

ANONYMOUS

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: Anonymous

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Please find the attached document with the response.

1. What is your view of the importance of the Reserve Banks' check services in the United States today? How should the Federal Reserve's role in the provision of check services evolve over the next 3 years and over the next 10 years?

Checks remain an important payment method for both consumers and businesses. Checks are a cost-effective way to move money, pay invoices and bills. There are other payment options that will assist with winding down the usage of checks, however many banks have not yet adopted RTPs. In the next 3 years, this will likely be more widely adopted. In 10 years it makes sense to remove checks as a payment option, but it is so integrated with our daily work in banking, we need 10 years to get to that point as we have a customer base that supports customers 60 years old or over along with customers in rural regions and check services are very important for them.

2. What aspects of the Reserve Banks' current check services (for example, deposit deadline options, how quickly checks are processed, discrepancy resolution services, and options for sending a check back as a return) are the most critical, and why?

The most critical aspects of the Reserve Bank current check services are how quickly checks are processed and options and discrepancy resolutions. These are the aspects that we see impacting our customers the most.

3. Generally speaking, what would be the impact of different potential strategies for the Reserve Banks' check services, including those discussed above: (1) continuing Reserve Banks' check services largely as they exist today with significantly degraded reliability over time, (2) significantly simplifying Reserve Banks' check services, (3) substantially winding down Reserve Banks' check services, or (4) upgrading the Reserve Banks' check-processing infrastructure to support existing services and reliability? Are there other strategies you believe the Reserve Banks should consider?

Option 1 is not the best solution as the service becomes unreliable and does not give customers faith in the banking process, nor in the Federal Reserve.

Option 2 would require customer training and adoption while the service continues to slow making this less than ideal

Option 3 is the best option as it is in alignment with what is already occurring in the industry and allows time to upgrade other payment methods and slowly integrate it into customers daily lives. The key is having advanced notice of new functionality to communicate with customers prior.

Option 4 does not make sense to invest in the check infrastructure as it is naturally slowing down.

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? Why or why not? 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? Why or why not?

Our organization and community would not be willing to incur additional costs and fees to utilize checks. One of the benefits of checks is the affordability and accessibility to them. Increasing fees for this service cost defeats the purpose. Additional security is always welcomed.

5. If your organization relies on the Reserve Banks' check services, directly or indirectly, to what extent could alternative providers offer similar services that meet your needs over the next 3 years and over the next 10 years? For instance, are there unique benefits of the check services provided by the Federal Reserve that are not otherwise available in the industry?

There are alternatives to checks but each FI has their own fee structure and limits set for various services. With checks, it is up to the issuer to ensure the item will clear and they are not bound by these limitations.

6. How important are checks to you, your organization, or your community, and how challenging would it be to use alternative payment methods? How might the importance of checks and the challenges associated with using other payment methods change over the next 3 years and over the next 10 years?

Our organization and communities rely on checks heavily. Other services likely add to our costs including implementation and setup and monthly fees, marketing for new products and customers education on new payments avenues. Finding an appropriate vendor, implementation of new services can easily take 2-3 years and longer to obtain customer buy-in and adoption. Checks will continue to naturally wind down and we request 10 years to sunset checks.

7. What are the unique aspects of checks that lead users to continue to use checks?

Many customers do not currently utilize payment services such as Venmo or Zelle. ACH files can take up to 48 business hours to be deposited. Wires incur incoming fees. Checks can immediately be written and mobile deposited or taken to the bank for cash. Additionally, they can also be written for any amount whereas there are limits on P2P and ACH payments, particularly for consumers.

8. How could other payment methods offer the same benefits as checks if they do not already? Are there any barriers that prevent alternative payment methods from offering the same benefits as checks, or other constraints on adoption of these alternatives?

P2P payments can have the same benefits of checks up to a certain dollar amount. Higher dollar amounts could be handled via ACH and Wires but customers will incur fees. Customers can pay invoices via merchant services and will likely incur debit/credit card percentage fees as well. They may use cash, but there is risk in transporting large sums.

9. Do you have any planned or ongoing efforts to transition from checks to electronic payments, and why or why not? How can particular communities that may still need to rely on checks, such as the elderly, rural populations, and low- or moderate-income households, be better served?

We have not made plans to transition away from checks yet, but this is beginning those discussions. The more impacted communities will need a lot of help understanding and accepting this transition which is why we feel it is best to do this over the course of the next 10 years. It will allow banks and their customers to rely on alternative payment methods and make those adaptations slowly. Fees for any services will be a large concern for these communities, so fee structures may need to be addressed while identifying ways to not lose money on these transactions as well.

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

Checks are susceptible to fraud and are no longer a payment option in some parts of the world. A variety of payment options in their place are available, but allowing 10 years to fully fade checks out will give banks time to make changes to their own services and integrate those alternative services while educating customers about this change.

In addition to these questions above, the Board invites comments on any other considerations it should assess as it evaluates the future of the Reserve Banks' check services.

We understand the need to move forward and ask that this decision be made in the best interests of the customers.