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General

1. Are you in general agreement with the payment system gaps and opportunities identified in the "Payment System Improvement Public Consultation Paper"? Please explain, if desired.

Yes. Many of our customers will not pay via anything but check, as they are small companies, and most are old school and will not pay via any other method for fear of identity theft. Small "Mom/Pop Shop" type companies, which are the base of our business. Large companies are set to pay via EFT, but doubt any small companies will go for that in any time in the near future. So "within the next decade" as the Paper explains as a goal for this is unrealistic in our world. We will let them pay in any fashion they wish to keep their business.

1i. What other gaps or opportunities not mentioned in the paper could be addressed to make improvements to the U.S. payment system?

On the average we only have less than 1% of total A/R over 30 days past due. We do our own collections the old fashioned way, by calling the customer and talking to them. So if it isn't broken, don't try to fix it.

2. Are you in general agreement with the desired outcomes for payment system improvements over the next 10 years? Please explain, if desired.

No. See answer to #1.

2i. What other outcomes should be pursued?

3. In what ways should the Federal Reserve Banks help improve the payment system as an operator, leader, and/or catalyst?

None of the above.

Ubiquitous near-real-time payments

4. In discussions with industry participants, some have stated that implementing a system for near-real-time payments with the features described in the second desired outcome (ubiquitous participation; sender doesn't need to know the bank account number of the recipient; confirmation of good funds is made at the initiation of the payment; sender and receiver receive timely notification that the payment has been made; funds debited from the payer and made available in near real time to the payee) will require coordinated action by a public authority or industry group. Others have stated that current payment services are evolving toward this outcome and no special action by a public authority or industry group is required.

4i. Which of these perspectives is more accurate, and why?

Eventually it will evolve on its own, but until the small business owners are comfortable with this method of payment it is not realistic. In doing collections for nearly 10 years it is easier to get the customer to pay if they are not pressured in to doing so, so therefore I see very small customers never going to this method of payment. They want total control of their cash flow, so would reject "real-time" or automatic withdraw.

4ii. What other perspective(s) should be considered?

5. The second desired outcome articulates features that are desirable for a near-real time payments system. They include:

- a. Ubiquitous participation
- b. Sender doesn't need to know the bank account number of the recipient
- c. Confirmation of good funds is made at the initiation of the payment
- d. Sender and receiver receive timely notification that the payment has been made
- e. Funds debited from the payer and made available in near real time to the payee

5i. Do you agree that these are important features of a U.S. near real-time system? Please explain, if desired.

Yes.

5ii. What other characteristics or features are important for a U.S. near real-time system?

6. Near-real-time payments with the features described in the second desired outcome could be provided several different ways, including but not limited to:
- a. Creating a separate wire transfer-like system for near-real-time payments that leverages the relevant processes, features, and infrastructure already established for existing wire transfer systems. This option may require a new front-end mechanism or new rules that would provide near-real-time confirmation of good funds and timely notification of payments to end users and their financial institutions.
 - b. Linking together existing limited-participation networks so that a sender in one network could make a payment to a receiver in another network seamlessly. This option may require common standards and rules and a centralized directory for routing payments across networks.
 - c. Modifying the ACH to speed up settlement. This option may require a new front-end mechanism or new network rules that would provide near-real-time confirmation of good funds and timely notification of payments to end users and their financial institutions. Payments would be settled periodically during the day.
 - d. Enhancing the debit card networks to enable ubiquitous near-real-time payments.
 - e. Implementing an entirely new payment system with the features described in the second desired outcome above.

6i. What would be the most effective way for the U.S. payment system to deliver ubiquitous near-real-time payments, including options that are not listed above?

Most small business owners work on a cash flow basis, so when the product sells they pay the bill. Therefore it will not be achieved unless you can give some incentive to do so. But with the extra cost of ACH, Debit/Credit Card usage, this is not an option for many small companies. So get rid of the extra charges and you may get more small businesses on board with this.

6ii. What are the likely pros and cons or costs and benefits of each option? What rule or regulation changes are needed to implement faster payments within existing payment processing channels?

Again, not taking into account the volume of small businesses that operate on a cash flow basis, so therefore cannot say exactly when they will be able to pay. So we provide a variety of options for payment, so they can have control over their cash flow. Also high banking costs by using credit/debit/ACH payments are a factor.

6iii. Is it sufficient for a solution to be limited to near-real-time authorization and confirmation that good funds are on their way, or must end user funds availability and/or interbank settlement take place in near-real time as well?

User funds availability must be taken into consideration. Again, most small companies operate on a cash flow basis, so will control their own payments.

6iv. Which payment scenarios are most and least suitable for near real-time payments? (B2B, P2P, P2B, POS, etc.)

no comment.

7. Some industry participants have said that efforts to make check payments easier to use, such as by enabling fully electronic payment orders and/or by speeding up electronic check return information, will incrementally benefit the payment system. Others argue the resources needed to implement these efforts will delay a shift to near-real-time payments, which will ultimately be more beneficial to the payment system. Which of these perspectives do you agree with, and why?

The later. Most small businesses are so uncertain of the future they will not sink money into the electronic resources needed to implement near-real-time payments. It would be nice to be able to say you will always get a payment on a scheduled date, but it is unrealistic, from a collections stand point.

8. How will near-real-time payments affect fraud issues that exist with today's payment systems, if at all?

Identity theft is very real, and every time you pay electronically you run this risk. That is the main concern many companies have with giving information over the phone or via internet for payment. So many will continue with writing a check and mailing it.

