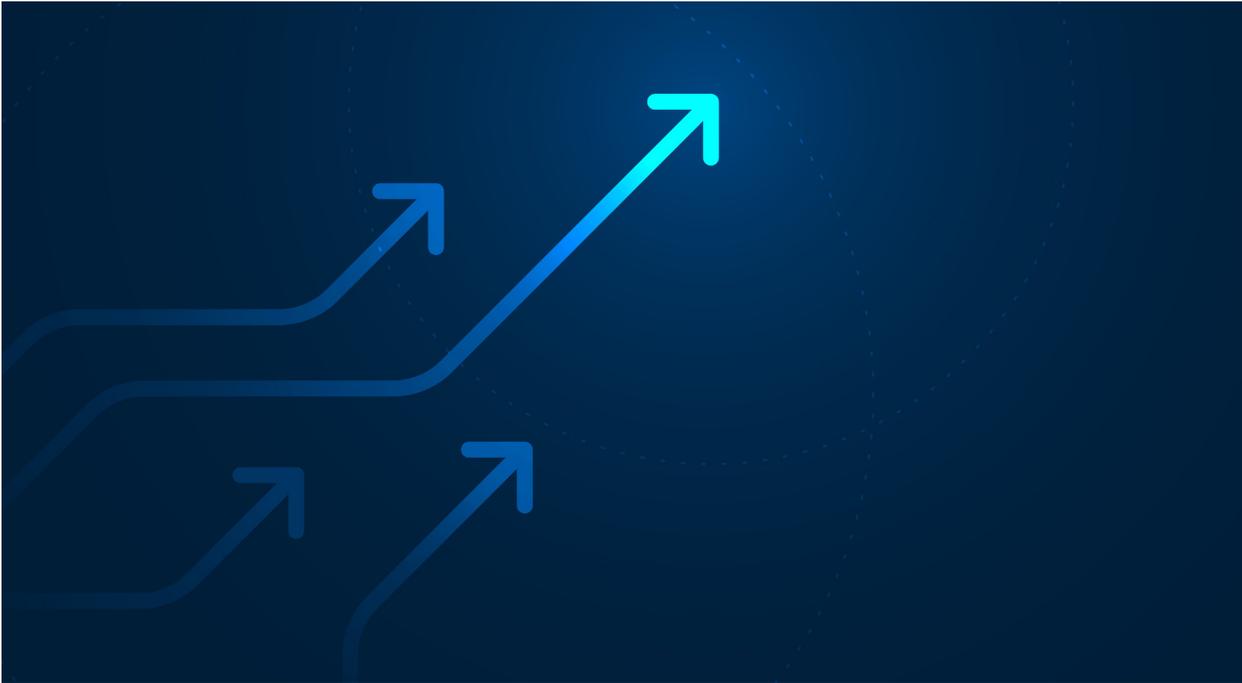# The Growth of RTP and the Potential of Request for Payment

In November 2017, The Clearing House (TCH) launched the RTP® network, which completely changed the landscape for faster payments in the U.S. It continues to grow rapidly, with new applications and use cases driving the popularity of real-time payments. In particular, the Request for Payment (RfP) capability is enabling a range of new use cases and opportunities for financial institutions to provide service to their customers.

In an American Banker hosted webinar, attendees heard directly from Keith Gray, Vice President Strategic Partnerships at The Clearing House. Gray and Al Griffin, Product Manager at Alacriti, discussed the new application possibilities of RfP and how financial institutions can use them to their advantage.

The Clearing House RTP Network Status Update

Although the RTP network is often thought of as 'new,' it's been live for almost five years. Gray commented on their rapid growth. "We've seen steady growth from the beginning, and over the past year, that growth has really escalated. As of today, we have close to 240 institutions who are on the network. Transaction volumes are growing at about 10-15% a month. We add banks and credit unions every week, and most of those that are coming through on the network now come through a technology relationship like Alacriti."

When a financial institution goes live on the RTP network, they immediately start receiving payments since there is so much payment volume already on the network, and it's widespread across the country. Many times those payments are merchant payments—small business customers that are pushing money out of their Square merchant account into their bank account. They see a lot of Zelle payments, and TCH has also observed a rapidly growing volume of business to business payments on Venmo.

