

TOWNEBANK, PATRICIA BEDROSIAN

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: TowneBank

Organization Type: Company

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Response to Check Services - Future of the Federal Reserve Banks' Check Services

March 9, 2026

Board of Governors of the Federal Reserve System

RE: Request for Information on the Future of the Federal Reserve Banks' Check Services
(Docket Number OP-1874)

Dear Members of the Board of Governors:

I am the Director of Processing Services for TowneBank, a \$19.6 billion financial institution serving Virginia and the Carolinas for the past 20 years. With 25 years of prior experience in community bank operations, I appreciate the opportunity to provide insight regarding the future of Federal Reserve check services.

TowneBank operates more than 60 banking offices across Hampton Roads and Central Virginia, as well as northeastern and central North Carolina. Despite longstanding predictions of a significant decline in paper checks, TowneBank has not experienced the level of volume reduction reported by some other institutions. Our check volumes have remained stable, showing only single-digit year-over-year fluctuation, influenced in part by acquisition activity. While electronic payment usage continues to grow, many of the communities we serve remain predominantly paper-based.

Check usage trends within our markets correlate strongly with demographics. Baby Boomers and older customers continue to rely heavily on traditional check payments. While many are gradually adopting technology-based tools—including online banking and mobile devices—adoption varies widely. We continue to serve customers who prefer not to use digital banking and who, in some cases, request physical check returns with their statements. As a community-focused institution, supporting check processing remains essential to meeting the needs of these customers.

Market characteristics also influence payment preferences. Larger metropolitan areas, which often include major employers and younger, more mobile workforces, tend to exhibit higher adoption of electronic payment options and faster settlement expectations. Anecdotally, many younger adults lack familiarity with writing checks, underscoring generational shifts in payment behaviors.

TowneBank has long relied on the Federal Reserve for check clearing and has intentionally minimized dependence on large-bank clearinghouses. The Federal Reserve provides a transparent, neutral, and reliable framework for establishing rules, ensuring accountability, resolving disputes, and maintaining equitable participation across institutions of all sizes. A shift toward reliance on large-bank clearing models risks reduced transparency, higher fees, misaligned processing deadlines, and inequities that could adversely affect community banks and their customers. Continued Federal Reserve involvement is therefore essential to supporting a fair, efficient, and resilient national check-clearing system.

While generational trends suggest that check usage will continue to decline gradually over the next two decades, TowneBank anticipates that checks will remain a meaningful payment option for many customers in the foreseeable future. Our five-year review of inclearing and transit items shows only a 5% decline in incoming cash letters and a 2% decline in outgoing transit items, further demonstrating the slow pace of change.

Given this gradual transition, TowneBank recommends that the Federal Reserve continue to provide check services, with a structured reevaluation in approximately 10 years to reassess volume trends, demographic shifts, and technological developments.

Thank you for the opportunity to share our perspective. We value the Federal Reserve's longstanding commitment to supporting community banks and ensuring a secure and equitable national payments system.

Sincerely,

Patty Bedrosian

Senior Vice President | Director of Processing Services

TowneBank