8i. Will near-real-time payments create new fraud risks? If yes, please elaborate on those risks.

Yes. The more "electronic" payments become, the higher the risk.

9. To what extent would a ubiquitous near-real-time system bring about pivotal change to mobile payments?

no comment

10. What would be the implication if the industry and/or the Federal Reserve Banks do not take any action to implement faster payments?

I personally do not think this should be a Federal Reserve Bank or Industry issue. Each small business owner should use their own judgment as to what works best for their own business.

10i. What is the cost, including the opportunity cost, of not implementing faster payments in the United States?

Eventually you get your money, so running a cash flow basis business you will eventually sell the product and pay the bill, so as a wholesaler eventually you are paid. In a perfect world you would get your payments on time, but it is not a perfect world.

11. To what extent will the industry need to modernize core processing and other backend systems to support near-real-time payments?
You will never "modernize" small "Mom/Pop Shop" type businesses. It is not realistic. Many we deal with still don't use credit cards.

11i. What is the likely timeframe for any such modernization?

Eventually the younger generation that is comfortable with doing everything via computer will take over the industry and then you may see the modernization, so eventually I would say would be around 40-50 years.....give or take. But in the Midwest we still deal with customers paying cash.....so seriously, when dealing with say Amish Communities, never will happen. They pay on time always, as they have great payment habits. But always pay by check or cash. We won't ever turn that type of business away just because they refuse to pay via electronic funds transfer or credit card, which they never will use.

12. Some industry participants suggest that a new, centralized directory containing account numbers and routing information for businesses and/or consumers, to which every bank and other service providers are linked, will enable more electronic payments. A sender using this directory would not need to know the account or routing information of the receiver.

12i. What are the merits and drawbacks of this suggestion?

No merits, serious drawbacks. You will not get all small business owners on board with a centralized directory like this. They will look at it as big government taking over their business.

12ii. What is the feasibility of this suggestion?

Not feasible.

Electronification

13. Some industry participants say that check use is an enduring part of the U.S. payment system and that moving away from checks more aggressively would be too disruptive for certain end users.

13i. Is accelerated migration from checks to electronic payment methods a high-priority desired outcome for the U.S. payment system? (Accelerated means faster than the current trend of gradual migration.) Please explain, if desired.

No. In the collections world it is not feasible. Small business owners will continue to pay via check, as they have control of their own finances that way. Cash flow basis ran businesses.

13ii. Should the Federal Reserve Banks establish a target for the percent of noncash payments to be initiated via electronic means, by a specific date? For example: "By the year 2018, 95% of all noncash payments will be made via electronic means." If Yes, what is the appropriate target lever and date?

No

14. Business-to-business payments have remained largely paper-based due to difficulties with handling remittance information. Consumer bill payments also are heavily paper-based due to the lack of comfort some consumers have with electronic alternatives. In addition, many small businesses have not adopted ACH for recurring payments due to technical challenges and/or cost constraints. The payment industry has multiple efforts underway to address these issues.

14i. To what extent are these efforts resulting in migration from checks to other payment types?

No comment.

14ii. What other barriers need to be addressed to accelerate migration of these payments?

No comment.

14iii. What other tactics, including incentives, will effectively persuade businesses and consumers to migrate to electronic payments?

Take away the excessive fees involved in dealing with credit card and ACH payments.

14iv. Which industry bodies should be responsible for developing and/or implementing these tactics?

None. This is a small business country, basically without the small business man you would not have this country as we know it today. This appears to be shoving them into doing what they do not want to do. So let it evolve naturally, and then the younger generation as they take over the small businesses will be more apt to switch to electronic payment methods. But you will always have cash flow issues. You have to sell the product to pay the bills.

Cross-border Payments

15. To what extent would the broader adoption of the XML-based ISO 20022 payment message standards in the United States facilitate electrification of business payments and/or cross-border payments?

Our cross-border payments are already electronic only. So this is a realistic goal.

16. What strategies and tactics do you think will help move the industry toward desired outcome four - consumers and businesses have greater choice in making convenient, cost-effective, and timely cross-border payments?

Most companies in other countries are already paying via wire or EFT payments. The only thing that makes payments late are the need for conversion rates, so this makes it also more costly to do business with cross-border companies.

Safety

17. Payment security encompasses a broad range of issues including authentication of the parties involved in the transaction, the security of payment databases, the security of software and devices used by end users to access payment systems, and security of the infrastructure carrying payment messages.

17i. Among the issues listed above, or others, what are the key threats to payment system security today and in the future?

Unfortunately there is always someone out there smarter than the software, so will be able to hack in and retrieve payment information. Don't feel this threat will ever go away.

17ii. Which of these threats are not adequately being addressed?

Security of the infrastructure carrying payment messages.

17iii. What operational or technology changes could be implemented to further mitigate cyber threats?

Better fire walls.

18. What type of information on threat awareness and incident response activities would be useful for the industry?

no comment

18i. How should this information be made available?

IT departments can be updated via e-mails.

19. What future payment standards would materially improve payment security?

no comment

19i. What are the obstacles to the adoption of security-related payment standards?

No comment.

20. What collaborative actions should the Federal Reserve Banks take with the industry to promote the security of the payment system from end to end?

None. Leave this up to each individual business to run their own business.

21. Please share any additional perspectives on U.S. payment system improvements.

