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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-C329

Submitter Information

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Submitted Date: 03/09/2026

See attached

Below are my general comments but also what I believe are necessary clarifications in 2 areas of the RFI to provide a more accurate picture.

I am opposed to any winding down of check processing services by the Federal Reserve. Checks are still one of the main forms of payment. If the quantity of checks being processed is declining then the size of the infrastructure could be reduced accordingly but the overall quality and check services should remain the same.

In more than 35 years of writing and receiving checks, I have not encountered one instance of fraud. However, in the past 7 years, I have received at least one notice a year from various companies explaining their system/network has been accessed by an unauthorized actor and my personal information may have been compromised. More alarming is that I received this type of notice from 3 different firms in the past 4 months. These are investment firms, health care systems, utilities or their contractors so I had to sign up/log into their systems to have access to their services.

Based on my experience, I would not voluntarily sign up with a company that offers the electronic payment services where there is risk of financial loss/compromise of personal data while I believe there is the safer option of check writing.

It seems the hacking of their systems is considered part of the cost of doing business for these companies. Their solution to unauthorized access is to notify clients of the incident, provide said clients with credit monitoring services while placing most of the exposure, financial and otherwise, on the individual customers. I would want a more concerted effort from these firms to increase the security of their systems from unauthorized access, if not voluntarily then Congress should pass laws to force them to do so, before I would consider using them.

Next are the apps for smartphones such as Zelle or Venmo. I find the financial risk of these apps outweigh the reward in using them as well. I consider these apps to be an electronic checkbook that is attached to the smartphone. Smartphones are an attractive target for criminals to steal and I would not want to give the thieves the added bonus of possibly accessing my bank account should they obtain possession of my smartphone.

These apps are marketed as a convenience to the customer. I do not carry my checkbook with me when going out on errands or shopping so I would not want to carry an electronic one either. If I need to pay for something I use my credit card or cash. Credit cards are a reliable, established form of payment which also limits my liability if lost or stolen as long as I notify the credit card company within a prescribed period of time. These cash apps are relatively new. I would want to wait until there are laws/regulations in place that clearly spell out the rights and responsibilities of the customer and the app companies/financial institutions when a fraudulent transaction occurs detailing the limits of customer liability before I would consider using the app.

While I have chosen not to use these electronic forms of payment, other segments of our society don't have access to these alternatives due to circumstances such as lack of funds (cost of smartphones/computers) or location (limited or no access to reliable internet). If the Federal Reserve were to start winding down check services in some form, it would be discriminating against this segment of society that desires to use the banking system but cannot due to the Federal Reserve's actions.

There are also certain businesses that will not accept P2P, ACH or credit card payments so the only options are cash or checks. Likewise, some businesses only use checks to pay vendors and their employees. Checks and their processing are critical for these organizations and the possible slow wind down of the Federal Reserve check services would have a significant negative impact on these firm's operations.

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It is mentioned in this RFI, "...from 2018 to 2021, the share of returned checks handled by the Reserve Banks that were potentially fraudulent increased from 10.2 percent to 15 percent." The related footnote states, "...although check volumes decreased more than 7 percent per year from 2018 to 2021, FinCEN reported a 23 percent increase in suspected check fraud." The source for this information is "FinCEN Alert: Nationwide Surge in Mail Theft-Related Check Fraud Schemes Targeting U.S. Mail" (February 27, 2023)".

In 2020, US Postal Inspection Service (USPIS) gave a directive that restricted Postal Police Officers (PPOs) from patrolling letter carrier routes, guarding collection boxes, and conducting other off-site activities to primarily guarding USPS-owned property. It shifted the USPIS approach for PPOs from proactive patrolling and deterrence to an "after-the-fact" model of investigating crimes.

In the past 5 years, targeting of letter carriers by criminals for violent attacks to obtain not only mail but the keys the letter carriers use to open locked mailboxes has become a significant issue in the major metropolitan area that I live.

I believe this change in PPO responsibilities by the USPIS is a major contributor to the increase in these crimes and increase in check fraud. Members of Congress are actively attempting to pass legislation to reverse the restrictions placed on USPIS PPOs and restore their duties to combating the surge in mail theft, letter carrier robberies and protecting the mail system. If this legislation were passed, I believe the potential for check fraud would revert back closer to the levels seen before the change in PPO responsibilities.

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In certain sections of this RFI, the decline of check usage is discussed including data from surveys conducted in 2021 and reports completed in 2021. I believe it is inappropriate to use

data and results from this time period as the end point as it was during a once in a lifetime event (pandemic) that significantly affected people's daily habits. For instance, there was a precipitous decline in air travel, eating in restaurants, in-store shopping and automotive travel (both number of trips and vehicle miles traveled) during this time (2021). All of these actions have rebounded to one degree or another since the pandemic has receded. I believe data/reports from 2023 to 2025 should be used as it would provide more accurate results after the most serious effects of the pandemic have subsided and people's daily life have returned to a steady state. Thus, it would provide a more precise indication if check usage continued to decline, plateaued or rebounded after the disruption of the pandemic had waned.