June 30, 2025

Via Electronic Mail

Tyler Curtis
Director, Office of Consumer Policy
U.S. Department of the Treasury
1500 Pennsylvania Ave., NW
Washington, DC 20220

Re: *Request for Information Related to the Executive Order "Modernizing Payments To and From America's Bank Account" (Docket No. TREAS-DO-2025-0004-0001)*

Dear Mr. Curtis,

The Bank Policy Institute,[1] The Clearing House Association,[2] and the Consumer Bankers Association[3] (the Associations) appreciate the opportunity to respond to the Treasury's Request for Information Related to the Executive Order "Modernizing Payments To and From America's Bank Account" (the RFI).[4] The Executive Order on Modernizing Payments marks a pivotal step forward in public-private collaboration to deliver faster, more secure, and modern payment solutions to American individuals and businesses for payments to or from the federal government.

[1] The Bank Policy Institute is a nonpartisan public policy, research and advocacy group that represents universal banks, regional banks, and the major foreign banks doing business in the United States. BPI produces academic research and analysis on regulatory and monetary policy topics, analyzes and comments on proposed regulations, and represents the financial services industry with respect to cybersecurity, fraud, and other information security issues.

[2] The Clearing House Association L.L.C., the country's oldest banking trade association, is a nonpartisan organization that provides informed advocacy and thought leadership on critical payments-related issues. Its sister company, The Clearing House Payments Company L.L.C., owns and operates core payments system infrastructure in the United States, clearing and settling more than $2 trillion each day.

[3] The CBA is a member-driven trade association, and the only national financial trade group focused exclusively on retail banking—banking services geared toward consumers and small businesses. As the recognized voice on retail banking issues, CBA provides leadership, education, research, and federal representation for its members. CBA members operate in all 50 states. They include the nation's largest bank holding companies as well as regional and super-community banks. Eighty-three percent of CBA's members are financial institutions holding more than $10 billion in assets.

[4] Department of the Treasury, Request for Information Related to the Executive Order, "Modernizing Payments To and From America's Bank Account," 90 Fed.Reg. 23108 (May 30, 2025).

The prevalence of check fraud remains a challenge, with criminals continuing to exploit this legacy payment system. In 2024, check fraud accounted for 32% of all fraud losses.[5] Treasury checks are a particular target given the large number of these checks issued and delivered through the U.S. mail in distinctive envelopes. Treasury checks also attract fraud because their funds generally must be made available the day after deposit.[6] Removing paper Treasury checks from circulation is an important step toward reducing theft and the related losses to the federal government and financial institutions. Treasury's efforts to phase out paper checks in government payments represent a critical opportunity to modernize America's payment infrastructure, reduce fraud, and increase financial security for American taxpayers.

To achieve the payment modernization goals of the Executive Order, the Associations recommend that Treasury take the following steps:

- *Use Government Data to Implement Targeted Paper Check Reduction Strategies*. Analyze government agency data to understand the reasons behind continued check usage for payments to or from the federal government and develop strategies to reduce such usage, including by ensuring exceptions are narrowly granted.
- *Create a Targeted Public Awareness Campaign to Encourage Use of Electronic Payments*. Educate consumers on check fraud risks and the benefits of electronic payment, with special support for those most reliant on checks.[7]
- *Expand Government Use of Existing Secure Electronic Payment Platforms*. Expand the federal government's use of existing secure electronic payment systems for government payments, including real-time and bank-developed platforms.
- *Enhance Fraud Controls for Electronic Payments Made by Treasury*. Continuously monitor and strengthen fraud prevention for all electronic payment methods used by Treasury as check usage declines.
- *Provide Controls for Remaining Treasury Checks Issued*. Implement fraud reduction efforts for paper checks that continue to be used.

Below, we explain these recommendations in greater detail.