Recently, a press release announced a movement in their transaction limit. Previously, the highest amount that could be sent on the RTP network was $100k. The limit increased to $1m per transaction. This was done to support the rising need in the business to business space and other use cases e.g., title and home closings. The originating institution can restrict the limit based on the customer or use case, but the network itself will support up to $1m.

RTP is being used by many different types of companies. Gray shared, "Some of the sport gaming and betting apps use RTP to move money in and out. We see a growing use in that. And what I would think of as gig economy companies like Grubhub and Uber have been growing as well. But RTP is also being used to improve traditional types of use cases, such as controlled disbursement. So we're seeing a growing trend of more and more companies using the network for different types of applications. One of the largest growth areas is payroll, which is a great example of a use case that touches a lot of customers. That includes the category of earned wage access. We've got a couple of large companies in that space where an employee can get money, even though it's not payday yet."

Interoperability

Currently, there's not a truly interoperable real-time payment network globally. The challenge is making true interoperability possible in a real-time environment. However, there is a growing trend in real-time cross-border transactions. Many of the systems used internationally use ISO 20022, which certainly helps as, at the very least, they're speaking the same language. Thus far, the TCH RTP network and the FedNowSM Service are not interoperable. Gray commented, "We did some work with EBA Clearing and Swift at the end of last year where we were sending cross-border payments over. So in that way, that's RTP being interoperable with another payment rail overseas for international payment. So international interoperability is in the realm of possibility, but here in the U.S. with the FedNow Service still a year away from launching—it remains to be seen."

Applicability of RfP for B2B Collections

In addition to the payment, an RfP can carry data. The bill information can be included within the message. According to Gray, TCH is in the process of launching a document services capability where a biller can upload an invoice to the document exchange. That creates a link that can be embedded within the request for payment message. This allows for setting up straight-through processing where the bill can be presented and then approved electronically, and the payment can be sent back immediately. In a business to business environment, this is especially important

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considering rising interest rates and the huge advantage that it represents for companies trying to maximize their cash management. There is also flexibility. The recipient does not have to pay the invoice through RTP—they can choose another payment type if they wish (although most of the time, it's paid with RTP because it's already in the queue).

There is a message in the RTP network called RFI (Request for Information). When a biller sends out invoices, if the receiver of that invoice has an issue or a question, they can ask through an RFI message. This is another example of the flexibility of the RfP capability.

There's a lot of development in RfP. "We think it has the possibility of reinventing the way bill pay works both for consumers and business. We're excited about the development we're seeing from partners like Alacriti launching applications around both consumer-based bill pay and business to business bill pay. Because of the data capability of RTP, being able to carry information as well as the payment in the same translation over the same secure network has huge potential," said Gray.

FIs on the RTP Network

According to Gray, "Most of the banks that are coming on the network now are by definition midsize or smaller institutions, as opposed to the top 50 banks. Most of the large banks had been on the network. I think we have about 30 or 40 banks that are sending as well as receiving payments. Most banks that go live are starting with receive only. Part of that is because it's a very easy lift to turn receive on, especially when you're working with a technology company that can do that. There's no front-end application, and you don't have to worry about fraud on the receive side. It's about making funds immediately available to the customer. It protects your customer base—you're not giving your customers a reason to set up an account at the bank across the street because they get paid faster and it creates a new deposit channel into the bank."

Preparing for Real-Time Payments

Real-Time Payments Support 3 Personas

Receive Only	Send & Receive	Send, Receive and Request for Payment

Time is of the essence for preparing for real-time payments. It's time to start planning for the different personas—receive-only, send and receive, and then the send, receive, and request for payment. Financial institutions can start with receive-only to get a start with real-time payments, and then ramp into other personas based on the use cases defined by the financial institution. "From a planning perspective, the receive-only requirement is very straightforward. You just need to get connected to The Clearing House or the FedNow Service when that comes available, have a real-time interface to your core for posting these payments, educating your staff on the real-time payment requirements, and then, of course, software and partnership for your financial institution to connect to the real-time payment rails," shared Griffin.

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To offer both send and receive for real-time payments requires a bit more. Financial institutions need to have their software enhanced for their online banking or other applications to support the initiation of the real-time payment. Think about whether it will be through your online channel, mobile, or both. The key is to educate account holders on the nuance as well as the benefits that real-time payments can bring.

