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Electronic File Delivery

Request for Information and Comment on the Future of the Federal Reserve Banks' Check Services

Docket No. OP-1874

Nacha is pleased to submit comments to the Board of Governors of the Federal Reserve System (Fed) on this Request for Information and Comment (RFI) on the Future of the Federal Reserve Banks' Check Services.

Nacha and the ACH Network

Nacha governs the modern ACH Network, the electronic payment system that moves Direct Deposits and Direct Payments safely and quickly to accounts at all U.S. banks and credit unions. More than 35 billion ACH Network payments were made in 2025, moving a total of \$93 trillion. The ACH Network is governed by the Nacha Operating Rules ("Nacha Rules"). Nacha represents nearly 8,000 financial institutions of all sizes and types throughout the United States, both directly and through nine Payments Associations.

Nacha Comments

Since at least 2000, the use of checks by American consumers and organizations has been in decline. According to Federal Reserve studies, annual check volume has declined from 42.5 billion in 2000 to just 11.1 billion in 2021.¹ Meanwhile, many forms of electronic and card payments have increased significantly in use over the same period. According to Nacha's own data, the annual volume of ACH payments has increased from 5.2 billion in 2000 to 35.2 billion in 2025.

Declining check volume on largely fixed-cost check infrastructure can create a vicious cycle. As volume declines, the cost-per-transaction increases.² If cost increases are passed along to customers in the form of price increases, then transaction volume is likely to further decline.

Good alternatives to checks exist for just about any use case. An individual or business that has an account with a financial institution on which to write a check can use that same account to authorize an ACH debit or pay with a card linked to that account. Direct Deposit has mostly eliminated check use for payroll and benefit payments. Card and smartphone-based payments have mostly eliminated checks for retail purchases. Payment apps and person-to-person (P2P) payment services such as Zelle are good alternatives to P2P checks. ACH and certain card payments are good alternatives for business-to-business (B2B) checks; the annual volume of B2B payments by ACH has increased from 1.4 billion in 2004 to 8.1 billion in 2025, while over

¹ As of the comment deadline of this RFI, 2021 is the most recent year for which annual check volume data is available. Nacha thinks it likely that check volume for 2025 was about 8-9 billion.

² It is not just cost-per-transaction that is increasing. The total cost for the Fed to provide the check service is increasing from \$104.5 million in 2024 to a projected \$112.7 million in 2026 - <https://www.federalregister.gov/documents/2025/12/09/2025-22268/federal-reserve-bank-services>.



the same period the Association for Financial Professionals reports that the percentage of B2B payments made by check has declined from 81% to 26%.³

For individuals receiving a check, a faster, more convenient and more secure payment method is receiving a Direct Deposit to an account at a financial institution. For individuals without such an account, card programs—such as the U.S. Treasury’s Direct Express card for benefit payments—can serve as a better alternative than receiving a check.

Furthermore, checks are prone to fraud. As the RFI notes, “Checks are vulnerable to fraud because checks can be stolen, altered, or forged.” Also, “the physical nature of checks makes them susceptible to theft while in transit or when left in unsecured locations. Checks also contain visible sensitive information—the payor’s name, account number, routing number, address, and signature—that can be used by criminals to conduct other forms of payments fraud.”

In its annual survey on payments fraud, the Association for Financial Professionals wrote, “Checks continue to be the payment method most often subjected to fraud, with 63% of respondents reporting that their organizations faced check fraud in 2024.”⁴

Nacha and many other organizations provided information and comment to the Fed, the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation on check fraud in response to a June 20, 2025, RFI on payments fraud. Nacha wrote:

*Nacha urges affirmative steps—including price incentives that reflect a payment channel’s fraud risk—to more appropriately discourage checks in favor of more secure forms of payment.*⁵

In referencing the RFI of June 20, 2025, Nacha thinks it would be useful for the Fed to consider the comments it received regarding check fraud as it considers the future of the check service.

Against this backdrop of declining use, increasing cost per transaction and increasing fraud, the Fed requests information and comment (RFI) on the future of the Federal Reserve Banks’ check services. The RFI suggests a range of future possible strategies for the check service, including but not limited to the following:

1. A continuation of the Reserve Banks' check services largely as they exist today without investments to address aging infrastructure.
2. A significant simplification of the Reserve Banks' check services.
3. A substantial wind-down of the Reserve Banks' check services.

³ <https://www.financialprofessionals.org/training-resources/resources/survey-research-economic-data/Details/digitalpayments>

⁴ <https://www.financialprofessionals.org/training-resources/resources/survey-research-economic-data/Details/payments-fraud>

⁵ <https://www.nacha.org/news/nacha-responds-federal-banking-regulators-request-information-payments-fraud>



4. An upgrade to the Reserve Banks' aging check-processing infrastructure, which would require substantial investment.

Of these four possibilities, the second—a significant simplification of the check service without significant new investments—seems the most prudent over the near-to-medium term. A cursory review of the check service pricing for 2026⁶ shows a plethora of tiers, times, dollar thresholds, and premium service levels that likely could be simplified.

Over the longer term, however, the Fed should contemplate milestones or gating events that would trigger the third possible strategy—a substantial wind-down of the check service. There are recent precedents for the Fed to wind down low-volume services: On Nov. 25, 2025, Federal Reserve Financial Services announced that “the FedGlobal ACH and Foreign and Canadian Check Services will be discontinued by year-end 2026,”⁷ citing declining transaction volumes as justification.

To the four possible strategies articulated by the RFI, Nacha offers a fifth that could be evaluated: clear the declining check volume on an alternate infrastructure such as the ACH infrastructure. While check-to-ACH conversion at the point-of-purchase (the so-called POP conversion), lockbox (accounts receivable or ARC) or back-office (BOC) has been commonplace for consumer check payments for over two decades, the ACH infrastructure and governing rules (the Nacha Operating Rules) also provide for “check truncation” by which check items are legally check payments but clear on the ACH infrastructure.⁸

Of course, there would be challenges to this approach that would need to be addressed, such as a legal framework, industry education and training, consumer acceptance and education, etc. But potentially clearing the “last mile” of checks on the ACH infrastructure could alleviate the vicious cycle of ongoing cost-per-transaction increases for checks and provide a longer-term solution to the Fed’s dilemma of future infrastructure investments on a declining service.

Nacha appreciates the opportunity to provide comments on the RFI. We would be pleased to provide any assistance or participate in additional consultations as the Fed contemplates the future of its check service.

Sincerely,

/s/

Michael Herd
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Nacha

⁶ <https://www.frbservices.org/resources/fees/check-electronic-check-collection-2026>

⁷ <https://www.frbservices.org/news/communications/112525-ach-discontinuation-fedglobal-ach-payments-foreign-canadian-check-services>

⁸ Nacha organized and conducted a pilot test of Deposited Check Truncation (DCT) in the late-2000s, demonstrating the operational viability of check truncation.