

Inside EasCorp



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Money is Moving on the FedNow® Service Rail

"Slow and steady wins the race," Aesop told us in his fable of the tortoise and the hare. Out of the gate, the rabbit pulls ahead, but, overconfident in his win, he becomes complacent and careless. As he naps, his challenger crosses the finish line. The tale offers a lesson in persistence, a message about the pace of progress. It is, too, an apt metaphor for the launch of the Federal Reserve's FedNow® Service instant payments rail.

Four months since its launch, financial adoption of the instant payments rail is slow but steady. The Fed has reported that over 120 financial institutions and additional providers are live on the network, most receiving transactions, and that they expect to have as many as 350 live by year's end. With more than 9,000 financial institutions in the country, these numbers are low. If consumers and businesses are demanding faster payments, why aren't credit unions and banks jumping on board?

The Fed recognizes that they have a chicken and egg dilemma: consumers and businesses are more likely to adopt services that others are already using, and the FedNow Service will not meet their needs, or live up to its full capabilities, without significant investment from financial institutions. The Fed expects adoption to grow gradually as customers and financial institutions gain awareness of the channel's potential; access to the rail through technology providers, core processors, and digital banking vendors; and confidence in its security through ongoing education and transparency. For their part, the Fed is prioritizing enhancements to risk management and operational functions, and value-add features to support early adopters with onboarding and implementation. The race to instant payments will be won by financial institutions and technology providers who thoughtfully develop FedNow Service products taking advantage of all of the available resources.

To learn more about the FedNow Service or EasCorp's and Vertifi's instant payments solutions, please contact Michael O'Brien (mobrien@eascorp.org) at 800.428.1144, Ext. 3324.

EasCorp and Vertifi's offices will be closed on Thursday, November 23, in observance of the Thanksgiving holiday. We are grateful for the opportunity to serve our members and wish you all a peaceful day.

Does the GDP Shock Forecast a Soft Landing, or Just a Delayed Recession?

On October 26, 2023, an advance estimate report released from the Commerce Department's Bureau of Economic Analysis included an announcement that surprised many: defying expectations of a slowdown, the US economy grew 4.9 % in the third quarter. In fact, GDP growth was at its fastest pace in almost two years.

The Commerce Department's announcement prompted speculation among economists and Fed watchers that the cycle of rate hikes that saw Fed Funds rise 525 basis points since March 2020 may be finally over, and that a soft economic landing could be possible. Indeed, that's exactly what U.S. Treasury Secretary Janet Yellen stated in a recent interview with Bloomberg News. Responding to criticism that the yield surge is in response to the growing deficit, she countered, "I think it's a reflection of the resilience that people are seeing in the U.S. economy, that we are not having a recession, that consumer spending and demand continue to be strong, and that the economy is showing tremendous robustness and that suggests that interest rates are likely to stay higher for longer." Yellen added that the recent spike in rates is not due to recession worries.

Still, many analysts are not ruling out an economic downturn in the near future. Some, like Brent Schutte of Northwestern Mutual Management, believe that higher interest rates still pose challenges to the economy that have yet to be reflected in "backward-looking data." In an interview with Yahoo Finance, he contended that there will ultimately be a recession in the next six to twelve months.

"If you think about the US consumer, they've been largely insulated in many cases from the rate hikes because two thirds of consumer debt is mortgage debt. But that will eventually reprice," said Schutte. "Credit card debt now carries a 21% interest rate. Auto loans are at 8%. You're seeing student loan repayments. And so, as you continue to think about this, it's going to continue to erode the consumer's condition."

More insights on the US economy from Bloomberg and other financial analysts are posted daily in the market commentary on the EasCorp website at www.eascorp.org.

2024 Credit Unions Kids at Heart Boston Marathon Team Selected

Eight runners have been selected to represent Credit Unions Kids at Heart® (CU Kids at Heart) on the 26.2 mile route from Hopkinton, Massachusetts, to downtown Boston in the 128th Annual Boston Marathon.

With the generous help of the Boston Athletic Association (BAA) and Boston Children's Hospital (BCH), the CU Kids at Heart Team obtains bibs, limited entries awarded for charitable fundraising purposes, for the Boston Marathon. The CU Kids at Heart Runners train with and run as part of the BCH Miles for Miracles Team, but the money they raise is restricted to support only the CU Kids at Heart Team's research initiatives at BCH. Our Runners are paired with Patient Partners who have received care at Boston Children's Hospital, and many form a life-long bond. 2024 will be the CU Kids at Heart Team's 25th running of the Boston Marathon!

This year's team will be announced in the November edition of the charity's From the Heart newsletter and posted online later this month. Stay tuned to learn more about our new and returning runners and their Participating Credit Union supporters. If you would like to receive the CU Kids at Heart newsletter or are interested in joining as a Participating Credit Union or Corporate Sponsor this year, please contact Deirdre Zaccagnini (dzaccagnini@eascorp.org) at 800.428.1144, Ext. 3347.

