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Sent via email: MFSDemonstration@fdic.gov

June 15, 2016

Keith Ernst, Associate Director Consumer Research & Examination Analytics
Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
550 17th Street, NW
Washington DC 20429

Re: FDIC FIL 32-2016, Mobile Financial Services Strategies (MFS) and Participation
in Economic Inclusion Demonstrations

Dear Mr. Ernst:

The Independent Community Bankers of America¹ (ICBA) appreciates the opportunity to comment to the Federal Deposit Insurance Corporation (FDIC) regarding the economic inclusion potential of mobile financial services (MFS).

The FDIC has identified various strategies banks may consider to maximize the potential of MFS to meet consumer needs, along with potential demonstrations that can document outcomes. The FDIC is seeking comment and feedback on banks' current implementation of these strategies as well as the best way to shape a demonstration project.

ICBA supports the FDIC's efforts and interest in bringing un- and under-banked individuals into the mainstream banking system. As the FDIC's consumer research indicates, MFS offers a clear potential to foster banking relationships in numerous

¹ The Independent Community Bankers of America®, the nation's voice for more than 6,000 community banks of all sizes and charter types, is dedicated exclusively to representing the interests of the community banking industry and its membership through effective advocacy, best-in-class education and high-quality products and services.

With 52,000 locations nationwide, community banks employ 700,000 Americans, hold \$3.6 trillion in assets, \$2.9 trillion in deposits, and \$2.4 trillion in loans to consumers, small businesses and the agricultural community. For more information, visit ICBA's website at www.icba.org.

ways. For example, community banks offer a wide variety of products and services to meet the needs of their communities—including MFS.

Community Banks and Mobile Financial Services

According to 2015 research, ICBA estimates that 75 percent of community banks currently offer mobile banking; over 90 percent of those offer it via a mobile application and 60 percent offer mobile remote deposit capture. ICBA projects that close to 90 percent of community banks will have a mobile banking capability by 2018.

Community banks typically offer MFS tied to checking and savings accounts as well as credit cards. ICBA estimates that only 20 percent of community banks offer MFS via a reloadable prepaid account. Instead, most community banks issue prepaid accounts directly to the consumer, rather than indirectly through channel partners (such as payroll cards).

Improving Access to Money and Timely Account Information

The FDIC notes that it would better serve the needs of the un- and under- banked community to post transactions in near-real time and communicate the precise time when payments and deposits are expected to clear, as opposed to a date range.

ICBA plays an ongoing leadership role in industry efforts to accelerate check processing and availability of check and ACH payments while balancing fraud and other risks. ICBA strongly supported The Check Clearing for the 21st Century Act (Check 21), enacted in October 2004. Check 21 allows for the clearing of electronic check images, rather than physical checks and has enabled same-day check processing. Additionally, ICBA has been a passionate advocate for same-day ACH. In an April 2013 white-paper, ICBA emphasized the need for Same-day ACH, paving the way for NACHA's April 2015 implementation of the final rule, and the adoption of Same-day ACH by the Federal Reserve in September 2015.

The need to improve clearing speed for all payments is ongoing. ICBA strongly supports the Federal Reserve's Payments Systems Improvement initiative and participates in both the Faster Payments and Secure Payments task forces. ICBA consistently advocates for fast, safe, secure, bank-centric payments systems that enable banks to innovate easily to meet their customers' needs.

In its white paper entitled *Strategies for Improving the U.S. Payment System*, Desired Outcome #1, the Federal Reserve articulated the need for real-time payments. The

white paper called for the development of “*ubiquitous, safe, faster electronic solution(s) for making a broad variety of business and personal payments supported by a flexible and cost-effective means for payment clearing and settlement groups to settle their positions rapidly and with finality.*” The development of an irrevocable real-time, credit-push payments system could result in real-time person-to-person or business-to-person payments, replacing checks and creating immediate funds availability.

