

United States Senate

WASHINGTON, DC 20510

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COMMITTEES:
AGRICULTURE, NUTRITION, AND FORESTRY
BANKING, HOUSING, AND URBAN AFFAIRS
ENVIRONMENT AND PUBLIC WORKS
SPECIAL COMMITTEE ON AGING

September 26, 2024

The Honorable Michael Barr
Vice Chair for Supervision
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

Dear Vice Chair Barr:

I was disappointed by the lack of detail in your August 9, 2024, responses to my Questions for the Record (attached), and I am writing to request a complete and accurate response to my questions about FedNow.

I strongly agree with your past statements that FedNow is a vital piece of payment infrastructure that banks and credit unions can use to provide better services for working families and small businesses. FedNow has been available for over a year, and the public deserves transparency about its performance and operations. I urge you to furnish a thorough and detailed response to my original questions and the following additional questions:

- In your response to my questions, you say that a “diverse group of banks and credit unions have adopted the FedNow Service.” In the first year of operations, how many banks and how many credit unions adopted FedNow? What portion of that total are receive-only at this point?
- How many institutions have sent cumulatively over \$1 million through FedNow?
- You stated that number of transactions and dollar amounts sent through FedNow are “modest” but that they were “in line with what we expected for a new service.” What are the number of transactions and dollar amounts sent on FedNow in its first year?
- At launch, what were the number of transactions and dollar amounts the Fed expected over FedNow in each of its first five years and cumulatively over that period? What are the Fed’s current projections of those metrics for the same time period?

- I previously asked you if the Federal Reserve is tracking the markups banks charge customers for using FedNow, and you said that the Fed does not “systematically” track this information. What information does the Fed track on markups and what does that data show? Why has the Fed chosen not to systematically track this markup information and will it reconsider doing so?
- You state that “institutions often provide consumer-facing payment services at low or no cost.” What data underlies this conclusion?

The Federal Reserve has done an extraordinary job navigating the American economy and financial system through a variety of difficult circumstances in recent years. The Fed and its actions are critical to ensuring a sound financial system that works for every family and every business. Affordable, safe instant payments are an important part of that critical work.

I would be grateful to have a complete and detailed response to all of my questions no later than October 28, 2024.

Sincerely,

A handwritten signature in black ink, appearing to be 'John Fetterman', with a large, stylized initial 'J' and a long horizontal flourish extending to the right.

John Fetterman
United States Senator



BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

MICHAEL S. BARR
VICE CHAIR FOR SUPERVISION

August 9, 2024

The Honorable John Fetterman
United States Senate
Washington, D.C. 20510

Dear Senator:

Enclosed are my responses to the questions you submitted following the May 16, 2024,¹ hearing before the Committee on Banking, Housing, and Urban Affairs. A copy also has been forwarded to the Committee for inclusion in the hearing record.

Please let me know if I may be of further assistance.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael S. Barr".

Enclosure

¹ Questions for the record related to this hearing were received on May 24, 2024.

Questions for The Honorable Michael Barr, Vice Chair for Supervision, Board of Governors of the Federal Reserve System, from Senator John Fetterman:

1. How much money has been sent through FedNow to date?

A diverse group of banks and credit unions across the country have adopted the FedNow[®] Service. These institutions are in the early stages of implementing new instant payment services for their customers and adjusting to round-the-clock operations. Accordingly, the number of transactions and dollar amounts sent on the FedNow Service since July 2023 is modest, which is in line with what we expected for a new service. Our intention is to publish volume and value information in the future for the FedNow Service as we do for our other payment services. From a longer-term perspective, we expect transaction volumes will follow the typical trajectory of a new payment service and grow steadily over time.

2. When will the Federal Reserve release to the public the dollar amount flowing through FedNow?

Please see my response to question 1.

3. Is the Federal Reserve tracking the markups banks charge to customers above and beyond their costs for using FedNow?

Banks and credit union can use the FedNow Service to deliver new instant payment services for their customers. These could include new payment features on mobile apps, banking websites, or other interfaces such as those used for business payments. The payment products that banks and credit unions offer their customers and potential associated fees are within the domain of the private sector. While we do not systematically track this information, our understanding from years of industry engagement is that the market for financial institution payment services is competitive, and institutions often provide consumer-facing payment services at low or no cost.

4. What action is the Federal Reserve taking to keep costs low for customers and reduce excessive bank markups for using FedNow?

Please see my response to question 3.