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March 6, 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 Mr. McDonough:

The Independent Community Bankers of America (ICBA)¹ appreciates the opportunity to comment on the Board of Governors of the Federal Reserve System (Board)'s Request for Information (RFI) on the future of the Reserve Banks' check services. We commend the Board for seeking input at this stage, before decisions have been made, and for its stated commitment to seeking additional public comment before adopting any strategy with significant long-term effects.

ICBA represents community banks of all sizes and charter types across the nation, with nearly 50,000 locations. Community banks are relationship lenders that know their customers and the communities they serve. For many of our members, the Reserve Banks are the primary or sole provider of check-processing services.

Background

On December 4, 2025, the Board published a Request for Information on the future of the Reserve Banks' check collection and processing services. The Reserve Banks offer these services, including multiple daily deposit deadlines, return processing, and discrepancy resolution, to depository institutions for a fee. The Monetary Control Act requires the Reserve Banks to recover the costs of providing these services over the long run.

The Board notes that check usage has declined from more than 40 billion checks annually at its peak to approximately 11 billion in 2021, while check fraud has risen and the Reserve Banks' processing infrastructure has aged. Maintaining current service levels will require substantial investment, and those costs would need to be recovered through fees.

This RFI also arrives at a moment when the communities that depend on checks are navigating a related transition. Executive Order 14247, signed in March 2025, directed the federal government to stop issuing paper checks for most federal disbursements. ICBA has supported that effort. But the federal government's decision to move away from paper checks for its own payments is distinct from the question of whether to withdraw the infrastructure that processes commercial checks. The populations adjusting to the loss of federal paper checks are, in many cases, the same populations that still depend on commercial checks to pay rent, settle accounts with

¹ The Independent Community Bankers of America® has one mission: to create and promote an environment where community banks flourish. We power the potential of the nation's community banks through effective advocacy, education, and innovation. As local and trusted sources of credit, America's community banks leverage their relationship-based business model and innovative offerings to channel deposits into the neighborhoods they serve, creating jobs, fostering economic prosperity, and fueling their customers' financial goals and dreams.

local suppliers, and manage their daily finances. The Board should be attentive to the cumulative effect of these simultaneous shifts.

The RFI outlines four illustrative strategies: (1) continue services without new investment, accepting degraded reliability over time; (2) significantly simplify services to minimize costs; (3) substantially wind down check services; and (4) upgrade the aging infrastructure to maintain or improve services, at materially higher cost recovered through fees.

The RFI is preliminary. The Board noted that if its analysis supports a strategy with significant long-term effects, it would seek additional public comment before making any determinations. Vice Chair Bowman issued a statement raising a concern that the framing of the four strategies, three of which involve some form of withdrawal or degradation, may not adequately reflect the continued importance of check services. ICBA shares that concern and believes that before any change is made to the Reserve Banks' check services, there should be a fuller exploration of what continued, well-managed investment looks like.

RFI Response

The Reserve Banks' check services are essential to community banks. The Federal Reserve's operational presence ensures competitive balance and provides community banks with a reliable, neutral service provider. This is consistent with the role the Reserve Banks have played across their payments services for more than a century.

Reducing or eliminating check services would disproportionately affect the communities served by community banks. Checks remain an important payment method for older adults, small businesses, agricultural operations, rural communities, and low- and moderate-income households. These are populations that face real barriers to adopting electronic alternatives. The Board should not pursue a strategy that effectively forces a transition before those alternatives are universally available and accessible.

At a minimum, check services should be maintained 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 with fewer choices, higher costs, and diminished service quality.

Additional investment presents an opportunity worth exploring, but community banks need to understand the cost implications. Strategy 4 has clear potential, particularly if investment supports fraud detection and prevention alongside service reliability. However, community banks are sensitive to the fees they bear in the payments system and need clarity on the magnitude, pace, and structure of any resulting increases before evaluating this path.

Below are ICBA's responses to the specific questions posed in the RFI:

Questions 1 and 2: Factors the Board should consider in determining the future strategic direction of the Reserve Banks' check services, and the relative importance of those factors.

The Board should weigh three key factors. First, the Reserve Banks' role as a neutral, accessible service provider for institutions of all sizes remains essential. For a community bank in a rural market, the Reserve Banks may be the only check-processing provider willing to serve a low-volume institution at a sustainable price. Private-sector alternatives are generally designed for larger institutions with greater volume and bargaining power. Second, the continued reliance on checks among populations that face genuine barriers to electronic alternatives must be

considered. Third, the connection between check infrastructure and fraud prevention must be addressed. This important consideration is discussed further below.

Over the next three years, the Reserve Banks' check services should be maintained at current levels while the Board provides the industry with greater clarity on costs and options. Over ten years, the Federal Reserve should continue providing check services, calibrating investment to actual market demand and the pace of migration to electronic alternatives. The Board should avoid locking in a long-term strategy prematurely given the uncertainties around check volume trends, the maturation of electronic alternatives, and the evolving fraud environment.

Question 3: How the Board should weigh the four illustrative strategies.

Allowing services to degrade without new investment (strategy 1) would leave community banks to absorb unpredictable disruptions as infrastructure ages, with no visibility into when or how service quality would decline.

Significantly simplifying services (strategy 2) would reduce capabilities in areas like deposit deadlines and return processing that are central to community banks' daily operations and their ability to serve customers who depend on checks.

