

# Instant Payments

## Let's Clear Up Some Confusion!

Is it a faster payment or an instant payment? The main distinction between faster payments and instant payments lies in how quickly the customer receives their money and how fast the transaction settles at the financial institutions. Faster payments, like Same-Day ACH, Venmo, PayPal, Cash App, and Zelle, may appear instant due to the rapid availability of funds for the consumer; however, they are not truly instant since settlement can experience delays. On the other hand, instant payments, such as FedNow and Real Time Payments (RTP), allow consumers or businesses to receive funds immediately, with settlement occurring simultaneously with the transaction at the institution.

So why are we talking about instant payments? According to a report by Consumer Reports, the majority of Americans use some form of peer-to-peer payment service each month<sup>1</sup>. They engage with a variety of payment platforms, and the data indicates that while many can resolve their issues, 21% of respondents were unable to do so. Additionally, 77% of those surveyed encountered difficulties when attempting to contact their payment provider.

The data indicates that consumers have a desire for faster payment systems, yet many customers currently using these services remain dissatisfied. This presents an opportunity for your bank to enhance their experience by offering instant payments. Although your customers may be utilizing faster payment options with peer-to-peer service providers, you can still attract and retain customers with the introduction of instant payments.

Instant Payment systems, including FedNow and RTP, function as payment rails similar to checks and ACH. Currently in their early stages, these systems will require the development of a customer experience tailored for both consumers and businesses as adoption increases. It is essential for your institution to assess its business model and determine the most effective way to utilize instant payments.

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1. Peer-to-Peer Payment Services: Surveys on This Topic From Four months of The Nationally Representative American Experiences Survey Across 2022 (Consumer Reports Survey Group | January 10, 2023)