

# Press Release

Financial Services Policy Committee

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## Federal Reserve Banks Announce Restructuring Schedule Changes As Electronic Check Processing Continues to Accelerate

For immediate release

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Minneapolis, Minn.--The Federal Reserve Banks today announced modifications to the schedule for previously announced check processing infrastructure changes as consumers and businesses continue the shift from using paper checks toward electronic payments and as financial institutions rapidly adopt electronic check processing.

In June 2007, the Federal Reserve Banks selected Philadelphia, Cleveland, Atlanta, and Dallas as regional check processing sites that are expected to provide a full range of paper check processing services and receive processing volume from other sites in a phased transition. Other remaining sites will have their operations scaled back. These scaled-back sites will all print substitute checks, but some will also capture paper check images for processing.

The revised schedule will take effect immediately, with seven sites transitioning in 2008 as opposed to the five that were originally scheduled. Also, the overall transition schedule has been shortened and is set to conclude in early 2010 instead of early 2011. The Reserve Banks will continue to review their check infrastructure annually to respond to further change within the nation's payments system and to meet statutory requirements for long-term cost recovery.

"The transition in consumer and business preferences from paper checks to electronic payments is moving at a very brisk pace. The revised schedule announced today enables the Reserve Banks to continue to provide high-quality check processing services to depository institutions throughout the country. Today's announcement also supports our business strategy to use the authority provided by Check 21 to collect more checks electronically, reducing the reliance on the physical transportation of checks," said Gary Stern, chairman of the Reserve Banks' Financial Services Policy Committee and president of the Federal Reserve Bank of Minneapolis.

Today's announcement marks the Reserve Banks' sixth annual review of their check infrastructure. Since 2003, the Reserve Banks have reduced the locations where they process checks from 45 to 18. The accelerated schedule for 2008 includes five sites converting to print-only locations (Kansas City, Mo.; Memphis, Tenn.; Cincinnati; Windsor Locks, Conn.; and Jacksonville, Fla.), one site (Seattle) converting to a capture and print site, and one site that just closed (Utica, N.Y.).

The table below describes the revised schedule for each Reserve Bank location.

## Check Processing Infrastructure Revised Schedule

Office	Service level/where processing volume will move (print sites only)	Original transition date	Revised transtion date
Atlanta	Regional processing site	-----	-----
Cleveland	Regional processing site	-----	-----
Philadelphia	Regional processing site	-----	-----
Dallas	Regional processing site	-----	-----
Utica, N.Y.	Closed	1Q 2008	-----
Kansas City, Mo.	Print only/Dallas	2Q 2008	April 18, 2008
Memphis, Tenn.	Print only/Atlanta	3Q 2008	July 18, 2008
Seattle	Capture and print	4Q 2008	3Q 2008
Windsor Locks, Conn.	Print only/Philadelphia	1Q 2009	3Q 2008
Cincinnati	Print only/Cleveland	4Q 2008	4Q 2008
Jacksonville, Fla.	Print only/Atlanta	3Q 2010	4Q 2008
Minneapolis	Capture and print	3Q 2009	1Q 2009
Baltimore, Md.	Print only/Philadelphia	4Q 2009	1Q 2009
Charlotte, N.C.	Print only/Atlanta	2Q 2009	2Q 2009
Denver	Capture and print	2Q 2010	2Q 2009
Des Moines, Iowa	Print only/Cleveland	4Q 2010	3Q 2009
Los Angeles	Capture and print	4Q 2010	4Q 2009
St. Louis, Mo.	Print only/Atlanta	1Q 2011	4Q 2009
Chicago	Capture and print	1Q 2010	1Q 2010

The Reserve Banks earned revenues the last three years that exceeded the actual and imputed costs of providing check services to depository institutions as well as their targeted level of profitability. But check volumes have continued to decline, and further decline is anticipated in the coming years. The most recent Federal Reserve study of the nation's payment system revealed that about 30 billion checks were paid in the United States in 2006--down from 37 billion in 2003 and 42 billion in 2001--as electronic payments, including those made by credit cards, debit cards, and automated clearinghouse transactions, increased considerably.

The Federal Reserve Banks' long-term check processing strategy is to reduce costs and restructure their check processing operations in line with declining check volumes while encouraging the greater use of electronics in the collection of checks. This strategy will allow the Reserve Banks to meet the expectations of the 1980 Monetary Control Act. That act requires the Federal Reserve to set prices to recover, over the long run, its total operating costs of providing payment services to depository institutions, as well as the imputed costs it would have incurred and the profits it would have expected to earn had the services been provided by a private business firm.

 [Fact Sheet](#)

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