

EPCOR, BRANDIE THACKER

Proposal and Comment Information

Title: Check Services - Request for Information and Comment on the Future of the Federal Reserve Banks' Check Services, OP-1874

Comment ID: FR-2025-0077-01-C228

Submitter Information

Organization Name: EPCOR

Organization Type: Organization

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Please find EPCOR's uploaded comment letter in response to the Board of Governors' Request for Information on the Future of the Federal Reserve Bank's Check Services. We appreciate the opportunity to provide feedback on this important matter.



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January 27, 2026

Board of Governors of the Federal Reserve System

RE: Request for Information on the Future of the Federal Reserve Bank's Check Services (Docket Number OP-1874)

On behalf of the EPCOR Board of Directors, members and staff, thank you for the opportunity to provide input on the future of check processing through the Federal Reserve Banks. Collectively, member responses support a balanced approach that preserves essential check infrastructure while enabling a gradual, informed transition to electronic payments.

EPCOR conducted a targeted member survey to inform this comment letter, representing 1,600+ financial institutions ranging from \$10 million to over \$25 billion in assets, with most between \$25 million and \$750 million.

We offer these comments to support the Federal Reserve's assessment of the future of Reserve Bank check services.

RFI Question #1

What is your view of the importance of the Reserve Banks' check services in the United States today?

Member responses (85%) indicate that Reserve Bank check services remain important despite declining volumes, particularly for B2B payments, rural communities and legacy workflows. Respondents emphasized the Federal Reserve's value as a neutral provider that supports stability, risk mitigation and interoperability - especially for community banks and credit unions. Specifically, 77% highlighted the stability and risk-mitigation benefits of a Federal Reserve clearing option, and 82% emphasized the importance of the Reserve Banks' check services in maintaining interoperability across financial institutions, particularly for community banks and credit unions. In addition, the Federal Reserve's role prevents community banks from becoming dependent on a small number of large private-sector processors.

How should the Federal Reserve's role in the provision of check services evolve over the next 3 years?

Stakeholders overwhelmingly support a measured evolution of the Federal Reserve's role in check services over the next three years that balances continuity with modernization. Most respondents (92%) believe the Federal Reserve should continue providing core check services while also assisting financial institutions as they transition toward electronic payments. This reflects a strong desire to preserve stability and access during a period in which checks remain necessary for certain users and use cases, even as overall payment behaviors continue to evolve.

At the same time, members emphasized the importance of efficiency and education. A large majority (81%) support increased investment in technology to streamline check processing - including check adjustments - and reduce costs for institutions that continue to rely on checks. Additionally, 55% believe the Federal Reserve should play a role in educating financial institutions and account holders about payment alternatives, underscoring the value of guidance and outreach in supporting informed adoption of electronic



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payment options. Together, these responses suggest a near-term Federal Reserve role that maintains essential infrastructure while actively enabling a gradual, informed transition to more modern payment methods.

How should the Federal Reserve's role in the provision of check services evolve over the next 10 years?

Looking further ahead, members support a more proactive and strategic role for the Federal Reserve in guiding the long-term transition away from check payments, with 71% supporting the development of a formal roadmap to reduce reliance on checks over the next decade. This reflects recognition that, while checks remain necessary today, their role is likely to diminish over time and would benefit from a planned, transparent approach that allows financial institutions and market participants to adjust gradually and predictably.

Beyond long-term planning, members also view the Federal Reserve as both an innovator and a convener. Fifty-nine percent support exploring greater integration between check services and faster payment systems, signaling interest in smoother interoperability during the transition period. At the same time, 61% feel the Federal Reserve should act as a facilitator for industry-wide discussions on the eventual sunset of checks. These findings point to a long-term role centered on coordination, innovation and leadership to support and orderly and inclusive transition.

RFI Question #2

What aspects of the Reserve Banks' current check services are the most critical?

Members noted reliability, speed and issue resolution as the most critical aspects of the Reserve Banks' current check services. Operational timeliness was paramount, with 81% of respondents citing processing speed as essential, and 84% emphasizing the importance of return options to ensure clear and dependable handling of unpaid or problematic checks.

