



April 13, 2026

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

Submitted via publiccomments@frb.gov

Re: Docket No. OP-1874, RFI on the Future of the Federal Reserve Banks' Check Services

Dear Mr. McDonough:

On behalf of FMI – The Food Industry Association, I write to express our appreciation for the opportunity to provide feedback on the *Request for Information (RFI) and Comment on the Future of the Federal Reserve Banks' Check Services (Docket No. OP-1874)*. FMI welcomed the chance to meet with Federal Reserve staff on the RFI in February and we write to provide additional feedback regarding the importance of paper checks to the food industry.

As the food industry association, FMI works with and on behalf of the entire industry to advance a safer, healthier, and more efficient consumer food supply chain. FMI brings together a wide range of members across the value chain – from retailers that sell to consumers, to producers that supply food and other products, as well as a variety of companies providing critical services – to amplify the work of the industry.

A collective of FMI's membership manufactures, distributes, and sells food and consumer goods that are found in pantries, refrigerators, medicine cabinets, and laundry rooms across the country. Our retail members, which range in size from independent operators to regional and large national and international businesses and brands, operate 45,000 grocery stores and 12,000 supermarket pharmacies. The food industry produces and supplies over 30,000 different food and consumer good products found on store shelves, employs over 6.3 million individuals, and ultimately touches the lives of more than 100 million U.S. households per week.

FMI member companies utilize or accept paper checks for various business functions and operations. In grocery stores, checks are accepted for the purchase of goods and pharmacy and in-store clinic services, customer service functions such as money orders and transfers, as well as bill-paying services. Retailers reported that they also issue refunds via check to customers for products, and many product manufacturers still produce paper checks for customers to redeem a product. With regard to the business operations, checks are utilized for vendor, supplier, and accounts payable and receivable payments, and employee payroll. Some grocery stores report



offering in-store charge accounts to local businesses, such as schools, restaurants, houses of worship and charities. These accounts are typically settled at the end of the month by check. One FMI member notes that they help with non-profit organizations' fundraisers by offering discounted store gift cards that are then sold at face value by the organization. The purchase of these discounted store gift cards must be paid for by check or cash. Separate from these operations and as discussed with Federal Reserve staff in February, in-store bank branches, by and large, are not owned by a retailer. The space for the in-store bank branch is leased to a financial institution which operates the branch.

FMI retail members report that customers use paper checks for grocery purchases for a variety of reasons. Retailers noted, and the RFI reflects, that these check-paying customers may be of older generations, live in rural areas, are of low- or moderate-income, and may not have access to debit or credit cards. These customers may view checks as a cash equivalent option or may have a distrust of utilizing an electronic payment method due to security concerns. According to *The Food Retailing Industry Speaks, 2025*¹, FMI's annual survey of our member companies, the use of paper checks for payment by store customers comprised 1% of sales in 2024 – with credit and debit card use comprising 80%, use of cash comprising 10%, and the use of other tender including electronic benefit transfer (EBT) and gift cards comprising the remaining 9% of sales. Our annual Speaks survey shows that the use of checks by customers for payment decreased from 6% in 2014 to 1% in 2024 and the use of credit and debit cards increased from 67% to 80% in that same decade. Some FMI members note the minimal amount or nominal sum of bad checks written by customers. Conversely, another member reported that in their service area the number of checks has been declining, but the level of fraud and returned checks was increasing.

Additionally, several FMI members indicated that utilizing paper checks for vendor, supplier, and accounts payable and receivable payments is a critical aspect of their business operations. Some FMI members report that over 50% of these payments are made by paper check, while others stated that their business utilizes a combination of checks and Automated Clearing House (ACH), and others have transitioned or are in the process of transitioning to ACH for these remittances. Member companies' reasoning behind use of checks for these business operations payments is multifaceted: it is a low-cost option unlike electronic payments which come with hefty swipe and processing fees; vendors and suppliers might not accept electronic payment remittance or that form of tender acceptance must be negotiated in contract terms; use of electronic payment remittance might be complicated due to interoperability between accounting and treasury management systems; and small business vendors and suppliers might not have the capability to accept electronic payment. FMI members who report using ACH for these remittances report facing difficulties, including the often-cumbersome procurement and verification of routing and account numbers, reluctance of vendors and suppliers to provide account information, and fraudsters attempting to falsify account information. Some of our members noted low rates of check fraud for vendor and supplier remittance, which is helped by treasury mitigation services.

¹ [*FMI, The Food Retailing Industry Speaks, 2025*](#)

Further, while FMI members largely process payroll through direct deposit, they are required to provide alternatives, and, in some jurisdictions, state law stipulates that employers must provide employees with a paper check option. Similarly, union contracts may require an employee to have the option to receive a paper paycheck. Retail locations may also provide their employees and customers with the ability to cash a paper paycheck. FMI members noted a preference for direct deposit, but compliance with various states' laws means they must continue to offer paper paychecks.

In regard to questions about the Federal Reserve's role in check services and future of paper checks, the overwhelming response from FMI members was that paper checks serve a very important role in the food industry's business operations and should remain a valid form of payment for the foreseeable future, and certainly over the next 3 to 10 years. FMI members noted that getting customers and vendors to switch to other payment methods is challenging, takes time and ultimately is the customer and vendor's own choice. Member companies expressed interest in the Federal Reserve improving the timely and accurate processing of checks, simplifying and streamlining the process to decrease costs and increase speed of clearance, and investing in technology to ensure processing is reliable. While our members are indirect users of the Federal Reserve's check services, they expressed reluctance to incur additional costs and fees, passed through to them by their financial institutions, for using checks for business operations. Additionally, members expressed reluctance to shift the Federal Reserve's check services to alternative providers which would lack the consistency that the Federal Reserve offers, and which would impose higher costs through processing fees, membership requirements, and contractual complexity. One member suggested that the Federal Reserve convene a standard-setting process with other federal government agencies to encourage consistent, repeatable enrollment, verification, remittance standards, and exception handling across agencies.

In conclusion, paper checks are a valuable and critical payment option for the food industry, supporting numerous services provided to grocery customers, remitting vendor and supplier payments, and ensuring compliance with state law and union contracts regarding employee payroll. FMI welcomes the opportunity for further engagement with the Federal Reserve on this important matter. Thank you for your attention to our comments in this letter and our meeting earlier this year.

Sincerely,



Christine Pollack
Vice President, Government Relations