

INNOVATIVE PAYMENTS ASSOCIATION, BRIAN TATE

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-C300

Subject

IPA Comments on RFI Concerning Bank Check Services - Docket No. OP-[1874]

Submitter Information

Organization Name: Innovative Payments Association

Organization Type: Organization

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Submitted Date: 03/06/2026

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Please find attached for filing the Innovative Payments Association's (IPA) comments in response to the Federal Reserve Board of Governors Request for Information and Comment on the Future of the Federal Reserve Banks' Check Services - Docket No. OP-[1874].

If you have any questions concerning the IPA's comments, please do not hesitate to contact the IPA's President & CEO, Brian Tate. Mr. Tate's contact information is included in the IPA's comments.

Best Regards,

Eli

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March 6, 2026

Submitted via E-Mail at: publiccomments@frb.gov

The Honorable Jerome Powell
Chairman
The Federal Reserve Board of Governors
20th Street and Constitution Avenue N.W., Washington, DC 20551

Re: **Request for Information and Comment on the Future of the Federal Reserve
Banks' Check Services
[Docket No. OP-[1874]]**

Dear Chairman Powell:

This letter is submitted to the Federal Reserve Board of Governors (the “Fed” or the “Board”) on behalf of the Innovative Payments Association,¹ in response to the agency’s Request for Information published in the federal register on December 9, 2025 (the “RFI”).² The RFI invites public feedback on the Future of the Federal Reserve Banks' Check Services, and poses key questions related to the future of the Fed’s check operations and the broader use of checks.

The IPA submits these comments to the Board and acknowledges that the federal government has taken affirmative steps to modernize the federal government’s payments system. Federal agencies have mobilized to help provide solutions to help Americans and enhance efficiencies in delivering government benefits. We urge the Board to consider a similar strategy.

Electronic Payments Offer a more Efficient and Protected Payment Method as Compared to Paper Checks

Several questions within the RFI inquire about the differences and benefits of electronic payments versus paper check payments and our members first wish to highlight what we believe are some of the key benefits of electronic payments that make them preferable to paper checks.

As compared with paper checks, electronic payments generally offer a more secure payment method for consumers with far stronger consumer protections.

¹ The IPA is a trade organization that serves as the leading voice of the electronic payments sector, including prepaid products, mobile wallets, and person-to-person (P2P) technology for consumers, businesses, and governments at all levels. The IPA’s goal is to encourage efficient use of electronic payments, cultivate financial inclusion through educating and empowering consumers, represent the industry before legislative and regulatory bodies, and provide thought leadership. The comments made in this letter do not necessarily represent the position of all members of the IPA.

² 90 Fed. Reg. 57063 – 57076 (Dec. 9, 2025).



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As one example, consider prepaid accounts. Prepaid accounts are often used as a substitute payment method for paper checks and many of our members are involved in offering the marketplace.

Many prepaid accounts that are used as substitutes for paper checks are covered by the Consumer Financial Protection Bureau's ("CFPB") Prepaid Account Rule (the "Prepaid Rule").³

The Prepaid Rule gives many prepaid accounts a special designation under the Electronic Fund Transfer Act (Regulation E), extending Regulation E coverage to many prepaid products, including prepaid cards, mobile wallets, and peer-to-peer payments. Unlike checks, Covered prepaid account products must therefore comply with a number of regulatory obligations, including the provision of account opening disclosures, offering limited liability and error resolution protection, and providing periodic statements or transaction histories to cardholders.

Compare this with paper checks where if the check is lost or stolen, the consumer will not have the same strong federal protections and error resolution rights.⁴ Further, in addition to being inefficient, paper checks are uniquely susceptible to fraud. According to a report from the Financial Crimes Enforcement Network ("FinCEN"), check fraud has been on the rise in recent years, even while the number of paper checks issued in the market has declined. According to FinCEN's report, from February to August 2023 alone, FinCEN received "15,417 BSA reports from 841 financial institutions on mail theft-related check fraud, amounting to more than \$688 million in reported suspicious activity."

Furthermore, prepaid accounts are issued by highly regulated institutions that are required to implement the Bank Secrecy Act ("BSA/AML") compliance programs that address customer identification, verification, and due diligence, as well as suspicious activity monitoring and reporting, currency transaction reporting, as well as other BSA/AML reporting and recordkeeping requirements.

Issuers of prepaid account programs are subject to examination, review, and supervision by state banking or other departmental regulators, federal banking regulators, the Internal Revenue Service, or a combination of these agencies. Bank issuers of network branded prepaid cards are legally required under the FinCEN's BSA/AML requirements to have effective BSA/AML compliance programs that address customer identification, verification and due diligence, suspicious activity monitoring and reporting, currency transaction reporting, as well as other BSA/AML reporting and recordkeeping requirements.

³ Available at <https://www.consumerfinance.gov/rules-policy/final-rules/prepaid-accounts-under-electronic-fund-transfer-act-regulation-e-and-truth-lending-act-regulation-z/>.

⁴ FinCEN Financial Trend Analysis, Sept. 2024, available at <https://www.fincen.gov/system/files/shared/FTA-Check-Fraud-FINAL508.pdf>.