Accuracy and flexibility in resolving check-related issues were also priorities, with 78% identifying discrepancy resolution services as critical for managing errors, adjustments and disputes. While fewer respondents (50%) highlighted deposit deadline options as the most critical feature, this still represents a meaningful share, particularly for institutions managing liquidity or serving account holders with time-sensitive deposit needs.



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RFI Question #3

What would be the likely impact on your organization if the Reserve Banks' check services underwent the following changes?

Scenario	Positive Impact	Neutral Impact	Negative Impact	Unsure
Continued largely as they exist today , with reliability gradually degrading over time	7%	42%	44%	7%
Significantly simplified , with reduced operating costs (i.e., fewer available services)	15%	32%	40%	12%
Substantially winded down , with reduced operating costs	9%	20%	54%	17%
Upgraded infrastructure to maintain existing services and reliability, but with higher operating costs	15%	41%	30%	14%

Overall, respondents expressed the greatest concern with scenarios involving degraded reliability or rapid wind-down, indicating a strong preference for stability - even if accompanied by modest cost increases.

Are there other strategies you believe the Reserve Banks should consider?

Members emphasized the need for broader, centralized education and outreach on electronic payment options and recommended the Federal Reserve take on a more visible, public-facing role by providing clear, accessible guidance to businesses and consumers on electronic payment alternatives and how to transition to them.

Some members also suggested examining international approaches to successfully reducing or phasing out check usage to help inform potential U.S. approaches. Additionally, respondents encouraged advancing electronic payments alongside existing check services, including gradually expanding the adoption of faster payment systems.

Finally, several commenters highlighted the importance of modernizing check laws to strengthen fraud protections and reduce operational costs associated with exception processing.

RFI Question 4

Would you, your organization or your community be willing to incur additional costs and fees to continue to use or process checks as you do today?

Responses indicate limited willingness to incur higher costs to continue using or processing checks in their current form. Only 9% reported being willing to pay additional costs, while 47% would accept only minimal increases; 12% would not be willing to pay any additional costs and 28% were unsure.

Although some members are open to modest increases, most expressed concern that substantial new fees could burden their institutions and the communities they serve – particularly in rural and Amish populations



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that continue to rely on checks. Members emphasized that any new costs would need to be minimal and proportionate, especially for smaller institutions. Several also noted that higher fees would likely be passed on to account holders and could accelerate the ongoing shift toward electronic payment options.

Would you, your organization or your community be willing to make additional investments such as enhancements to check security features in support of continued use of checks in the future?

Members noted their institutions are increasingly weighing the diminishing role of checks against the rising fraud costs and the growing need to prioritize investments in electronic payment systems. Only 5% indicated they are willing to make significant investments in check processing, while 43% would support only minimal investments. Meanwhile, 9% are not willing to make any additional investments and 41% remain unsure.

RFI Question #5

If your organization relies on the Reserve Banks' check services, directly or indirectly, please indicate to what extent alternative providers could offer similar services that meet your needs.

The survey results suggest that alternative providers are not yet positioned to reliably replace Reserve Bank check services, particularly in the near term. High levels of uncertainty - reported by 45% of respondents for both the 3- and 10-year timeframes - indicate that many institutions lack confidence that private-sector alternatives could consistently meet their operational, risk and interoperability needs.

Timeframe	FULLY meet needs	Meet MOST needs	Meet SOME needs	COULD NOT meet needs	Unsure
Over the next 3 years	2%	23%	25%	5%	45%
Over the next 10 years	5%	25%	21%	4%	45%

Are there unique benefits of the check services provided by the Federal Reserve that are not otherwise available in the industry?

While some respondents identified unique benefits of Federal Reserve check services - such as a neutral role, robust adjustments functionality, reliable exception resolution and responsive support - these advantages are especially critical for community institutions, rural communities and agricultural sectors. Accordingly, these findings support maintaining Federal Reserve check services as a stable, neutral option while monitoring market readiness and competitive conditions, rather than assuming that private providers can fully substitute for Reserve Bank services in the foreseeable future. Doing so would help preserve resiliency, optionality and equitable access during a prolonged transition period.



