

PRIORIRTYONE BANK, ROBERT J. BARNES

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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Subject

Docket No. OP-[1874]

Submitter Information

Organization Name: PriorityOne Bank

Organization Type: Company

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March 9, 2026

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

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

Dear Deputy Secretary McDonough:

I am writing on behalf of PriorityOne Bank, a \$1.1 Billion Dollar-asset community bank headquartered in Magee, MS. We serve a rural seven county market in the south-central part of the state made up of mostly middle and low-to-moderate income families. I appreciate the opportunity to comment on the Board of Governors of the Federal Reserve System request for Information on the future of the Reserve Banks' check services.

Our bank relies on the Reserve Banks' check services as a core part of our daily payments operations. The Reserve Bank is our sole check-processing provider, and we use services such as multiple deposit deadlines, return processing and adjustment services. All of these are important to facilitate daily operations and process transactions for our customers. Checks are presented to us in paper via the teller line, night deposit, and the US mail. We also receive checks through mobile deposit and business remote deposit capture. The Reserve Banks' check services are central to our ability to offer next-day funds availability to our depositors. So far in 2026, we are processing approximately 2,070 checks per day through the Reserve Banks as compared to approximately 2,215 checks per day for the same time period in 2024.

While we recognize that check usage has declined nationally, checks continue to play an important role in the communities we serve. Many customers in our communities still depend on the ability to write checks. We serve many rural communities who have limited access to the internet so online banking is not a reliable option to make payments. Our customer base consists of many senior citizens who do not trust internet banking or do not understand the process, so they use checks to make payments. We have many small businesses who do not feel comfortable using electronic services for vendor payments and payroll, so they rely on writing checks.

These customers face real barriers to adopting electronic payment alternatives. The pace of any transition away from checks should be determined by market forces and consumer readiness, not by the withdrawal of the infrastructure that supports them.

The Federal Reserve's operational presence in check processing ensures competitive balance and equitable access for institutions of all sizes. For our bank, private-sector alternatives are limited and generally designed for institutions with higher volumes than ours. Also, private-sector alternatives generally do not offer the same breadth of services at comparable pricing.

Of the strategies outlined in the RFI, we believe the Board should, at a minimum, maintain the Reserve Banks' check services at their current level of reliability and scope. Strategies that allow the infrastructure

to degrade or that substantially reduce or eliminate services would leave community banks like ours with fewer choices, higher costs, and diminished service quality.

We do see value in the Board investing in modernized check infrastructure, particularly if that investment supports improved fraud detection and prevention tools. However, any resulting fee increases must be gradual, transparent, and structured so they do not disproportionately burden our institution and the customers that we serve. We are concerned about the potential fee implications and would need greater clarity on expected costs before supporting a significant infrastructure upgrade.

Check fraud is a growing concern for our bank and our customers. We have experienced an increase in check fraud and the negative impact it has on our customers. We have seen instances of forged checks, altered checks and washed checks that have left customers struggling, and the process to attempt to get their money back is difficult and time consuming. We have had customers experience fraud on single checks in the amount of \$162,818.27, \$64,651.53 and \$56,301.53 just this past year. To quantify this magnitude of this problem, we have incurred fraud losses totaling \$485,408.29 over the past three years.

We believe the Reserve Banks' check infrastructure is the most effective platform through which fraud-mitigation tools can be delivered to community banks. If the Board invests in upgrading check infrastructure, that investment should include capabilities such as enhanced image analysis, fraud detection services, and improved interbank dispute resolution, all accessible and appropriately priced for community banks.

The Federal Reserve made a significant investment in the FedNow Service on the principle that the central bank's operational presence promotes access, competition, and innovation across the payments system. The same principle applies to check services during this transitional period. We urge the Board to approach the future of check services with the same commitment to inclusion and equitable access.

Thank you for the opportunity to comment. I welcome further engagement on this important topic.

Respectfully,

Robert J. Barnes

President & CEO

PriorityOne Bank

Magee, MS 39111

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Robert Barnes

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