1. Treasury Should Use Government Data to Implement Targeted Paper Check Reduction Strategies

Understanding the reasons individuals and organizations continue to use paper checks is critical to reducing check usage. Treasury has access to data that can provide a more complete understanding of why certain individuals and entities continue to rely on checks for payments to or from the federal government, including whether preferences are different when the government is the payor or the payee. These relevant drivers may include the person's age and location, place of deposit, or whether the payment is recurring or one-time, among other data points. Such an assessment would position

[5] Federal Reserve Financial Services, "Key Findings From the Annual Federal Reserve Financial Services Financial Institution Risk Officer Survey" (2024).

[6] Regulation CC, Availability of Funds and Collection of Checks, 12 CFR § 229.

[7] The Associations use the term "electronic payments" to encompass both electronic and digital payments.

Treasury to better engage and partner with financial institutions, consumer groups, and state and local governments to develop programs and strategies to reduce consumer use of paper checks.

Based on publicly available data, older adults, rural residents, and homeowners appear more inclined to prefer checks to make payments.[8] One study found that each additional year of age increases the likelihood of preferring checks by about 0.5%.[9] Older adults may prefer using checks due to familiarity and long-standing comfort with the practice. In rural areas, limited or unreliable internet access can make it difficult to rely on online banking or mobile payment systems, making checks more accessible and dependable.[10] Additionally, cultural preferences may play a role, as checks are sometimes viewed as a more formal or professional method of payment, especially for functions such as paying rent, making charitable donations, and conducting business transactions. For some, the physical act of writing and mailing a check carries a sense of personal responsibility and trust that digital methods are perceived as lacking.

Additionally, check usage to send payments continues to be prevalent in commercial contexts because long-standing business practices are slow to change. Many businesses, especially small- and mid-sized enterprises, continue to use checks because of established accounting practices or vendor preferences. One study found that 92% of organizations still use checks and those that do typically cite ease of use and existing processes as the primary reasons.[11]

These factors and barriers provide a starting point to understanding why checks are still widely used and how the government can take steps to change that for payments to and from individuals and businesses. To best understand the dynamics around continued check usage and strategies to reduce such usage, however, it is important that Treasury analyzes its own data and makes such data available publicly so that other stakeholders committed to reducing check usage may take advantage of the insights to be gained from that data.

2. Treasury Should Create a Targeted Public Awareness Campaign to Encourage Use of Electronic Payments

In the RFI, Treasury expressed interest in launching a public awareness campaign to encourage consumers to transition to electronic payments for payments to or from the government. The RFI particularly emphasizes the importance of the transition for unbanked and underbanked consumers. The Associations and their members agree that education, outreach, and ongoing support of these populations' transition will be key to modernizing payments to and from the federal government. Tailored outreach, including through trustworthy community channels and educational resources in

[8] Claire Green and Oz Shy, "Research on Paying with Cash and Checks," Notes from the Vault, Federal Reserve Bank of Atlanta (Nov. 2020).

[9] *Id.*

[10] Benson, David, Serafin Grundl, and Richard Windle, "How do Rural and Urban Retail Banking Customers Differ?," FEDS Notes. Washington: Board of Governors of the Federal Reserve System (June 2020).

[11] Association for Financial Professionals, "Making the Switch: Moving from Checks to Digital Payments," (May 2024).

multiple languages, will be essential to ensuring diverse communities understand the benefits and security of electronic payments.

We suggest this campaign highlight three critical themes: (A) reducing check usage will reduce fraud against consumers, (B) electronic payments are faster and more secure than checks, and (C) support is available to ease the transition to electronic payments.

A. Reducing Check Usage Will Reduce Fraud Against Consumers

The campaign should clearly communicate the risks and limitations associated with continued check use. Checks are increasingly vulnerable to fraud, including theft, forgery, and check washing. Checks are among the most fraud-prone payment methods today. Criminals increasingly exploit mail theft and check-washing schemes; a recent FinCEN report found that over $680 million of checks were lost due to mail theft alone.[12]

As check usage continues to decline both nationally and globally, Treasury's shift away from checks and toward electronic payment methods should be framed as an overdue modernization effort that aligns with how most individuals and institutions now manage their finances. If consumers and small businesses better understand that the efforts to reduce check usage will reduce potential harm to them, we expect trust in electronic payments to increase.

