



# FAQS FOR INSTANT PAYMENTS

## 1. What are instant payments?

Instant payments provide consumers and businesses with the ability to conveniently send and receive immediate funds transfers directly from their accounts at FI's, anytime 24/7/365. Banks that use instant payments network to make payments on behalf of their customers benefit from instant final interbank settlement. Banks can leverage a variety of features—enhanced speed, security, and messaging capabilities—to create unique offerings for their consumer and business customers.

## 2. Are instant payments the same as faster payments?

A faster payment is a payment system that posts and settles payments faster than traditional payment rails. Example: NACHA's Same Day ACH, Zelle®, and debit push payments. While they are fast, example NACHA's Same Day ACH typically takes a few hours to settle, they don't necessarily settle in real time.

In contrast, instant payments settle in real time; Initiation and settlement of payments happen almost instantaneously, within just a few seconds. Example: RTP® from The Clearing House and FedNow<sup>SM</sup>

## 3. What is FedNow?

The FedNow Service is designed to be a foundation for the broader payments ecosystem to develop a wide range of modern, innovative and safe instant payment services supported by real-time gross settlement. Vendors and application providers in the broader payments ecosystem can leverage the FedNow Service features and functionality as a springboard for developing new use cases and new services including, for example:

- Bill pay
- Immediate payroll
- e-invoice
- Funding a brokerage account
- Claims payments

## 4. When will FedNow be available for community banks?

FedNow is expected to be available in 2023.

## 5. Is instant payments suitable for community banks?

Yes, several community banks are taking advantage of instant payments like the RTP from The Clearing House and FedNow and are implementing instant payment solutions, especially using payments hubs, as the integrated solution offers the full benefit of instant payments.

## 6. What is a funding agent for instant payments?

Funding agents are used by banks who need help with liquidity management to be able to send instant payments. The funding agents take care of the delivery of bank funds to and from the RTP network joint account. Funding agents provide settlement services by giving banks access to the TCH Federal Reserve Joint Account for those banks that need liquidity management services around RTP settlement.

## 7. What is a payments hub?

A payments hub is a unified system that delivers instant payments while supporting legacy payments. It comes with one common interface for all payment schemes; the system handles all the complexities using plug and play components. Payments hubs reduce the administrative and operational overhead of redundant systems and improve efficiency and reporting, while reducing fraud.

## 8. What is “embedded finance”?

Embedded finance is the integration of financial services or technology within conventionally non-financial services, products, or technology. Using this concept, banks can offer services, such as payment gateways on apps, or e-com sites. Most of these are coordinated by an integrated modern banking platform. This opens up new revenue streams and helps banks to offer new services to customers.

## 9. What are APIs?

API is the acronym for Application Programming Interface, which is a software intermediary that allows two applications to talk to each other. Each time you use an app like your bank's app, send an instant message, or check the weather on your phone, you're using an API.

## 10. What are webhooks?

Webhooks are automated messages sent from apps when something happens. They have a message—or payload—and are sent to a unique URL—essentially the app’s phone number or address. Webhooks are almost always faster than polling, and require less work on your end. They’re much like SMS notifications.

## 11. Can I reverse an instant network payment?

No, you cannot. Instant payments are irrevocable to enable immediate, final settlement to the payee.

## 12. What are the fees that banks pay to TCH for providing RTP services?

The RTP network has a single price for all participants. There are no volume discounts, no volume commitments, and no monthly minimums. This ensures that institutions of any size can participate. Financial institutions pay only for the transactions they originate. The full list of fees due depending on the type of request can be found here:



[rtp\\_pricing\\_01-01-2021.pdf](#)

<https://www.theclearinghouse.org/payment-systems/rtp/document-library>

## 13. Why would I want to use instant payments services if there are other products such as Venmo?

Venmo, Cash App and the like are predominantly P2P services. Points to consider are shown below:

- Bank transfer fee: They all charge 1–1.5% as transfer fee for the restricted instant payment services they offer
- Not real-time: The withdrawal speed is usually between 1 business day to 3 business days. Venmo’s instant transfer with a 1% fee take 30 minutes to arrive. Instant payments settle within seconds

- Open-closed loop: Instant payments are Open loop—linked to a bank account as against pre-paid funds like Venmo which are closed loop. Many of their transactions are confined to the payer and payee being on the same closed-loop platform and restricted to accounts linked only to certain banks. Anything outside to another bank or P2P wallet will use multi-day ACH

- The limitations of use cases—the closed loop is more popular for P2P payments/digital wallets. Instant payments have a wide range of use cases supporting an array of B2B, B2C, C2B, G2C, etc.

## 14. Can a transaction be sent to a business that does not have an active account?

No

## 15. What is the difference between Zelle and instant payments?

Zelle is a system for customers to send money to people they know and trust using a mobile phone number or email address as an option to identify the recipient.

Instant payment networks allow senders to use the routing number and checking or savings account number of the recipient’s bank account.

## GENERAL RESOURCES

**The Federal Reserve—FedPayments Improvement**  
[fedpaymentsimprovement.org](https://fedpaymentsimprovement.org)

**The Federal Reserve—FRB Services**  
[frbservices.org/financial-services/fednow/index.html](https://frbservices.org/financial-services/fednow/index.html)

**The Clearing House**  
[theclearinghouse.org/payment-systems/rtp](https://theclearinghouse.org/payment-systems/rtp)

**Faster Payments Council**  
[fasterpaymentscouncil.org](https://fasterpaymentscouncil.org)

**FIS Global—Flavors of Fast Report**  
[www.fisglobal.com/flavors-of-fast](https://www.fisglobal.com/flavors-of-fast)

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