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The Role of Electronic Payments in Delivering Services and Benefits to Consumers

The IPA's members also wish to highlight the work both they and the broader payments community does every day to ensure that all consumers have access to financial services and are constantly striving to increase opportunities for financial inclusion through diversified digital and card payment products and services. We note that prepaid account products (ex: the aforementioned prepaid accounts, mobile wallets, peer-to-peer payments) and other innovative electronic payment providers have the potential to, and often do, serve a crucial function in disbursing financial payments by federal, state, and local governments. To name a few programs, Americans are now receiving benefits from Social Security, Temporary Assistance for Needy Families (TANF), Child Support Payments, Unemployment Insurance (UI) and even Economic Impact Payments (EIP) through electronic, digital, or prepaid card bank accounts.

We urge the Board to support the recommendations contained in this letter as a way to further enhance these benefits. At a minimum, we would ask that the Board weigh in, when appropriate, on the fact that prepaid accounts and other electronic payment products are subject to significant federal and state protections and are a beneficial alternative to some alternative forms of payment or disbursement, such as a paper check, which can be a costly and inefficient payment mechanism, especially for unbanked and underbanked individuals. The Board's support and validation of these products would go a long way in helping federal and state policymakers consider all options when evaluating disbursement options.

Bank-Fintech Partnerships

Our members believe it is worth emphasizing that bank-fintech partnerships, of the type that make electronic payment products available in the marketplace, deliver meaningful benefits to the health and stability of the U.S. financial system, particularly for community banks. Fintech-sourced deposits provide a low-cost, stable source of liquidity, are typically FDIC insured through a partnership with an FDIC insured bank and tend to be "sticky" and characteristically distinct from hot money. In fact, data show that the top five deposit-focused community banks partnering with fintechs saw net interest income grow by 131% from the end of 2020 to the end of 2024, compared to just 14% growth among banks with \$1B to \$10B in assets. This outperformance was mainly driven by stronger deposit growth and better margins as interest rates rose—reflected in an 85% increase in net interest margin versus 6% for peers. In short, fintech partnerships can help community banks compete more effectively.

Bank-fintech arrangements have long provided important electronic payment products and services that offer a path to the mainstream banking ecosystem to consumers across the country. For those Americans that may see traditional banking services as inconvenient or out of reach, bank-fintech sponsored products such as, but not limited to, prepaid or fintech debit



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accounts, earned wage access, small dollar loans, and buy-now-pay later have provided consumers with more options to fully participate in today's technology-driven economy.

In most cases, if a consumer has access to a computer or a cell phone, accessing a variety of digital financial services products and accounts is as simple as downloading a fintech app. Alternatively, in the case of prepaid cards, a consumer can purchase them at their local supermarket. In each case, once the account holder completes the "Know Your Customer" registration process, strong anti-fraud protections apply to the consumer, just like traditional demand deposit account holders.

Moreover, such arrangements also help to reduce the financial strain consumers experience from unexpected financial events and enhance budgeting tools and capabilities. Consumer innovations such as real-time account updates, easy checkout options, remote deposit taking, buy-now-pay-later tools, and earned wage access tools are available from banks and through bank-fintech partnerships. These financial tools have brought a wide variety of people out of the shadows and into the financial mainstream by reducing the need for more costly alternatives like check cashiers and payday lenders.

Finally, it should be noted that products resulting from bank-fintech arrangements have among the highest consumer satisfaction rates among consumer products in the marketplace. According to the Consumer Financial Protection Bureau ("CFPB"), of the millions of complaints received through its consumer complaint database, less than 1 percent of all the complaints relate to prepaid or fintech debit account products and services, which are usually offered through bank-fintech arrangements.⁵

Government Benefits

As you may know, Federal, state, and local governments use prepaid cards and other electronic payment products to "disburse funds at a lower rate than checks and to provide an alternative to direct deposit for payment recipients," especially those without bank accounts.⁵ These payment products provide the bridge to ensure that every adult, regardless of their financial background and income, can participate in the electronic payment economy.

Since 2008 when Treasury started the Direct Express program, the IPA has supported the use of new electronic payments and other new technologies to enhance federal, state, and local governments to disburse critical benefits to Americans.

As you may know, in 2011, Treasury began in earnest to phase out paper checks and transition toward electronic payments because "electronic payments are safer and more convenient than

⁵ Federal Reserve Report to Congress on Government-Administered, General-Use Prepaid Cards – September 2019, available at <https://www.federalreserve.gov/publications/2019-september-prepaid-card.htm>.



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paper checks.”⁶ In 2012, Treasury recognized the savings that electronic payments provide when it stated publicly that “the cost of an electronic payment at \$.09 versus the cost of a paper check at \$1.25.”⁷ Coupled with the added security, accessibility, and other digital and budgeting features associated with prepaid accounts, it only makes sense that government disbursements at all levels should increasingly move toward prepaid cards some equivalent form of electronic payment for those who currently receive checks.

