

# ACH Network Background

Every bank and credit union in the United States can receive ACH payments, making the ACH Network the backbone of the U.S. payments system. Consumers, businesses and government agencies rely on ACH for their most critical payments, including workers' pay through Direct Deposit, tax refunds, Social Security benefits and much more.

Some of the vital payments that utilize the ACH Network:

**99.5%**

of federal salaries.

**92%**

of all private and public sector employee pay.

**99%**

of Social Security benefits.

**94%**

of federal tax refunds.

**97%**

of veterans' benefits.



**Veteran and physician Christopher relies on Direct Deposit for secure, on-time VA benefits—giving him peace of mind.**

**"I don't think about whether my benefits will be secure or on time. It's nice to know they'll just arrive, so I can focus on the things that really matter."**



# How the ACH Network Works

**The ACH Network is open for processing payments 23½ hours every business day and settles payments four times a day. Payments are settled at times when the Federal Reserve's National Settlement Service (NSS) is open. Currently, NSS is closed on federal holidays, weekends, and banking days at 6:30 p.m. ET.**

Paydays that otherwise would be on a weekend or holiday are paid on the prior business day, (e.g., Friday) while bill payments that are due are collected on the next business day, in each case favoring the employee/consumer.

If payday is on a Friday, payroll payments made by Direct Deposit are available in employees' accounts by 9 a.m. at the financial institution's local time that day in virtually all cases. For example, if your payday is on a Friday before Labor Day weekend, and you receive it through Direct Deposit, the money will be available in your account to withdraw or cover other payments by 9 a.m. at the financial institution's local time Friday.

Employees may notice their Direct Deposits show as available before payday. Because payroll Direct Deposits are common and routine, some banks and credit unions may advance their own funds to the employee before settlement actually occurs, resulting in early funds availability.

Split Deposit lets employees automatically direct a portion of their paycheck into savings or investment accounts, making it easy to build savings consistently and reach financial



**Jeanne, a gig worker, artist and pet care business owner, relies on Direct Deposit for fast, consistent pay.**

**"I don't have to wonder how my money will arrive. I can fully dedicate my time appropriately to my work or my creativity without scheduling bank trips."**



# The Power of Same Day ACH

Same Day ACH extends the benefits of ACH even further, enabling faster payments across a variety of real-world use cases. With three settlement times per day and a \$1 million limit per payment, Same Day ACH is widely used for:

**Urgent Bill Payments:** Consumers can avoid late fees for some bills on the due date.

**Correcting Payroll Errors:** Employers can quickly resolve underpayments or missed payroll within hours using Direct Deposit—no emergency checks needed.

**Paying Gig and Hourly Workers:** Provides same-day income to freelancers and hourly staff who need fast access to their earnings.

**Insurance Claims & Disaster Relief:** Quickly delivers urgently needed funds in crisis situations, helping customers rebuild and recover faster.

**Refunds & Reimbursements:** Enhances customer satisfaction with fast refunds— ideal for fast refunds of insurance premiums, tuition, and other bills where refunds are due..

**Tax Payments:** Helps businesses manage cash flow by scheduling tax payments for the due date, eliminating the need to pay early or mail checks.

These uses demonstrate why Same Day ACH is a trusted option for urgent, secure and cost-effective payments—further supporting the transition away from checks.



**Deseret Management Corporation uses Same Day ACH to handle urgent payments with speed, security and cost efficiency.**

**“It works very, very well for us...We’ve had zero negative comments,” said Michael Gregory, Director of Treasury Services.**





# 2024 ACH Network Volume and Growth

In 2024, the ACH Network processed 33.6 billion payments valued at \$86.2 trillion, marking a 6.7% increase in volume and a 7.6% increase in value compared to 2023.

## Some key highlights from ACH Network growth in 2024:



**Same Day ACH:** Same Day ACH payment volume topped the 1 billion threshold, with more than 1.2 billion payments for the year. The value of those payments was \$3.2 trillion. From 2023 to 2024, Same Day ACH volume soared 45.3%, more than double the growth rate from 2022 to 2023. This sustained adoption underscores the efficiency, safety and reliability of Same Day ACH for urgent payment needs, benefiting businesses and consumers alike..



**Direct Deposit:** Direct Deposit grew by 3.7% in 2024, totaling 8.6 billion payments valued at \$15.8 trillion. This critical payment method ensures timely access to wages, benefits and government payments, fostering economic stability and reducing reliance on paper checks..