International Payments: Local Currency vs. USD

EasCorp was joined last month by global payment leaders Corpay, its partner provider of cross-border payments, for the annual service users' webinar. Among the topics discussed was the value of sending international payments in local currencies vs. U.S. dollars. Data continues to show that the U.S. dollar is the dominant currency used in global transactions and trade, and, according to the Federal Reserve Banks, between 1999-2019 accounted "for 96 percent of trade invoicing in the Americas, 74 percent in the Asia-Pacific region, and 79 percent in the rest of the world."

Corpay advises that both processing time and cost can possibly be reduced by sending funds in the currency of the recipient. Payments made in USD flow through additional intermediaries and correspondent banks leading to delivery delays, higher fees, and foreign exchange markups. The possible advantages of sending in local (or foreign) currency vs. USD are:

- *Faster Delivery:* Reduces the number of correspondent banks involved in the process and bypasses the need for currency conversion.
- *Reduced Fees:* The fewer banks involved in a transaction, the lower the fees charged.
- *Currency Conversion Costs:* Higher currency conversion fees are reduced.
- *Control of Exchange Rate:* Eliminates the risk of exchange rate fluctuations due to adverse exchange rate movements.
- *Invoice Cost Savings:* Members should ask vendors to send invoices denominated in the local currency to simplify the account reconciliation process for the recipient.

A recording and slide deck from the webinar are now available behind Ease-Link for authorized users with certificate access. To learn more about EasCorp's International Payments Services, please contact Paula Seremetis (pseremetis@vertifi.com) at 800.428.1144, Ext. 3319 or Payments Systems at Ext. 4.

Coin and Currency Reminders for November Holidays

In observance of Thanksgiving Day, all Federal Reserve offices will be closed on Thursday, November 23, 2023. As a reminder, cash orders prepared by the Federal Reserve Bank must be placed two business days in advance of delivery (e.g., orders must be placed by 11:30 a.m. ET on Monday for Wednesday delivery).

All Federal Reserve Banks and branches will be open on Friday, November 10, preceeding Veterans Day on Saturday, November 11, 2023.

If you have any questions regarding your cash orders, please contact Taylor King at 800.428.1144, Ext. 3516 or the Payment Systems Department, Ext. 4 in advance of the holiday.

Q3 Financials Available

EasCorp's 3rd Quarter Financial Report is now available online in the Due Diligence section of the website for anyone with an EasCorp- or Vertifi-issued digital certificate and Due Diligence authorization. For assistance, please contact Implementations and Support at 800.428.1144, Ext. 2, or support@vertifi.com.

Annual Audit Verification

EasCorp's annual audit verification is currently underway. In addition to being posted online, your monthly statement for October will be mailed to you with a form from CliftonLarsonAllen, LLP. Please complete and return the form directly to CliftonLarsonAllen, LLP. Thank you for your cooperation and timeliness. If you have any questions, please contact Bob Bartol (rbartol@eascorp.org) at 800.428.1144, Ext. 3351.



Remote Deposit Capture Helpful Tips and Tricks

On November 1, 2023, DeposZip® RDC service users should note updates to the First *n* settings in the administrative portal to improve functionality. The First *n* settings used to look at only 18 months of a user's deposit history, and older deposits that had been flagged for First *n* Review were excluded from the First *n* Review calculation. This sometimes led to an inflated number of deposits held for First *n* Review for users with infrequent deposit behavior. As of November 1, the system will look at the user's total lifetime deposits and older deposits previously held for First *n* Review will be considered in the total count.

Additionally, as November 1, you may type "9999" in the First *n* Period (Days) field to disable this setting. This means that the system is no longer looking for deposits after an idle period to trigger a new First *n* Review flag. Moving forward, you may continue to set this field to a specific number of days so that the First *n* Review flag will be reset over time for users who do not make frequent deposits.

If you have any questions or need assistance with these settings, please contact Implementations and Support (support@vertifi.com) at 800.428.1144, Ext. 2.

UPCOMING EVENTS

Association of Credit Union Senior Officers
Wednesday, December 6, 2023
Meet the Regulators
MHA Conference Center, Burlington, MA

*For more information about the event listed above,
please call 800.428.1144, Ext. 3300
or email to admin@eascorp.org.*

RECORDING NOW AVAILABLE

Did you miss the International Payments Services webinar on Thursday, October 19? A recording of the program is now available on Ease-Link for authorized users.

EasCorp Payments Specialist to Speak at Upcoming Symposium

Michael O'Brien, AVP, Payment Strategies, will speak about EasCorp's experiences with instant payments at a FedNow® Service Early Adopters Panel at the 2023 Future of Payments Symposium, presented by NEACH and COCC. This virtual event is held on November 2 and 3 and will consider both the operational impact of emerging payment technology and tactical approaches to modernize your business practices. Learn more at <https://fps.neach.org>.



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