Griffin shared one of the use cases that is really taking off currently. "One of the most relevant send and receive use cases is auto financing. If I'm out buying a car and I need the funds to pay the auto dealer for the loan, I can do that in real-time instead of waiting for the funds to be available. The same goes for mortgages, where it's so important to move money as quickly as possible during a mortgage closing."

Request for Payment requires more payment rules and defined options. Define your payment rules and options around expiration dates and times. For instance, when someone sends a request for payment, is it going to come with an expiration date? When it's no longer valid, will you accept a partial payment? Options can include paying the amount due, making a partial payment, picking a date to make the payment, or declining the message.

RfP Use Cases

RfP use cases include:

- Additional Loan/Bill Payment Channel

- "Risky Payments" or Pre-Collection/End of Service Payments

- Payment Option for the "Just in Time" Bill Payer

- One-Off Bills/Invoices

- Conversion of Non-Auto/Recurring ACH payers

- Keeping Pace with a Changing Market

RfPs allow a full funds model that avoids potential risks. For instance, when delivering a service, a merchant can demand upfront money that will be fully funded since it's real-time. There's no risk of a callback or non-sufficient funds. It is also an excellent option for the "just-in-time" bill payer that wants to hold on to their money as long as they can or who needs to get a check created for them to get paid. It helps people manage their finance payments as they don't have to guess when the ACH or check payment will hit.

RfPs provide a great deal of flexibility. A plumber that does a job can send an RfP without making the customer go on their website and establish a login to pay the bill. Or a homeowner can make their HOA payment in quarterly installments through quarterly RfPs, which allows them to pay their bill quickly and reduce the chance of delinquency.

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How to Connect

The Alacriti solution provides the ability for financial institutions to participate within the RTP rails in a multitude of ways. Griffin shared "Number one, we're very fast to market. We can get you up and going in about 10 weeks for receive only and 20 weeks for send and receive. From an innovation perspective, we offer a lower total cost of ownership and risk because we offer an operating expense model vs. a large capital expense model that requires an enormous amount of money upfront. Our online cloud service model is very scalable and allows you to roll out the different services that we offer to the different rails, so we can grow with you. Uniform APIs allow us to communicate to all different rails. We also deliver digital overlays for financial institutions to utilize for initiating a real-time payment or initiating a request for payment. Our unified money movement channel facilitates the ability through our microservices and APIs to orchestrate payments based upon the different money movement services that you may have." A2A transfers are a good example of the level of how payment orchestration can be beneficial. For instance, if an A2A transfer is happening and the recipient is not on RTP rails, payments orchestration can facilitate that in real-time and change that over to Visa so it's pushed to their debit card that's associated with that particular account.

The Impact of the Launch of the FedNow Service on RTP the network

The volume and participants continue to grow and escalate on the RTP network. The Clearing House has been working and talking with the Fed from the beginning to see if the networks can have some level of interoperability in place. The good news is that they're both ISO 20022 networks, which allows for easier integration. However, a challenge is that the FedNow message specs are different from the RTP network. It's not as clean as ACH, where the two organizations send files back and forth. In a real-time environment, it's expected that there will be some level of network interoperability. "However, it's up to fintechs like Alacriti to provide some type of routing capabilities," said Gray. "For example, if the receiving bank isn't available on RTP, they could default to a debit card solution. The bottom line is you need to be on both networks for that to work, and there's a volume available for your customers now on RTP. So I highly recommend that you get going on RTP now, and then you can figure out what the best strategy is for you as FedNow launches."

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*To learn more about how RfP capability is enabling a range of new use cases and opportunities, watch the full webinar, **The Growth of RTP and the Potential of Request for Payment**, featuring The Clearing House and Alacriti.*

WEBINAR PLAYBACK

The Growth of RTP and the Potential of Request for Payment

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Alacriti's centralized payment platform, Cosmos Payments, provides innovation opportunities and the ability to make smart routing decisions at the financial institution to meet their individual needs. Financial institutions can unify payment processing all in one cloud-based platform—ACH, the FedWire Funds Service, TCH RTP® network, Visa Direct and soon, the FedNow℠ Service. To speak with an Alacriti payments expert, please contact us at (908) 791-2916 or info@alacriti.com

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