**B2B Payments:** B2B payments realized a substantial 11.6% increase in volume, totaling 7.4 billion payments. The benefits of ACH for business payments are evident, including reducing administrative burdens and accelerating payment cycles.



**Consumer Internet-Initiated Payments:** More and more consumer bill payments are taking place over the ACH Network. This segment grew by 13.5% in volume, reaching 16.4 billion payments primarily for bill payments and account transfers. The largest part of this segment is consumer-initiated online bill payments, underscoring consumer preference for secure, convenient payment methods.



**Phylencia, a busy marketing executive and mom, uses Direct Payment to keep her and her son's cell phone bills paid.**

**"I simply don't have the time or mental space to keep track of different bill due dates. I can just turn it on, live my best life, and not worry about when to pay."**



# Eliminating Paper Checks for Federal Payments

The White House issued an Executive Order directing the U.S. Treasury to phase out the use of paper checks for all federal disbursements by Sept. 30, 2025, and for federal receipts as soon as practicable.

## Issue Background

- In 2024, the U.S. Treasury originated 1.86 billion ACH payments, moving \$8.5 trillion in disbursements and receipts via the ACH Network.
- Despite the widespread adoption of electronic payments, the federal government still issued approximately 36 million paper checks in 2024.
- The cost to issue a check is estimated at \$2.02, while an ACH credit costs only 12 cents. Converting all remaining federal check payments to ACH could save taxpayers over \$86 million annually.
- Treasury already delivers nearly all federal employee pay and Social Security benefits, as well as 97% of veterans' benefits and 94% of tax refunds, via Direct Deposit.

## Benefits of Phasing Out Paper Checks

- **Cost Savings:** Transitioning to electronic payments eliminates expensive manual processing and postage, saving federal resources and reducing administrative overhead.
- **Efficiency & Speed:** Direct Deposit is significantly faster than mailing and cashing checks—vital during emergencies and for routine disbursements alike.
- **Fraud Prevention:** Paper checks are more prone to loss, theft and fraud. ACH payments are safer and traceable.
- **Financial Inclusion:** Receiving Direct Deposit has helped more Americans open bank accounts. A 2021 FDIC survey found the lowest unbanked rate since tracking began in 2009, due in part to access to government payments during the pandemic.

## About Nacha

Nacha governs the thriving ACH Network, the payment system that drives safe, smart and fast Direct Deposits and Direct Payments with the capability to reach all U.S. bank and credit union accounts. Through problem-solving and consensus-building among diverse payment industry stakeholders, Nacha advances innovation and interoperability in the payments system. Nacha develops rules and standards, provides industry solutions, and delivers education, accreditation, and advisory services.



# How to Eliminate Federal Government Check Payments

By Michael Herd  
Executive Vice President, ACH Network Development, Nacha

On March 25, 2025, the president signed an Executive Order entitled Modernizing Payments To and From America's Bank Account. The order provides, among other things, that "effective September 30, 2025, and to the extent permitted by law, the Secretary of the Treasury shall cease issuing paper checks for all Federal disbursements inclusive of intragovernmental payments, benefits payments, vendor payments, and tax refunds." In this article, I first want to provide some additional history and context regarding the phasing out of paper checks for federal disbursements, then provide some thoughts on how the government could accomplish it. I'll then share some thoughts about receivables – check payments made to the Federal government.

One lesson from this history is that eliminating the use of checks is as much (if not more) about policy as it is about the payment system. Congress and policymakers believed as early as 1996 (when the law was passed) that eliminating checks by 1999 was feasible. What undid the EFT99 mandate was not the capabilities of the payment system, but rather a policy choice.

Fast forward - even with these hardship exemptions allowed, the percentage of federal disbursements made electronically has continued to increase. In 2007 the figure was 78%, and by 2023 it was 96%. Several developments contributed to this success. First was the ongoing campaign and messages by the Treasury and agencies (IRS, Social Security, Veterans, etc.) about the benefits of receiving payments by Direct Deposit. Second was the creation and expansion of the Direct Express program, to provide a prepaid card account to unbanked recipients who could not receive a Direct Deposit into a bank account. Third was the deployment by the IRS during the COVID-19 era of a portal for people to enroll to receive Economic Impact Payments (EIPs) by Direct Deposit. Finally, the success of the BankOn program made low- or no-cost bank accounts more widely available. According to the FDIC,

95.5% of households were banked as of 2021 (the highest percentage the FDIC has ever measured), and the need to quickly receive COVID pandemic-related benefit payments led some of the nation's previously unbanked households to open bank accounts.

