

ANB BANK, JEFF PATTERSON

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

Organization Name: ANB Bank

Organization Type: Company

Name: Jeff Patterson

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Please see uploaded Comment letter.

February 25, 2026

Via Electronic Submission

Benjamin W. McDonough, Deputy Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Ave NW
Washington, DC 20551

Re: Request for Information and Comment on the Future of the Federal Reserve Banks' Check Services

Docket No. OP-1874

Deputy Secretary McDonough and Board staff,

On behalf of ANB Bank (ANB), thank you for the opportunity to comment on the Federal Reserve's Request for Information regarding the future of the Reserve Banks' check services. ANB strongly supports the Federal Reserve investing in modernizing its check processing infrastructure to improve speed, resiliency, and integrity controls that reduce operational risk and fraud.

BACKGROUND

ANB is a \$3 billion community bank headquartered in Denver, Colorado with 29 locations in Colorado and Wyoming. The bank serves a number of distinct and diverse communities which include large metropolitan cities, rural communities, and high cost resort communities. ANB offers an array of consumer and commercial products, and our customers continue to use checks for payroll, business-to-business payments, rent, contractor payments, and other use cases where checks remain a practical instrument.

IMPORTANCE OF RESERVE BANK CHECK SERVICES

The Reserve Banks' check services remain a critical utility for the payments system, particularly for community banks and for markets where checks continue to be used. In practice, the Reserve Banks provide nationwide reach, standardized presentment and return pathways, and operational consistency that supports both collection and returns. As check volumes decline, the Reserve Banks' role becomes more—not less—important to preserve safe, efficient, and equitable access to check processing and to avoid fragmentation that could disadvantage smaller institutions and the communities they serve.

VIEW ON POTENTIAL STRATEGIES

Of the strategies described in the RFI, ANB supports upgrading the Reserve Banks' aging check-processing infrastructure rather than allowing reliability to degrade, significantly simplifying services, or winding down services. The costs of modernization should be weighed against the

systemic costs of degraded reliability—including processing failures, extended outages, delayed returns, and weaker integrity controls. Modernization also positions the Reserve Banks to support industry enhancements that strengthen the check instrument and reduce duplicate presentment and related losses.

RESPONSE

In addition to maintaining the menu of deposit and return options that institutions rely on today, ANB recommends that the Federal Reserve prioritize modernization capabilities that improve processing speed while strengthening integrity controls and dispute resolution.

1. Enable Unique Check Identification Through Tokenization

The Reserve Banks should enable an industry standard for unique check identification by supporting tokenization of a check's identity (e.g., a token derived from routing number, account number, and check serial number). A token that can be carried throughout presentment and return would materially improve duplicate detection, reduce double presentment, and support reliable reconciliation and exception handling across participants. This capability should be supported for both image exchange and any future real-time pathways.

2. Support Both Batch (X9) and Real-Time/Single-Item Processing

ANB recommends the modernized infrastructure support both (a) batch submission and processing of X9 files and (b) optional real-time processing of individual items. Many institutions, processors, and correspondent workflows will continue to rely on batch processing for operational efficiency. At the same time, enabling an API-based real-time item presentment and return option would improve speed, shorten exposure windows, and better align check processing with modern instant-payments expectations. Importantly, batch and real-time options should be interoperable and share a consistent data model and business rules so institutions can adopt modernization incrementally.

3. Expand Reserve Bank Return Capabilities to Include UCC Warranty Claims

The Reserve Banks should add return capabilities that support the processing of Uniform Commercial Code (UCC) breach of warranty claims and related disputes. Today, valid warranty claims—especially for altered items—are too often dismissed by some paying banks, forcing claimant institutions into costly litigation or de facto loss acceptance. A Reserve Bank operated or facilitated workflow for warranty claims would standardize data exchange, shorten resolution timelines, and reduce incentives for any participant to ignore UCC-based return reasons that are otherwise left to courts to resolve. At a minimum, the Federal Reserve should convene industry to define a standard data set, timelines, and escalation path that can be carried through its infrastructure.

4. Modernize Rules for Mobile Deposit and Duplicate Presentment

Check processing rules and infrastructure should better reflect today's mobile deposit realities. In particular, the system should treat a valid mobile-deposited image as the primary presentment and incorporate controls that limit subsequent deposit of the original paper item. The infrastructure should include robust duplicate detection using image hashes and unique check tokens, with clear, standardized return codes for duplicates and a defined pathway to resubmit an item that was incorrectly returned as a duplicate. This combination—primary-image treatment, duplicate detection, and a controlled resubmission workflow—would reduce losses and operational friction while preserving due process for legitimate items.

5. Reliability, Resiliency, and Transparency

Because the Reserve Banks' infrastructure is a systemically important utility for checks, modernization should include resilient architecture, transparent service level metrics, and standardized outage communications. Reliability is not merely operational convenience; it directly affects settlement predictability, return timeliness, and exception resolution across the industry.

COSTS AND WILLINGNESS TO INCUR FEES

ANB is willing to incur reasonable increases in Reserve Bank check service fees when those fees directly fund modernization that improves reliability and integrity controls and reduces systemic risk. In ANB's view, a degraded-reliability approach would create hidden costs that ultimately exceed transparent fee-based cost recovery, including increased exception processing, higher fraud losses, greater operational risk, and higher costs for community banks and end users.

CHECKS, ALTERNATIVES, AND COMMUNITIES

ANB supports continued efforts to migrate appropriate use cases to electronic alternatives; however, checks continue to serve important needs for certain communities, such as service oriented providers and older consumers, and payment types, such as payment at time of service. Modernizing check services should be viewed as a complement to broader payments modernization—reducing risk and cost while checks persist, and providing a stable bridge as adoption of alternatives continues.

BENEFITS AND RISKS FOR THE PAYMENTS SYSTEM

The Board should consider the systemic risks of fragmentation if Reserve Bank services are reduced or wound down. A more fragmented check ecosystem could reduce standardization, increase disputes and exceptions, and potentially disadvantage smaller institutions. Conversely, a modernized Reserve Bank infrastructure can improve systemwide safety and efficiency by enabling faster presentment and return, improved duplicate detection, stronger data quality, and more consistent dispute handling.

CONCLUSION

ANB urges the Board to pursue an upgrade strategy for Reserve Bank check services and to prioritize modernization features that improve processing speed while strengthening integrity controls, duplicate detection, mobile deposit handling, and UCC warranty dispute resolution. These investments will improve the safety and efficiency of the payments system while checks remain in use.

Thank you again for the opportunity to provide input. If you have any questions or would like clarification regarding these comments, please don't hesitate to contact me.

Sincerely,

A handwritten signature in black ink that reads "Jeff Patterson". The signature is written in a cursive, flowing style.

Jeff Patterson
Senior Executive Vice President
Chief Operating Officer
ANB Bank
3033 E 1st Ave
Denver, CO 80206
Office: 303-394-5056
jeff.patterson@anbbank.com