Treasury could also consider tying education about the risks of checks to broader consumer education to prevent fraud and scams. Leveraging existing educational resources from the Federal Trade Commission, Federal Communications Commission, United States Postal Service, and others, this campaign could incorporate trusted awareness tactics and direct consumers to credible resources on these concerns.

B. Electronic Payments Are Faster and More Secure Than Checks

To encourage adoption of electronic payments to and from the government, Treasury's campaign should also promote the advantages of electronic payments—namely greater speed and security than paper checks. For instance, if one factors in the time necessary to mail a check, it may take days or even a week for a payee to be able to use the funds paid. In rural areas, checks can take longer to arrive by mail, delaying access to funds, which can cause financial hardships for the recipients. Further, printing, mailing, and manually reconciling checks add unnecessary administrative burden to small businesses and government agencies, driving up their costs.

By contrast, electronic payment services offer the ability to make and receive payments essentially 24 hours a day, seven days a week. For example, The Clearing House's RTP® network and the Federal Reserve's FedNow® Service can transfer funds instantly—often within seconds—regardless of weekends, holidays, or banking hours.[13] This speed is especially valuable for people living paycheck to paycheck, those managing emergencies, and rural populations where mail delivery can delay the arrival

[12] Financial Crimes Enforcement Network, "Mail Theft-Related Check Fraud: Threat Pattern & Trend Information," February to August 2023 (Sept. 2024).

[13] "RTP" is a registered service mark of The Clearing House Payments Company L.L.C. "FedNow" is a registered service mark of the Federal Reserve Banks.

of checks. Electronic payments also eliminate the need to visit a bank, deposit physical checks, or wait for them to clear, giving users more immediate control over their finances.

In addition to speed and convenience, electronic payments are significantly more secure than paper checks. While paper checks can be lost, stolen, altered, or counterfeited, electronic payments are typically made through systems that are accessible only through multifactor authentication and that use encryption or other security measures to protect consumers' sensitive information. This reduces the risk of theft and unauthorized access. By highlighting these benefits—most importantly the enhanced security that comes with using electronic payments—the campaign can help build trust in, and encourage the transition to, electronic payments. The Associations recognize that no payment method is foolproof and electronic payment methods, like any payment method, are susceptible to fraud. That said, we encourage Treasury's campaign to emphasize that electronic payments are significantly more secure than paper checks.[14]

Beyond a general public awareness campaign, the Associations encourage Treasury to actively support the selection of electronic payment options in real time when individuals or businesses request payment by check. Government systems should present clear, timely prompts that explain the benefits of electronic payments and the risks of relying on paper checks. This approach ensures that individuals are actively informed about the benefits of electronic payments at critical decision points. Anyone opting to receive a paper check should be required to acknowledge the specific risks of checks, such as the risk of delay in receiving payment or having funds made available and the potential for fraud. This will help ensure that check usage is a truly informed choice, rather than a default borne from habit or lack of awareness.

These public education campaigns should be ongoing and updated periodically to reflect the relative success of various approaches in different populations. Financial institutions have significant experience in consumer education efforts aimed at mitigating risk and reducing consumer fraud and can continue to provide support to Treasury in developing an educational campaign. By focusing educational efforts on the areas described above, Treasury's campaign can help accelerate a safe transition from check-based payments for government payments.

C. Support Is Available to Ease the Transition to Electronic Payments

A successful campaign must also recognize and address the varying needs of the public. Treasury's outreach should be designed with particular attention to populations who are more dependent on checks, such as those identified in the data analysis suggested in Part 1 above. By understanding who still relies on checks, Treasury can tailor outreach efforts that speak directly to their needs and concerns. Communications should be clear and use plain language that highlights the key benefits of electronic payments.