ICBA is extremely supportive of the Federal Reserve Faster Payments Task force and has submitted a faster payments proposal that offers a tested solution. This proposal combines a low-cost on-ramp to real-time payments with a central payments directory—ideally operated by the Federal Reserve—that enables every financial institution to participate, regardless of their size.

The creation of a real-time, credit-push payments system has the long-term potential to improve the availability of funds and possibly eliminate holds. It will not, spell the immediate extinction of next-day check and ACH payments, however, in payment use-cases such as person-to-person, dividend payments, expense reimbursements and emergency payroll. As long as these next-day systems are used, financial institutions will need to occasionally use the Regulation CC exceptions to manage payments risk.

Expedite Access to Money

The FDIC suggests that banks also find ways to clear mobile remote deposit capture (mRDC) deposits faster, while maintaining sound risk-management practices; for example mRDC that provides faster availability options in exchange for a reasonable fee.

Currently, most community banks allow next-day availability of mRDC after a brief review to ensure the accuracy of the check deposit and to ensure the check will not be returned. Regulation CC permits financial institutions to delay the availability of funds for one additional business day (making a total of two business days) for on-us checks, and five additional business days (total of seven) for local checks. Financial institutions may impose longer exception holds, but must prove that they are "reasonable." According to Regulation CC, these holds apply for deposits greater than \$5,000, redeposited checks, doubtful collectivity, new accounts, and deposits made during emergency conditions. In these cases, the first \$200 is made available by the first business day following the day of deposit. Community banks currently provide their funds availability policy to their customers when an account is opened and each time the policy is revised in accordance with Regulation CC.

Even with these exceptions, most financial institutions use only same-day holds (allowing next-day availability) and do so sparingly, due to accelerated check image clearing systems. Generally, financial institutions use the exceptions only on rare occasions, as a risk management measure. The Expedited Funds Availability Act requires the Federal Reserve Board to reduce maximum hold times in accordance with reductions in actual check-processing times.

Make Banking More Affordable Through Better Account Management

The FDIC recommends that financial institutions promote the use of MFS to their customers and provide precise times that payments and deposits are expected to clear to help costumers minimize extra fees. The FDIC also suggests providing specific account information—such as identifying transactions that are not factored into the current available balance and aggregate or trend information.

Most community banks' MFS services allow customers to view both transaction history and pending transactions that may impact the available balance. Increasingly, community banks are updating their online and mobile banking channels to permit how and when customers receive alerts.

Address Real and Perceived Security Shortfalls

The FDIC suggests that banks develop and communicate security measures the bank employs and best practices consumers can implement to minimize security risks.

Most community banks provide security best practices, either in-person, or through online and mobile customer channels. While such information may be helpful to some customers, it is important to ensure that the burdens and costs of providing additional disclosures are commensurate with the benefits of such information.

Increasing Awareness of How Mobile Financial Services Can Help Consumers

The FDIC strategies include promoting the use of MFS as a tool to help customers: manage funds; improve control of their finances; set alerts to remind them of account status; reduce unexpected fees; and effectively monitor their progress toward fulfilling financial goals.

ICBA supports the FDIC's efforts to educate consumers on the financial services and products available to them, including MFS. Community banks currently engage in a wide range of financial education efforts, many in conjunction with local schools and civic groups. Community banks promote financial education for all consumers,

especially programs that help the underserved, disadvantaged and emerging markets. Today most community banks actively market their MFS at account opening and to all customers on an ongoing basis. Broader financial education programs that highlight how MFS can help manage one's finances could provide additional opportunities—and offer more choice—to un- and under- banked consumers.

ICBA appreciates the opportunity to provide feedback on the FDIC's Mobile Financial Services Strategies. If you have any questions or would like additional information, please contact Cary Whaley (Cary.Whaley@icba.org) or Lilly Thomas (Lilly.Thomas@icba.org) at 202-659-8111.

Sincerely,

/s/

Cary Whaley
Vice President, Payments and Technology Policy