multi-layered security that meets each network's related requirements
- Generates channel and transaction insights with online dashboards and meaningful reporting



Zelle Network® Today

830+ banks and credit unions
live to-date

330+ additional banks and credit
unions contracted

1.2 billion transactions
representing \$307 billion
processed in 2020

RTP® Network Today

100+ banks and credit unions
live to-date

150+ additional banks and credit
unions contracted

7 million transactions processed
in October 2020

60% of domestic DDAs will be
accessible when all contracted
institutions are live

Show Me the Money

Every business case should include the network-specific:

- One-time fees
- Ongoing monthly and annual fees
- Variable fees such as user and transaction fees

Jack Henry has developed an expense calculator for Zelle which you can request [here](#).

The Clearing House has developed an RTP calculator you can access at www.theclearinghouse.org/rtp.

A Little Help from Your Friends

The ongoing penetration rates for Zelle tell an interesting story. According to Early Warning Services, LLC, owners and operators of the Zelle Network, the increase in penetration rates is not based on network tenure but on proactive, professional marketing. However, most financial institutions don't have the budget, time, staff, or expertise to market individual financial services. That's why it's important to leverage the network-specific marketing resources available as well as those available from payments hub partners.

Financial Institutions Tenure on the Zelle Network	Average Penetration Rate
< 6 months	10%
6 to 12 months	17%
1 to 2 years	28%
>2 years	42%

Real-Time Payments are Changing the Fraud Game

Payments fraud is inevitable, pervasive, and growing. Every payment channel is impacted by unique, ingenious, and constantly evolving schemes. Real-time payments generate new challenges since financial institutions and payment processors have much less time to identify and stop fraudulent transactions and recover the funds.

If you're developing direct connections to the instant payment networks, objectively evaluate your ability to support each network's unique fraud mitigation requirements and the related regulatory mandates. If you're partnering with a payments hub provider, ensure its fraud solutions are natural extensions of the transaction processing platform.

The ABA is also helping every financial institution, regardless of association membership, with a free end-user fraud campaign – [#Banks Never Ask That](#).

It's Time

Real-time payments represent the most significant innovation in the payments industry since the advent of credit and debit cards. As real-time payments quickly evolve from a competitive distinction into a competitive necessity it's time to develop your strategy and build the business case needed to support that strategy.

Visit jackhenry.com/payments, or contact us at payments@jackhenry.com for more information or to schedule a demonstration of our payment solutions.

SOURCES

1. [ACI Worldwide](#), March 2021.

Zelle and the Zelle-related marks are wholly owned by Early Warning Services, LLC and are used herein under license. RTP is owned and operated by The Clearing House (TCH). FedNow is being developed and will be owned and operated by the Federal Reserve Banks.