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RFI Question #6

Please rate the current importance of checks and the current challenge of using alternative payment methods for your organization or community.

Assessment Area	Extremely	Very	Moderately	Slightly	Not Sure
Importance of checks	20%	46%	32%	2%	0%
Challenge of using alternative payment methods	7%	29%	50%	11%	3%

How might the importance of checks and the challenges associated with using other payment methods change?

Assessment Area & Timeframe	Increase Significantly	Increase Somewhat	Stay About the Same	Decrease Significantly	Unsure
Importance of checks (3 years)	0%	7%	75%	7%	9%
Importance of checks (10 years)	0%	6%	31%	48%	15%
Challenges with alternatives (3 years)	4%	15%	59%	9%	13%
Challenges with alternatives (10 years)	9%	7%	28%	35%	21%

Members emphasized that checks continue to play an important role for several populations and use cases, particularly low-income and unbanked individuals, older adults, small businesses and rural or remote communities where electronic alternatives may be unreliable or unavailable. Many noted that businesses with legacy accounting systems – and B2B payments requiring detailed remittance information – still depend on checks, and without a catalyst to standardize digital remittance processes, checks are likely to remain prevalent. Several members pointed out that checks can be a lower-cost option compared to electronic services, which sometimes carry fees (e.g., convenience fees assessed by merchants) that deter adoption. They also highlighted account holder reluctance, lack of digital skills and mistrust of electronic payments continue to slow migration away from checks. Overall, members felt that while electronic payments are growing, checks remain a necessary and relied-upon payment method for many segments, and any transition away from them will need to consider affordability, infrastructure constraints and user readiness. Accordingly, the Federal Reserve should continue to maintain reliable check services over the next several years, particularly to support populations and use cases where electronic alternatives remain inaccessible, unaffordable or operationally impractical.

The Federal Reserve can play a critical role in reducing long-term reliance on checks by supporting improvements to electronic payment infrastructure, promoting standardized digital remittance capabilities and expanding education and outreach to address usability, cost and trust barriers. A phased, inclusive approach that accounts for affordability, infrastructure constraints and user readiness will help ensure that the transition to electronic payments does not disproportionately disadvantage vulnerable communities or smaller institutions.





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RFI Question #7

What are the unique aspects of checks that lead your customers/members to continue to use checks?

Respondents indicated that customers and members continue to use checks primarily because they are familiar and easy to use (94%) and align with longstanding habits and expectations (76%). Many also emphasized the importance of physical recordkeeping (70%), noting checks provide tangible documentation preferred by some account holders. Checks are further valued for their accessibility (67%), particularly among older adults, rural residents and individuals with limited digital access or skills. In addition, checks allow for control over payment timing (46%) and are perceived by some as lower risk than cash (39%), reinforcing their continued use.

Members also noted that checks remain practical because they do not require the recipient's account details (61%), making them useful when electronic credentials are unavailable or difficult to obtain. The ability to include detailed remittance information (43%) remains especially important for business clients with paper-based accounting or invoicing processes. Notably, security concerns were cited by only 43% of our members as a reason for continued check use, suggesting that usability and functionality – not security – are the primary drivers.

RFI Question #8

If other payment methods do not currently offer the same benefits as checks, what changes or enhancements would be needed for them to do so?

From our members' perspective, other payment methods would need to replicate several core features of checks to serve as true alternatives. Key capabilities include the ability to include detailed remittance information, provide proof of payment or payment images and support check-like electronic signatures. Members also emphasized that electronic options must offer strong security, particularly for debit transactions, and be easy to use for older adults, individuals with disabilities and those in rural areas with limited technological access. In addition, respondents stressed the importance of being able to stop payments easily, maintain control over payment timing and streamline adjustments across financial institutions.

