



Does the Treasury Department Want to Modernize Payments? If So, Here's How

Greg Baer | April 18, 2022

As policymakers focus on payment and currency issues, now seems like an ideal time for individuals and companies receiving government payments to enjoy the benefits of modern, real-time payments. While many issues in this space are complex, the solution here is simple.

Since 2017, the Clearing House has operated the RTP real-time payment network. It now includes banks holding 61 percent of the nation's demand deposit accounts. While the Clearing House is owned by larger banks, smaller firms are participating as well. Over 30 small banks and credit unions joined the RTP network in the last month alone. Their involvement is important because the RTP network benefits from ubiquity: a large company may use only one large bank to make payments but wants all of its employees around the country to receive payments, and they likely bank at hundreds of different institutions.

Companies are putting the RTP network to practical use. Paychex, one of the nation's largest payroll and HR technology providers, is using the RTP network to provide earned wage access and real-time payroll to workers. Square, PayPal and Venmo offer instant transfers from their products to a customer's bank account over the RTP network, and Uber and Grubhub use the RTP network to pay drivers instantly. This is an established, growing network, not a risky startup.

Still, millions of Americans who receive government payments—social security payments, tax refunds, emergency assistance to disaster areas, payments to military and other contractors, and government payroll—do not have access to real-time payments. As [noted](#) by Aaron Klein, senior fellow in economic studies at the Brookings Institution, many of those recipients are low- and moderate-income people. Instead, the Department of the Treasury currently makes payments exclusively through the Federal Reserve's ACH system, with multi-day settlement times.

Secretary Yellen recently noted the “common frustrating experience shared by tens of millions of Americans every week: their employer sends their paycheck, but it takes up to two days for the check to hit their bank account.” To address this problem, Treasury should join the RTP system and begin making those payments in real time now. While the Federal Reserve is promising to launch its own real-time system in 2023, the banking industry has already delivered it. The Treasury should provide Americans the benefits of real-time payments now, not later.

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