



Financial Services Policy Committee

Federal Reserve System

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Federal Reserve Study Reveals Biggest Share of Checks Are Consumer to Business

Minneapolis, Minn., March 25, 2008 — The Federal Reserve's 2007 study of the composition of the check market released today shows that nearly 50 percent of checks written are consumer to business checks. The *Check Sample Study* reports on the composition of the check market based on responses from nine large financial institutions that together account for about one quarter of total U.S. paid check volume. The study, which categorizes the use of checks by payer, payee and purpose, is the third component of the *2007 Federal Reserve Payments Study*. Results of the first two components of the study were released Dec. 10, 2007.

The highest percentage of check payers (writers) were consumers at 58 percent, while the highest percentage of check payees (receivers) were businesses at 72 percent. The check purpose with the highest percentage was remittance payments (payments to business and government payees that do not occur at the point of sale) at 49 percent.

The summary report of the *2007 Federal Reserve Payments Study* revealed that 2.6 billion consumer checks were converted and cleared as automated clearinghouse (ACH) payments rather than check payments in 2006, an eight-fold increase over 2003. The *Check Sample Study* found that 42 percent of checks sampled were ineligible for ACH conversion under the current National Automated Clearinghouse Association (NACHA) rules. Ineligible checks include checks such as those with missing or no signature, checks greater than \$25,000, and checks from businesses and the U.S. government.



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The 2007 Federal Reserve Payments Study consisted of three research efforts commissioned to estimate the annual number, dollar value, and composition of noncash retail payments in the United States. The *Depository Institutions Payments Study* included responses from approximately 1,400 financial institutions (commercial banks, savings institutions and credit unions). The *Electronic Payments Study*, included responses from 65 of the largest payment networks and card issuers. The *Check Sample Study*, while not nationally representative, included responses from nine large financial institutions that together held approximately 26 percent of the deposit liabilities and accounted for approximately 25 percent of all checks paid in the United States in 2006.

“The findings of the Fed’s *Check Sample Study* are intended to help the Federal Reserve, the industry and the public better understand how checks are being used and inform future payments investment decisions,” said Richard Oliver, executive vice president of the Federal Reserve Bank of Atlanta and the Federal Reserve Banks’ product manager for retail payments. “In 2007, the fact that much of the data needed for the *Check Sample Study* were available within one industry source, the Viewpointe archive, allowed for a consistent and systematic sampling methodology and the effort required of participant banks was greatly reduced from what it was when a similar study was conducted in 2001. We appreciate the contributions of all the institutions that provided the information needed to conduct these studies.”

A summary report of the 2007 Federal Reserve Payments Study and detail reports on the three individual studies are available at FRBservices.org/communications/payment_system_research.html.



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Fact Sheet

Background

The *2007 Federal Reserve Payments Study* includes three research efforts to estimate the annual number, dollar value, and composition of noncash payments in the United States. For this study, noncash payments included check, automated clearinghouse (ACH), credit card, debit card (both signature and PIN) and electronic benefits transfer (EBT) transactions. The study also estimated the number and value of ATM withdrawals.

The *Depository Institutions Payments Study* estimated the number and value of checks and other types of payments from deposit accounts based on responses from approximately 1,400 financial institutions in the United States. The *Electronic Payments Study* estimated the number and value of electronic payments based on responses from 65 of the largest payment networks and card issuers in the United States.

The *Check Sample Study* reported on the composition of the paper check market based on responses from nine large financial institutions and a sample of approximately 35,000 items.

Assisting the Federal Reserve with the 2007 Payments Study were Global Concepts, a subsidiary of McKinsey & Company, and its subcontractor ICR (International Communications Research), and Dove Consulting, a division of Hitachi Consulting.

Check Sample Study Findings (all are annual estimates based on survey data)

Distribution of Checks by Payer

Consumer	58.0%
Business	38.8%
Government	2.9%
Business/Government	0.1%
Unknown	0.1%

Distribution of Checks by Payee

Business	72.1%
Consumer	23.4%
Government	4.3%
Business/Government	0.1%
Unknown	0.1%

Distribution of Checks by Counterparty

Consumer to business	48.7%
Business to business	22.1%
Business to consumer	15.1%
Consumer to consumer	6.6%
Consumer to government	2.6%
Government to consumer	1.7%
Business to business/government	1.6%
All other	1.4%



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Distribution of Checks by Purpose

Remittance	48.8%
Income	16.8%
Point of Sale	16.6%
Remittance/Point of Sale	11.1%
Casual	6.6%
Unknown	0.1%

Average Value per Check by Purpose

Remittance/Point of Sale	\$1,691
Remittance	\$1,010
Income	\$ 988
Point of Sale	\$ 469
Casual	\$ 446
Unknown	\$ 318

Distribution of Checks by Dollar Amount

\$0.01 - \$50	35%
\$50.01 - \$100	17%
\$100.01 - \$500	30%
\$500.01 - \$1,000	8%
\$1,000.01 - \$2,500	6%
\$2,500.01 - \$5,000	2%
\$5,000.01 +	3%