



Financial Services Policy Committee

A Committee of the Conference of Presidents
Federal Reserve System

Contact
David Fettig
FSPC Spokesman
(612) 204-5274
david.fettig@mpls.frb.org

Federal Reserve Studies Confirm Electronic Payments Exceed Check Payments for the First Time

Minneapolis, Minn., December 6, 2004—Surveys conducted by the Federal Reserve confirm that electronic payment transactions in the United States have exceeded check payments for the first time. The number of electronic payment transactions totaled 44.5 billion in 2003, while the number of checks paid totaled 36.7 billion, according to recent surveys of U.S. depository financial institutions and electronic payments organizations.

Previous research by the Federal Reserve found that the number of checks paid in 2000 was 41.9 billion transactions, compared with 30.6 billion electronic payments. Electronic payments consist of such payment methods as credit cards, debit cards and automated clearinghouse (ACH) transactions, like direct debit.

The decline in the number of checks paid from 41.9 billion transactions to 36.7 billion reflects an annual average rate of decline of 4.3 percent from 2000 to 2003. As for electronic forms of payment, the increase from 30.6 billion to 44.5 billion reflects an average annual rate of increase of 13.2 percent for the same period.

“The balance has shifted from check writing to electronic payments, and we expect this trend to continue,” said Richard Oliver, senior vice president of the Federal Reserve Bank of Atlanta and the Federal Reserve Banks’ product manager for retail payments. “Indeed, at current growth rates, credit cards and debit cards will both surpass checks in terms of total annual transactions in 2007. Such rapid change presents opportunities and challenges for an industry traditionally geared toward paper-based payments. The value of these surveys is that they quantify this shift and provide important insight for all industry participants.”



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The *2004 Federal Reserve Payments Study* consists of two research efforts commissioned to estimate the annual number, dollar value, and makeup of payments in the United States, and to estimate the annual volume of electronic payments. The first survey, the *Depository Institutions Payments Survey*, included responses from more than 1,500 depository financial institutions (commercial banks, savings institutions and credit unions). The second research effort, the *Electronic Payment Instruments Study*, included responses from 68 organizations involved in originating, switching or processing electronic payments.

“The Fed’s 2004 *Payments Study* is part of an ongoing effort by the Federal Reserve System to measure trends in noncash payments in the United States,” Oliver said. “This year’s studies repeat critical aspects of the studies we conducted three years ago to provide a second series of point-in-time estimates from which inferences can be drawn about the rate and nature of change of the U.S. payments system.”

According to the *Depository Institutions Payments Study*, the 36.7 billion checks paid in 2003 had a total value of about \$39.3 trillion. These estimates do not include checks that are written and subsequently converted to electronic transactions for clearing. Also, the study found that approximately 77 percent of checks are interbank checks, which are cleared between financial institutions, and the remaining 23 percent are so-called “on-us” checks, or those for which the financial institution of first deposit is also the paying institution.

The second survey, the *Electronic Payment Instruments Study*, revealed that the 44.5 billion electronic payments had a dollar value of \$27.4 trillion. These payments include consumer, business, and government-initiated electronic payments. Debit card transactions, with an estimated annual growth rate of 23.5 percent, are the fastest growing type of electronic payment. ACH transactions increased 13.4 percent on an annual basis and credit cards grew at a 6.7 percent rate. The relatively slow growth of credit card transactions is likely owing to its mature status as a payment option, according to Oliver.

Complete reports on the 2004 Federal Reserve Payments Study can be found at www.frbservices.org.



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Fact Sheet

Background

The *2004 Federal Reserve Payments Study* includes two research efforts to estimate the annual number, dollar value, and makeup of noncash payments in the United States. The study estimated the number and value of payments by check, automated clearinghouse (ACH), credit card, debit card and electronic benefits transfer (EBT).

The *Depository Institutions Payments Study* is based on a national survey of approximately 1,500 financial institutions, and estimates the annual number and value of check and other noncash transactions in the United States. It was conducted as a joint effort of the Federal Reserve System, Global Concepts and its subcontractor International Communications Research.

The *Electronic Payment Instruments Study* was conducted by Dove Consulting and included 2003 statistics from 68 payments organizations to estimate the annual number and value of electronic payments. Those organizations are involved in originating, switching or processing electronic payments.

Findings (All are annual estimates based on survey data)

Check Payments

- Number of check payments: 36.7 billion
- Value: \$39.3 trillion
- Annual rate of decline in transactions from 2000 to 2003: 4.3 percent

Electronic Payments

- Number of electronic payments: 44.5 billion
- Value: \$27.4 trillion
- Annual growth rate of transactions from 2000 to 2003: 13.2 percent

Debit Cards

- Number of debit card transactions: 15.6 billion
- Value: \$0.6 trillion
- Annual growth rate of transactions from 2000 to 2003: 23.5 percent

ACH Transactions

- Number of ACH payments: 9.1 billion
- Value: \$25.1 trillion
- Annual growth rate of transactions from 2000 to 2003: 13.4 percent

Credit Cards

- Number of credit card payments: 19 billion
- Value: \$1.7 trillion
- Annual growth rate of transactions from 2000 to 2003: 6.7 percent