Beyond these specific features, members highlighted broader barriers to adoption, including the need for improved infrastructure, clearer education for account holders and the reduction or elimination of fees that may discourage adoption of electronic alternatives. While some acknowledged that generational shifts may gradually reduce reliance on checks, they pointed out that this transition will take time and that newer systems must become more accessible and reliable for all users. Members also viewed instant payments as a promising alternative but noted that adoption will remain limited unless these options can be used without requiring full recipient account information, which remains a significant barrier for many consumers.

Are there any constraints or barriers to adopting alternative payment methods?

Overall, adoption of alternative payment methods depends on expanding access, lowering costs and reducing fraud risk, while ensuring alternative methods match key check functionality and operate seamlessly across providers. Members further noted that strong merchant acceptance, effective education for account holders and a practical, phased rollout would be essential to supporting a smoother and more inclusive transition.



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RFI Question #9

Please indicate the status of the following efforts your organization has in place to transition from checks to electronic payments.

Payment Service	Current Ongoing Effort	Planned Future Effort
Wire Transfer Services	96%	4%
ACH Origination Services to Business Clients	94%	6%
ACH Consumer Bill Pay and/or Person-to-Person (P2P) Payments	94%	6%
Issue Debit and Credit Cards	96%	4%
Offer RTP® and/or FedNow® Payments	27%	73%

How can communities that may still need to rely on checks, such as the elderly, rural populations, and low-to moderate-income households, be better served?

Based on member input, these communities are best served by maintaining access to check services while strengthening associated security and fraud protections. Many members noted that checks remain essential for older adults, rural populations with limited internet access and individuals or communities - such as the Amish - who either cannot or choose not to use digital technology. They also stressed the importance of keeping check services affordable, so community financial institutions can continue providing this payment option without placing added burdens on vulnerable populations.

At the same time, members highlighted the importance of gradually preparing these communities for alternative payment methods. This includes expanding reliable broadband infrastructure in rural areas, improving access to technology and providing clear, sustained education to help account holders build confidence in electronic payments options.

RFI Question #10

What benefits and risks to the payments systems and to the public should the Board consider as it assesses potential strategies for the Reserve Banks' check services?

While check usage is declining, members emphasized that checks remain an important component of a dependable and accessible payment system. Many noted that checks provide a critical fallback during cyberattacks or outages affecting digital payment rails, helping maintain continuity of commerce during systemic disruptions. Members also stated that significant portions of the population - particularly older adults, individuals without access to digital banking and certain businesses - continue to rely on checks. Eliminating or significantly reducing Reserve Bank check services could therefore disproportionately impact these groups as well as the community financial institutions that depend on the Federal Reserve's secure and reliable processing.



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At the same time, respondents emphasized that fraud risks exist across all payment channels. While check fraud remains a prominent concern, several respondents observed that electronic payments introduce their own vulnerabilities, including social engineering, phishing and irrevocability of instant payments. Many urged the Board to modernize and strengthen check rules, improve fraud-mitigation strategies and ensure that any policy changes do not drive community banks and credit unions into dependence on a small number of large private-sector processors. Overall, members encouraged a balanced approach that preserves optionality, manages fraud risks across all payment channels and avoids creating disproportionate economic or operational burdens for smaller institutions or vulnerable consumers.

Thank you for the opportunity to share feedback on this important issue. Our members value the chance to contribute to the Board's efforts to shape strategies for the future of the Reserve Banks' check services.

Sincerely,

A handwritten signature in black ink that reads "Brandie Thacker". The signature is fluid and cursive, with the first name "Brandie" and last name "Thacker" clearly distinguishable.

Brandie Thacker, AAP, CAE
President & CEO
EPCOR

EPCOR is a not-for-profit payments association that provides payments expertise through education, advice and member representation. EPCOR assists banks, credit unions, thrifts and affiliated organizations in maintaining compliance, reducing risk and enhancing the overall operational efficiency of the payment systems. Through our affiliation with industry partners and other associations, EPCOR fosters and promotes improvement of the payments systems which are in the best interest of our members.



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