

AXOS BANK, NATHAN BURNSIDES

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-C286

Submitter Information

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Organization Type: Company

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Board of Governors of the Federal Reserve
20th Street and Constitution Avenue NW
Washington, DC 20551.
Docket No. OP-1874

Re: Comment on Future of the Federal Reserve Banks' Check Services Docket ID: OP 1874

To Whom It May Concern:

Axos Bank ("Axos") appreciates the opportunity to respond to the Board of Governors' Request for Information regarding the future of the Federal Reserve Banks' check services. Axos is a nationally chartered bank serving consumer and commercial customers nationwide. While Axos supports the continued migration toward electronic payment methods, checks remain a relevant payment instrument for certain customer segments, particularly in commercial and business-to-business contexts. Historically, the U.S. payments system has evolved by introducing new payment methods alongside existing ones, with legacy methods generally declining in use over time rather than being abruptly retired.

Question 1: Importance of Reserve Banks' Check Services and Future Role

Axos considers the Reserve Banks' check services to remain operationally important, notwithstanding long-term declines in overall check volumes. Within Axos's commercial portfolio, check usage continues to be meaningful, and dependable Federal Reserve check services support predictable settlement and effective liquidity management. Over the next three years, Axos believes continued Federal Reserve participation in check services would support stability during an ongoing transition to electronic alternatives. Over a longer horizon, Axos anticipates further declines in check usage; however, any evolution of the Federal Reserve's role should be gradual and transparent to mitigate operational and customer disruption.

Question 2: Most Critical Aspects of Current Check Services

From Axos's perspective, the most critical aspects of current Reserve Bank check services include predictable processing and settlement timelines, return item processing capabilities, and

discrepancy resolution and adjustment services. Collectively, these elements reduce bilateral operational complexity and support consistent risk management practices across participating institutions.

Question 3: Impact of Potential Strategies

Axos believes that each of the strategies outlined in the Request for Information presents distinct tradeoffs. Allowing service reliability to degrade without investment could increase operational and settlement risk. Significant service simplification may reduce costs but could also limit flexibility for financial institutions and their customers. A substantial winddown of services would likely require accelerated migration to alternative providers, increasing vendor dependency and transition risk. Infrastructure upgrades could preserve service reliability but would likely necessitate higher fees to meet statutory cost-recovery requirements. Axos views a measured and deliberate approach as preferable to abrupt service reductions or eliminations.

Question 4: Willingness to Incur Additional Costs or Invest

Axos recognizes that sustaining reliable check services may require additional fees or targeted investments. Axos would evaluate any such costs based on their predictability, transparency, and demonstrated operational benefits. Axos would also be supportive of industry-coordinated investments in check security enhancements where such investments meaningfully reduce risk and are cost-effective.

Question 5: Availability of Alternative Providers

If necessary, Axos could utilize correspondent banks or private-sector service providers for check processing. However, such alternatives may not fully replicate the scale, neutrality, or standardized settlement features provided by the Federal Reserve. In Axos's view, the Reserve Banks offer benefits that are not uniformly available across private providers.

Question 6: Importance of Checks and Challenges of Alternatives

Checks remain important for certain Axos customers. Transitioning to alternative payment methods may require system enhancements, process changes, and customer adoption efforts. While Axos expects reliance on checks to decline over time, challenges associated with migration are likely to persist for some customer segments.

Question 7: Unique Aspects of Checks

Checks continue to be used due to their familiarity, broad acceptance, and ease of integration with existing business processes. For some users, checks remain a practical and trusted payment method and allow funds to be transferred without requiring the recipient to disclose bank account information.

Question 8: Barriers to Alternatives

Although electronic payment methods offer speed and efficiency, barriers remain, including onboarding requirements, governance and control frameworks, integration costs, and varying levels of customer readiness. In some cases, electronic alternatives do not yet fully replicate the flexibility or acceptance characteristics associated with checks.

Question 9: Transition Efforts and Community Considerations

Axos continues to promote electronic payment options where appropriate. At the same time, Axos recognizes that certain populations and customer segments will continue to rely on checks. A balanced approach that preserves access while supporting migration to electronic alternatives remains important.

Question 10: Benefits and Risks to Consider

In evaluating potential strategies, Axos believes the Board should consider operational and settlement risks associated with service changes, impacts on institutions and customers with limited alternatives, potential additional costs for consumers and businesses using alternative payment mechanisms, and overall payments system resilience during a prolonged transition. Axos also notes that alternative solutions may offer the potential for lower losses over time.

Conclusion

Axos appreciates the Federal Reserve's engagement with industry participants on this topic and supports a deliberate and transparent evaluation of potential approaches to the future of Reserve Bank check service.


Nathan Burnside (Mar 4, 2026 18:32:23 PST)

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