Substantially winding down check services (strategy 3) would remove the Reserve Banks from check processing entirely, eliminating the competitive counterweight that community banks depend on and concentrating the market among private-sector providers designed for larger institutions.

Upgrading the aging infrastructure (strategy 4) is the most viable path, but community banks need to understand the cost implications before the Board moves forward. There are significant questions about the magnitude of investment, the resulting fee implications, and the recovery timeline. The strongest case for investment lies in pairing reliability with new fraud-detection capabilities, not simply preserving the current system at a higher price. The Board should provide greater transparency on costs before asking the industry to evaluate this path.

Question 4: Willingness to incur additional costs and fees to continue to use or process checks, and willingness to invest in enhancements to check security.

Community banks are sensitive to the fees they bear in the payments system. To evaluate Strategy 4, community banks need to understand what it would cost them. ICBA asks the Board to publish projected fee schedules with phased implementation timelines and pricing that reflects the different volume profiles of community banks and larger institutions. A single fee increase announced without context or transition time would be difficult for many community banks to absorb and could accelerate the very migration away from checks that the Board is seeking to manage. Conversely, a clear, predictable fee path would allow community banks to plan and budget appropriately.

Question 5: Availability of alternative check services providers and unique benefits of Reserve Bank check services.

The Reserve Banks' check services support a competitive market. If the Reserve Banks withdraw or significantly reduce their role, the remaining options for community banks would be limited to private-sector providers whose services, pricing, and service levels are designed for larger institutions. Community banks that lack the volume or leverage to negotiate favorable terms could face higher costs, reduced service, or both.

The effects would fall disproportionately on smaller institutions. Community banks in rural and underserved

markets are most likely to rely on the Reserve Banks as their primary check-processing provider. These institutions serve the customer segments most dependent on checks and have the least bargaining power with private-sector alternatives. The Board's rationale for the FedNow Service recognized that equitable access to payments infrastructure requires the Reserve Banks' operational presence. That rationale applies here.

Questions 6 and 7: Importance of checks and the unique aspects that lead users to continue using them.

Checks remain important to small businesses, which report checks as their most commonly accepted payment form; older adults, who are the most frequent individual users; rural communities, where broadband access and digital infrastructure may be limited; agricultural operations, where checks are embedded in the cycle of buying inputs, selling commodities, and settling accounts with vendors and cooperatives; and low- and moderate-income households, which are less likely to use electronic payment methods.

The agricultural sector deserves particular attention: many farming operations are located in areas with limited connectivity, transact with a wide range of counterparties who may not share a common electronic platform, and operate on seasonal cash-flow cycles that make the flexibility and simplicity of checks especially practical. Community bankers see these dynamics firsthand through their customer relationships. The pace of transition should be determined by market forces and consumer readiness, not by the withdrawal of supporting infrastructure.

Questions 8 and 9: Barriers to adoption of alternative payment methods, and efforts to transition from checks to electronic payments.

Many community banks are investing in electronic capabilities, including FedNow adoption, expanded digital banking, and customer education. These efforts are underway but not complete, and timelines vary across institutions and markets. The Board should be attentive to communities that will be last to transition and should consider complementary actions, such as supporting low-cost electronic payment options for underserved populations and promoting network interoperability, that help people move to electronic payments without abandoning check services prematurely.

Question 10: Benefits and risks to the payments system and additional considerations.

Check fraud is a growing concern for community banks and their customers. In ICBA's comments on the Board's joint RFI on payments fraud,² ICBA identified specific Reserve Bank capabilities that would help community banks combat check fraud, including a fraud contact directory, a fraud information sharing repository, an interbank breach-of-warranty claim mechanism, check image analysis and verification tools, atypical payment monitoring, and confirmation of payee services. These are capabilities that the Reserve Banks are uniquely positioned to provide through their existing infrastructure and relationships with depository institutions of all sizes.

Investment in the Reserve Banks' check infrastructure is the most practical path to delivering these tools to community banks. If the Board pursues Strategy 4, fraud detection and prevention should be a central component of that investment, not an afterthought. A decision to withdraw from check services would also mean withdrawing the platform through which these fraud-mitigation capabilities could be most effectively delivered.

² See ICBA, Response to Federal Reserve's RFI on Payment Account Prototype (Feb. 6, 2026), <https://www.icba.org/w/response-to-federal-reserve-s-rfi-on-payment-account-prototype>.

ICBA encourages the Board to consider how its check services strategy relates to its broader payments strategy. The Reserve Banks' check infrastructure is not an isolated system; it is part of the payments ecosystem that includes FedNow, Fedwire, and FedACH. Decisions about check services should be made with an understanding of how they affect the whole, and with pricing structures that do not disproportionately burden smaller institutions.

Conclusion

ICBA appreciates the Board's deliberate approach and its recognition that significant changes to the Reserve Banks' check services warrant additional public input before adoption. At a minimum, the Board should maintain check services at their current level of reliability and scope. Beyond that baseline, additional investment, particularly investment directed at fraud detection and prevention, represents an opportunity worth pursuing, but one that community banks can evaluate only with greater transparency about the associated costs and fee implications. ICBA asks the Board to provide that transparency, and to design any fee adjustments in a manner that accounts for the needs of smaller institutions.

ICBA looks forward to continued engagement on this important topic and to working with the Board as it develops its approach.

Sincerely,

/s/

Scott Anchin
Senior Vice President, Strategic Initiatives and Policy