Treasury should consider developing resources such as step-by-step guides, in-person support, and digital literacy training to demystify electronic payments. The Associations encourage Treasury to collaborate with banks, nonprofits, and local service agencies to effectively deliver assistance to

[14] Payments such as ACH, wire and Instant or real time payments incurred significantly fewer losses compared to check. *See* Federal Reserve Financial Services, "Key Findings From the Annual Federal Reserve Financial Services Financial Institution Risk Officer Survey," (2024).

individual consumers and build trust. For example, Treasury could work directly with Social Security offices, U.S. post offices, and tax assistance programs to develop and distribute printed guides aimed at providing individuals information on how to transition away from receiving Treasury checks.

To the extent that continued use of paper checks for government payments is the result of people being unbanked or underbanked, Treasury should collaborate with the Federal Deposit Insurance Corporation in its #GetBanked initiative to help individuals open no- or low-cost bank accounts compatible with electronic payments. Another possible avenue to address unbanked populations is collaboration with the Cities for Financial Empowerment Fund's Bank On program, the goal of which is to ensure that everyone has access to a safe, affordable bank or credit union account.[15] The Associations have long supported this program and its ability to increase financial inclusion and expand access to transaction accounts.[16]

Treasury should also look to past successful examples of government intervention to encourage bank account openings and electronic payments. One such example is the playbook used by the Internal Revenue Service (IRS) in 2020 during the COVID-19 pandemic. Through this effort, the IRS effectively facilitated consumers' online enrollment for Bank On accounts through an IRS portal to streamline the process for stimulus payments. By May 2023, the IRS reported that more than 70 million people used the portal to provide new bank or credit union account information and receive their stimulus payment or earned income tax credit by direct deposit rather than by physical check.[17]

3. Treasury Should Expand Its Use of Secure Electronic Payment Platforms

As Treasury works to transition government payments away from checks to electronic methods, it should consider using additional existing secure payment systems. Treasury today relies primarily on Federal Reserve payment systems for distributing electronic payments. Treasury should evaluate how it can also leverage the payment platforms developed by financial institutions, which would allow for easy integration with existing consumer banking infrastructures. Expanding beyond the Federal Reserve's payment systems would also provide resiliency for government payments by offering Treasury alternative payment rails that could be used if there were an outage or disruption of the payment systems it uses today. We recommend that Treasury consider using The Clearing House's ACH service (the EPN® network) and instant payments service (the RTP network), Early Warning Service's Disbursements with Zelle®, and other modern payment solutions which are both secure and user-friendly.[18]

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[15] The CFE Fund's mission is to leverage municipal engagement to improve the financial stability of households with low and moderate incomes by embedding financial empowerment strategies into local government infrastructure. See Bank On's website for more information.

[16] Paul Calem and Yasmeen Abdul-Razeq,"Bank On Transaction Accounts and Financial Inclusion: New Data Shows Continuing Success," Bank Policy Institute (July 2023).

[17] Federal Deposit Insurance Corporation, Advisory Committee on Economic Inclusion, Meeting Transcript (May 2023).

[18] "EPN" is a registered service mark of The Clearing House Payments Company L.L.C. "Zelle" is a registered service mark of Early Warning Services, LLC.

In addition to communicating the safety of electronic payments through the educational campaigns as described in Part 2.B above, Treasury should work with financial institutions to explore and evaluate account number tokenization capabilities that allow consumers to receive electronic payments without having to provide account numbers or other sensitive data. Some consumers may avoid electronic payments because they are uncomfortable providing their routing and account numbers. In exploring tokenization, it will be important for Treasury to adopt sufficient security controls and to clearly define its liability for payment errors in appropriate circumstances.