So, what can the Treasury do to eliminate the remaining check disbursements? The single most significant thing the Treasury can do is to change its policy about hardship exceptions. Enabling legislation should be pursued to the extent necessary.



**"Eliminating the use of checks is as much (if not more) about policy as it is the payment system."**

**– Michael Herd**

An electronic payment mandate has been official government policy since Jan. 1, 1999 (the so-called "EFT99" mandate). One of my first projects at Nacha in 1998 was working on the public awareness campaign with the U.S. Treasury and the ACH Operators on the EFT99 mandate. The celebrity spokesperson was astronaut Jim Lovell, and the campaign tagline was, "It's the Law!" Unfortunately, the public service announcements were never aired because of a policy change that permitted "self-certifying" hardship exemptions - meaning, anyone that still wanted a check from the federal government could get one.

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In 2022, the Treasury issued a proposed rule to narrow the types of exemptions allowed from receiving EFTs. Nacha was the only entity in the private sector that commented on the proposal, and of course we supported it. A final rule was published on Feb. 21, 2024. However, certain types of hardship exceptions remain; as long as the Treasury has to print and mail even one check as a hardship exemption, it will need to keep the systems and infrastructure to do so. But in 2025, the condition of being unbanked does not need to be deemed a hardship as it was in 1999. Direct Deposits can be received at any financial institution accessible by online or mobile banking; to a Direct Express card; or to a digital wallet app on a smartphone offered by a non-bank.

The Treasury can also use banking information that already exists elsewhere within agencies (to the extent permitted by law, or also through enabling legislation). For example, a person might get a Social Security benefit payment by Direct Deposit but also choose to receive a tax refund by check. In this example, the Treasury could use the banking information available within Social Security to send the tax refund by Direct Deposit.

Finally, the Treasury can simply withhold check payments (where not prohibited by law), such as for vendor contracts, medical claim reimbursements, and research grants, until the recipient enrolls to receive an electronic payment.

What can financial institutions do? Every financial institution can determine whether any of its account holders are depositing U.S. Treasury checks. These customers can be counseled on how to enroll for Direct Deposit (preferable for the FI) or how to apply for a Direct Express card. Financial institutions can also offer BankOn-certified accounts to encourage more new account openings to receive federal electronic payments.

Having covered disbursements, now let's consider receipts. Unlike the EFT99 mandate for disbursements, there has never been a federal government policy before to not accept payments by check. Checks are still used commonly to pay taxes, and there are likely some checks used to pay for other fees and services such as passport applications. Currently, the IRS utilizes check conversion.

In 2024, the federal government converted more than 48 million accounts receivable checks ("ARC" for the nerds out there), collecting more than \$100 billion. (While Nacha could expand check conversion to cover business checks and checks above \$25,000, the stated goal here is to eliminate checks and not to convert more checks.)

So here's the thing: Every check written to the government has all the information necessary to initiate an ACH debit. In fact, the IRS originates a large volume of ACH debits through its website, through the EFTPS program, and by allowing taxpayers to enter routing and account numbers on forms that accompany the 1040. Taxpayers (individuals or businesses) that are still writing checks can be steered to one of these electronic payment authorization channels. Just as with hardship exceptions for disbursements, the decision to stop accepting checks is a policy choice rather than a change to the payment system. And, just as with disbursements, as long as the IRS accepts even one check, it will need to maintain the systems and infrastructure to do so.

It's likely that other check payments to the government are at much lower volumes than for tax payments. The government converts a small number of checks at the point-of-purchase (POP) – 667,000 in 2024, collecting \$356 million. If the government were to simply adopt the policy of not accepting checks, I think it's likely that easy substitutes are available for both individuals (such as debit or credit card for in-person payments, or perhaps Pay by Bank-type options in the future; as well as ACH debits for online payments) and businesses (such as purchasing cards for in-person payments or ACH credits for remittances). After all, if they've written a check, they have a bank account.

Finally, there will be good use cases for newer payment options; for example, a person applying for disaster assistance might prefer to receive an instant payment to a bank account rather than a check. But these don't seem to be the most significant remaining barriers to eliminating federal government checks. To truly eliminate check payments to and from the federal government, it will take just a few final policy choices.