Millions of Americans manage their finances without a traditional bank account.⁸ Thus, electronic payments accounts offer a safe, convenient, and secure option to receive and access their government benefit payments electronically. Issued by highly regulated banks and financial institutions, an electronic payment account can be used like any other debit card to make purchases, including online, in store, and over the phone anywhere the card brand is accepted, and at ATMs to receive cash.

For instance, government benefits disbursed via an electronic payment, whether a demand deposit account (“DDA”) or prepaid account are protected by FDIC insurance, protected by Regulation E and the major card brands’ (ex: Visa, MasterCard, Discover) zero liability policies. They do not require credit checks with credit bureaus or ChexSystems. In addition, electronic payments eliminate burdensome check cashing trips and fees, reduce the risk of carrying large sums of cash, and enable access to funds during emergencies or other situations when the recipient is not home to receive a check. Prepaid cards and DDAs also expand financial inclusion and remove the stigma that is unfortunately associated with being outside the financial mainstream.

According to the Fed’s November 2024 report, for calendar year 2023, government agencies disbursed \$189.8 billion through government administered, general-use prepaid cards across more than 1,300 reported programs.⁹

The government reloads the account at stated intervals. If appropriate, the government can limit the spend categories for which the funds can be used, while also eliminating the administrative costs associated with check processing as well as the potential fraud risk of sending checks by mail. The recipient has a safer, more secure way of accessing and carrying their funds as opposed to using cash and has immediate access to their money. Moreover, the recipient now has an account with which he or she can begin to build savings and access other banking services. Thus, the central value proposition of governments utilizing prepaid accounts is that it allows government agencies

⁶ Bureau of the Fiscal Service, U.S. Treasury to “Retire” Paper Checks for New Recipients of Social Security and Other Federal Benefits, Saving Taxpayers \$1 billion, April 26, 2011, available at <https://fiscal.treasury.gov/news/treasury-to-retire-paper-check.html>.

⁷ U.S. Department of Treasury, Testimony of Fiscal Assistant Secretary Richard Gregg before the Senate Special Committee on Aging, June 19, 2013, available at <https://home.treasury.gov/news/press-releases/j11987>.

⁸ FDIC, 2023 National Survey of Unbanked and Underbanked Households, available at <https://www.fdic.gov/household-survey>.

⁹ Federal Reserve Report to Congress, Government Administered, General-User Prepaid Cards, Nov. 2024, available at <https://www.federalreserve.gov/publications/files/government-prepaid-report-202411.pdf>.



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to achieve 100% electronic payment of benefits and also potentially decrease the unbanked and underbanked population.

Expanding Access

The IPA and its members have long championed efforts to provide greater access to banking services to the unbanked and underbanked. For over a decade, electronic payments products offered by our members have been an invaluable tool used by a number of types of organizations (*e.g.*, state and federal governments, universities and corporations) to make a wide variety of payments (*e.g.*, government benefits, payroll, healthcare reimbursements, transit reimbursements, disaster relief, rebates and incentives, insurance claim payments, student loan disbursements, and corporate expense reimbursement) to unbanked and underbanked individuals. These cost-effective products save millions of dollars each year in disbursement costs compared to checks and provide unbanked and underbanked consumers a convenient and economical substitute for a traditional bank account.

As noted above, in addition to being cost effective and convenient, electronic payment accounts in all its forms (cards, mobile wallets, etc.) also offer unbanked and underbanked consumers strong consumer protections that are simply not available with a paper check.¹⁰ Given the value and convenience offered by electronic payments products, and specifically prepaid accounts paired with the strong consumer protections applicable to them it is no surprise that according to the CFPB Consumer Complaint Database that less than 1% of all consumer complaints received by the CFPB involved prepaid account products.⁷

Fraud Elimination

Finally, moving away from paper checks to secure, electronic, or digital payments will further reduce fraud in our financial system. Electronic payments, including prepaid accounts are a great alternative to paper checks, and today, may even be available in digital wallets, in addition to plastic cards. We support and encourage the Board's efforts to reduce fraud in this manner.

Conclusion

In closing, as the Board continues its own internal review, collects feedback from the public, and plans for the future to modernize its check infrastructure, the IPA urges the Board to give serious consideration to utilizing electronic payments as an option deliver payments to consumers and financial institutions. Accordingly, before the Board makes any final decisions regarding the future of its check infrastructure, we recommend that Board, as part of its internal review, conduct a detailed cost-benefit analysis and make a formal public recommendation which

¹⁰ 81 Fed. Reg. 83934.



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contains several options on how the Federal Reserve plans to move forward. In short, if the Board follows a transparent and thorough process, we are confident electronic payments likely be a favored alternative to traditional checks. Conversely, institutions or parties that do not rely on Fed check services (or do not plan to) may choose to highlight the opportunity cost of major reinvestment in check infrastructure, and advocate instead for continued modernization of electronic payment systems and updates to check and funds-availability regulations to reflect the dominance of electronic payments.

The IPA appreciates the opportunity to submit feedback on the RFI. If you have any questions, please do not hesitate to contact me at the number listed below or at: btate@ipa.org.

Sincerely,

A handwritten signature in black ink, appearing to read 'Brian Tate', is written over a horizontal line.

Brian Tate
President and CEO
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