As Treasury expands its methods of making and receiving electronic payments, it must also ensure that any payment method it uses is subject to consistent regulatory obligations, regardless of whether it is facilitated through a financial institution, a fintech, or another nonbank entity. This is particularly important with respect to securing payments and enforcing consumer protections. In their recent joint response to the RFI on bank-fintech arrangements, the Associations highlighted the growing risks stemming from the uneven application of regulatory oversight between banks and fintechs.[19] We called for enhanced obligations for and supervision of fintechs to ensure parity with banks in risk management and consumer protections. A unified regulatory framework that spans payment types and provider categories would support innovation as well as protect Individuals, businesses, and the federal government.

4. Treasury Should Enhance Fraud Controls for Electronic Payments Made By the Government

With government disbursements shifting toward electronic methods, Treasury should also prioritize investments in its fraud detection and identity verification capabilities. As electronic payments to and from the federal government increase, criminal actors will likewise increase their focus on the electronic payment options offered by Treasury, necessitating additional fraud prevention efforts.

For any electronic payment method it chooses to support, Treasury will be in the best position to prevent the fraudulent distribution of funds. Therefore, Treasury must ensure it has the proper controls to validate and authenticate the identity of the individual or entity initiating an electronic payment request through a federal government portal, such as those of the IRS or Social Security Administration. Treasury should bear the responsibility of the payments it is initiating from its systems based on information received through government portals and should not be permitted to reclaim those payments from financial institutions.

Treasury should therefore consider increased use of identity document verification and biometric matching for enrollment into government programs. To reduce the threat of account takeovers, Treasury should evaluate requiring recipients to use authentication methods such as FIDO passkeys or other multifactor authentication solutions when accessing IRS, Social Security, and other government benefit accounts.

The Federal Reserve Banks are uniquely positioned to see all activity occurring across their payment system, which can aid in detecting unusual payment patterns. Treasury should work with the Federal Reserve to collect and publish data from those payment systems to alert government agencies,

[19] Bank Policy Institute and The Clearing House Association, "Comment Letter on Request for Information on Bank-Fintech Arrangements Involving Banking Products and Services Distributed to Consumers and Businesses," OCC-2024-0014-0059, (Oct. 30 2024).

financial institutions, or law enforcement of possible fraudulent activity. Financial Institutions have demonstrated the value of building models that view all activity in payment networks and then distributing information to sending and receiving parties for fraud prevention and detection purposes.

Upcoming Nacha rule changes, set to take effect in Q1 2026, will require receiving depository financial institutions (RDFIs) to enhance their monitoring of incoming ACH credit transactions, including those originating from Treasury. To support this transition, Treasury should equip RDFIs with reliable tools and data to verify transactions. One option could be developing an ACH equivalent of the Treasury Check Verification System (TCVS), allowing financial institutions to validate ACH credits and reduce fraud risk more effectively.

In addition, Regulation CC does not permit exception holds for deposits of electronic payments, which hampers financial institutions' ability to pause incoming suspicious deposits for further review. Although some banks have developed tools to systematically review incoming electronic payments for potential fraud, it is difficult to determine actual fraud without contacting the remitter or performing further manual review, especially in potential scams. To mitigate rising fraud risks and ease the compliance burden on deposit banks, regulators should revise or clarify Regulation CC to allow limited, clearly defined holds on incoming electronic payments when there is a reasonable suspicion of fraud. This change would give financial institutions the flexibility they need to apply fraud screening tools and review flagged deposits, while still maintaining the efficiency of electronic payment systems.

