

JAMES BLIESE

Proposal and Comment Information

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

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Submitter Information

Name: James Bliese

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The Fed rework of the checking system should pay particular attention to increasing the security of checking,

Checking System Rework

Comment on Federal Register as Docket No. [OP-1874]

The article I read on this topic listed 3 areas where written checks score badly with consumers:

"According to the Fed, consumers rate checks relatively poorly for convenience, security, and speed of payment."
Thestreet.com

Convenience varies, but in this Internet age, the poor score for it makes sense. Locally, the convenience of a check is hard to beat. Speed of payment just has not changed much over the years.

Security, honestly, took a hit when checks stopped being returned to the originating bank. However, if a new system were to increase the security of checking, the low scoring convenience and speed of payment could be justified.

Consider also the great benefit to paper checks. When it works properly, the check writer does not need to know anything about you or your banking information to give you money.

Since the Fed is spending money, make a change as big as stopping the return of paper checks, but one that increases security instead of reducing it. Imagine if along with the ACH information of the check, a picture of the original check was also available, stored either at the check writer's bank, or the Fed bank.

Of course, not all transactions would need this security. Checks under a specified dollar limit could be considered safe without any additions to the system. Other recurring checks could be whitelisted, payments to utilities, etc.

As an example, let's say you want to buy an old tractor for \$10,000 in Iowa, as you are travelling through the state. Once the check is written, a picture of the check from your cell phone is uploaded to your bank, or your regional Fed bank. Then you give the check to the owner of the tractor, and load the tractor on the trailer you so thoughtfully brought with you. When the previous owner of the tractor goes to the bank, they can instantly compare the check to the original, and finish the transaction. This comparison would not need to be manual, current state of computing could be trusted to with this job, flagging any comparisons it was not sure about for manual intervention. Possibly, this comparison could be done by the Fed banks. Doing so would cut down on opportunities for fraud.

What if the picture is forgotten? Seeing as this is a \$10,000 check, you would be expected to head to your nearest bank branch, and fill out the information on a bank check, for comparison. Also, your bank could provide a sample of your past checks, approved by you, to show your handwriting and signature, possibly to only be used by a computer comparison. A red flag at this point would hold the transaction until the check writer could be contacted.

Having a record of the original check available for comparison at check cashing time would make a fantastic hurdle to check fraudsters, increasing the security of checks.

Respectfully submitted,

James A Bliese