

# COMMUNITY BANKERS ASSOCIATION OF ILLINOIS, DAVID SCHROEDER

## 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-C256

## Submitter Information

**Organization Name:** Community Bankers Association of Illinois

**Organization Type:** Organization

**Name:** David Schroeder

**Submitted Date:** 02/26/2026

Please see the attached comment letter from the Community Bankers Association of Illinois regarding:  
Request for Information and Comments on the Future of the Federal Reserve Banks' Check Services –  
Docket No. OP-1874



February 26, 2026

Mr. Benjamin W. McDonough  
Deputy Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue NW  
Washington, DC 20551

Regarding: Request for Information and Comments on the Future of the Federal Reserve Banks' Check Services – Docket No. OP-1874

To whom it may concern:

The Community Bankers Association of Illinois (“CBAI”), which proudly represents nearly 250 Illinois community banks, welcomes the opportunity to provide our observations and recommendations to the Board of Governors of the Federal Reserve System (“Federal Reserve”) regarding questions related to the future of the Federal Reserve Banks’ (“Reserve Banks”) check services (“RFI”). CBAI understands that the Federal Reserve will use the responses to the RFI to “assess possible strategies for the future of the Reserve Bank’s check services,” and “other actions that the Federal Reserve could consider with respect to checks, in partnership with the industry, to support the overall safety and efficiency of the payments system.”

**CBAI is dedicated exclusively to representing the interests of Illinois community banks and thrifts through effective advocacy, outstanding education, and high-quality products and services. CBAI’s members hold more than \$80 billion in assets, operate 940 locations statewide, and lend to consumers, small businesses, and agriculture. For more information, please visit [www.cbai.com](http://www.cbai.com).**

### Comments and Recommendations

CBAI thanks the Federal Reserve for its interest in the future of check service and for fulfilling its long-standing and essential role of providing this vital payments service to *everyone, anywhere and all of the time*. This has been and continues to be a role that the private sector will not assume, thus it is the proper responsibility for the public sector (the Federal Reserve Banks) to fulfill for the benefit of individuals, small businesses, communities, the banking and financial system, and our economy. CBAI strongly supports the Federal Reserve fulfilling this role, which immensely benefits community banks and the many customers and communities they serve.

CBAI agrees with the statement in the RFI that “The paper check has long served as the cornerstone of the nation’s payment system.” Recent opining about the demise of paper checks reminds us of Mark Twain’s famous quote when he said, “The report of my death has been greatly exaggerated.” Paper checks play a foundational role, and they continue to have an essential presence in the nation’s payments system and economy despite the decline in check usage and even as alternate payment methods continue to develop and evolve.

Looking back through history, virtually every payment method ever devised still exists today, from bartering, to minerals and precious metals, through coins and currency, to checks, debit and credit cards, and the electronification of payments using various bank and non-bank payment services. These are and will remain enduring mediums of exchange.

CBAI noted Vice Chair Miki Bowman’s objection to the RFI and her belief that it “seems to favor the discontinuation of check services by Reserve Banks.” CBAI agrees and believes that it is not the proper place of the Federal Reserve to pick winners and losers in the payments system. The Federal Reserve should not favor one payment method over another, and fulfill its necessary public-sector-focused role to serve *everyone, anywhere and all of the time*, which it does now with modern and reliable check services.

CBAI agrees that paper checks are particularly important “within specific categories of users and use cases, especially for payments between peers (that is, consumer-to-consumer and business-to-business.)” Seniors are more likely to use checks, as are small businesses, both of which are important segments of community banks’ customer base because they are interwoven into the

financial fabric of their communities in urban, suburban and rural areas.

The RFI noted that low- and moderate-income individuals are more likely to use checks. Supporting paper checks is particularly important for these segments of consumers because they are generally on the beginning rungs on the ladder of financial inclusion, and establishing relationships with traditional banks is preferable to dealing with non-banks or worse. Building relationships with community banks, which serve their customers and communities with integrity, stability and trust, is the surest way to climb the ladder of financial success and well-being, as well as avoiding predation by unscrupulous providers of financial services.

Customers in all segments are also embracing, at their own speed, new and modern payment methods, which are supported by their community banks, including ACH payments and receipts, Remote Deposit Capture, and near instant payments through FedNow and similar channels. CBAI community bankers closely monitor the needs of their customers and the payment methods they use and optimize their products and services accordingly.

Vice Chair Bowman also objected to the RFI on the grounds that it notes “that checks are susceptible to fraud because they can be stolen, altered, or forged.” Vice Chair Bowman continued, “Discontinuing Federal Reserve check services is not an efficient solution to the growing problem of payments fraud, particularly in light of the ongoing role of checks in the payments system.” CBAI is in complete agreement with this statement by the Vice Chair.

CBAI has long been involved in the battle against check fraud, and our members are fully aware of its cause and what must be done to address this significant and growing problem. Check fraud should absolutely not be used as a pretext for any government action that discourages the use of paper checks by consumers or small businesses or support a purposeful decline in check processing services by the Federal Reserve. The responsibility for completely addressing check fraud is wide-ranging and includes the U.S. Post Office, law enforcement, the judiciary, regulatory agencies, as well as banks and other private businesses. CBAI supports Vice Chair Bowman’s earlier statement that collective responsibility and the need for a collective response does not excuse collective inaction. CBAI urges the regulators to take joint action to address payments and particularly check fraud in banking.

Within the banking system and based on three years of CBAI member check fraud survey results, the root cause of this type of payment fraud is not paper checks – checks are only the method criminals use to defraud. The root cause of check fraud in banking is the largest banks and credit unions’ apparent failure to know their customers (KYC) sufficiently well to prevent the opening of fraudulent accounts into which fraudulently altered checks are deposited, which later clear back to and harm community banks and their individual and small business customers, and undermines the integrity of the payments and banking system. The banking regulators and other policymakers should not allow these largest banks and credit unions to shirk their compliance responsibilities and not give them an *easy out* by blaming paper checks for this problem instead of consistent compliance failures. The regulators of the largest banks, particularly the OCC, need to do their part to ensure that the banks they regulate truly know their customers and stop opening fraudulent accounts, or these financial institutions should be subject to meaningful and public enforcement actions to ensure their compliance.

CBAI appreciates that in mid-2025, the banking regulators jointly sought public comment about how best they can address payments and check fraud. We understand that the regulators are reviewing the many comments they have received. CBAI and our community bank members are impatiently looking forward to learning the results of the review process and the positive measures the regulators will take to address this serious problem with the largest banks and credit unions.

CBAI sought input from our community bank members on the various options that were proposed for the Federal Reserve’s support of check services. Our members had a variety of opinions about those options. There were those who agreed with keeping the services as they are or upgrading, and there were others who were inclined to simplify the services. There was also opposition to winding down the Reserve Banks’ check services. CBAI recommends that additional studies be conducted and that community bankers have a thorough understanding of the tradeoffs that will be involved with the various alternatives, so that the Federal Reserve can discern more clearly how best to meet the continuing demand for check services at reasonable costs.

### Conclusion

CBAI appreciates the opportunity to provide our comments and recommendations about this

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RFI. CBAI is a strong supporter of the Federal Reserve maintaining its role in providing meaningful check services for the benefit of community banks as well as their customers and communities. CBAI hopes that the information we have provided will help guide the Federal Reserve as it strategizes the future of its check services. Please contact me with any questions at 847/909-8341 or [davids@cbai.com](mailto:davids@cbai.com).

Sincerely,

/s/

David Schroeder  
Senior Vice President  
Federal Governmental Relations