To the extent that Treasury continues to make government payments using prepaid debit cards, it should also invest in the ability to issue them more safely by provisioning these cards directly to digital wallets. Prepaid cards distributed to provide Economic Impact Payments during the COVID-19 pandemic were distributed by mail, so they were susceptible to mail theft and unauthorized use, just like checks. By contrast, many financial institutions use methods that provision prepaid cards directly to consumers' digital wallets only after authenticating the payment beneficiaries. According to Consumer Reports, 90% of consumers in the U.S. today have smart phones, with 76% reporting they use a digital wallet.[20] In addition, digital cards can provide faster delivery to recipients and can even be used to withdraw cash at ATMs that are enabled for contactless payments.

In instances where Treasury continues to use physical cards, it should work with financial institutions and card networks to deploy strong card activation protocols that do not rely on publicly available information or information from the card itself; these steps would minimize some of the common fraud risks presented by mailed physical cards.

5. Treasury Should Provide Controls for Remaining Treasury Checks Issued

Section 4 of the Executive Order grants Treasury the authority to continue to use paper checks in limited circumstances where electronic payment and collection methods are not feasible. It is important that Treasury establish narrowly tailored standards for a person or entity to qualify for an exception in order to meaningfully reduce reliance on checks and, in turn, instances of check fraud.

Treasury should also assist financial institutions in managing the risk of government checks when they are used. In this regard, we encourage Treasury to continue to deploy, support, and review

[20] Consumer Reports, American Experiences Survey (Feb. 2024).

the TCVS application programming interface (API) which helps financial institutions identify counterfeit, altered, or previously negotiated Treasury checks. This tool, which allows financial institutions to verify the name of the intended payee, the status of the check (*e.g.,* previously paid, not issued), and the amount of the check as issued, has proven valuable in identifying counterfeit and altered Treasury checks.

Treasury should also review its processes for paying, reviewing, and returning Treasury checks and making associated reclamations. The Bureau of Fiscal Service has made significant efforts to more timely return items as an operational matter which has been helpful to financial institutions. The Associations further encourage the Bureau of the Fiscal Service to revise relevant regulations to shorten the timeframes in which it can automatically reverse payment on Treasury checks. Current regulations permit Treasury up to 60 days to determine whether a Treasury check bears a forged or otherwise unauthorized drawer's signature and to then reverse payment on the check.[21] Furthermore, Treasury has the right to process a reclamation up to one year and 180 calendar days from the date of presentment.[22] For checks drawn on depository institutions, by contrast, the Uniform Commercial Code permits the return of checks (and thus automated reversal of payment) only when done by midnight on the banking day following the banking day the check was presented for payment.[23] Shorter return periods for Treasury checks would minimize the risk of loss to financial institutions that receive those checks for deposit.

Finally, to help reduce the vulnerability of Treasury checks to mail theft, Treasury should consider removing the agency's name from the back of the mailing and ensure the check is not visible in the envelope window.

* * *

We appreciate Treasury's leadership and commitment to modernizing America's payment infrastructure, which in turn, will help enhance the security and efficiency of payments. Collaboration between government and industry is key to achieving these goals, and we welcome the opportunity to discuss these recommendations further at your convenience.

Please do not hesitate to reach out to the undersigned by email at greg.williamson@bpi.com, nora.rigby@theclearinghouse.org, or dpommerehn@consumerbankers.com if you have any questions regarding this letter, or if you would like to discuss further.

Respectfully submitted,

[21] Credit issued by a Federal Reserve Bank is provisional until Treasury completes first examination of the check, which must be completed in a "reasonable amount of time." 31 CFR § 240.6(a), (c)(2), (d). However, "if Treasury has not declined payment on a check within 60 days after the check is presented to a Federal Reserve Processing Center for payment, Treasury will be deemed to have made final payment on the check." *Id.* § 240.6(d).

[22] 31 CFR § 240.8(a).

[23] U.C.C. § 4-301.

Greg Williamson
Senior Vice President, Fraud Reduction
Bank Policy Institute

Nora Rigby
Associate Director, Regulatory & Legislative Affairs
The Clearing House Association

David Pommerehn
SVP, General Counsel, Head of Regulatory Affairs
Consumer Bankers Association