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INGO Payments

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Government Goes Digital: Phasing Out Federal Checks Opens Door to Instant Payments

Money Mobility Tracker® Series

An executive order signed in March will eliminate paper-based federal payments, requiring agencies to adopt digital rails and real-time disbursements in place of checks. The move marks a turning point in how Americans will receive government disbursements, including benefits and tax refunds.

■ Read the previous edition



MAY 2025
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Introduction

A new executive order requires all federal agencies to stop using paper checks and begin sending and receiving payments through digital rails—including direct deposit, debit and credit card payments, digital wallets and real-time transfers—starting September 30. According to the [White House](#), the Modernizing Payments to and From America’s Bank Account order will cut costs, reduce fraud, and speed delivery of disbursements. Checks issued by the United States Department of the Treasury are significantly more likely than electronic funds transfers (EFTs) to be lost, stolen or altered.

In FY 2024, the federal government spent nearly \$700 million to support paper-based records and maintain check-processing systems. Phasing out federal checks sets a precedent for real-time disbursements that could reshape how payments are delivered throughout the larger payment ecosystem. It also pressures banks, billers and platforms to modernize their own money movement systems or risk falling behind.



Mandated Digital Transition

Federal Order Accelerates Shift to Digital and Instant Payments

A presidential directive mandates the phase-out of paper checks issued by the federal government and requires digital disbursements by September 30. The order compels federal agencies to modernize their systems, accelerating real-time payment infrastructure across public programs and institutional vendors.



\$175B

Value of government disbursements made by check in 2024, now slated for digital conversion

Mandated Digital Transition

An executive order aims to modernize disbursements and fight fraud.

In March, President Donald Trump signed an [executive order](#) requiring federal agencies to stop issuing paper checks by September 30. The policy directs agencies to use digital rails—such as automated clearing house (ACH), real-time payments and digital wallets—for disbursing refunds, benefits and vendor payments. It centralizes payment operations under the Treasury Department and aims to reduce fraud, speed delivery and cut costs. Treasury checks are 16 times more likely to be lost, stolen, returned undeliverable or altered than digital payments. The order signals a major shift to real-time delivery.

Paper checks still move billions despite sharp declines.

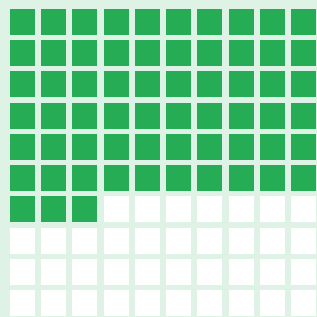
Although check usage has declined, federal disbursements continue to rely heavily on paper. The [Federal Reserve](#) processed 36 million checks in 2024, totaling \$175 billion. These checks were issued across Social Security payouts, tax refunds, vendor payments, and the like. While this marked a 9.3% drop in volume and a nearly 39% drop in value from 2023, checks remain embedded in legacy disbursement processes across federal agencies and programs.

Under the new [executive order](#), agencies must not only phase out paper checks but also stop accepting them “as soon as practicable,” according to [PYMNTS reporting](#). Exceptions will be permitted for special cases, including for individuals without access to banking services or digital payment systems. The directive aims to close gaps between current disbursement practices and emerging expectations around real-time, digitally delivered funds.

Operational Risk and Cost

Digital Methods Promise Speed, Savings and Security

Digital payments can reduce fraud risk, streamline operations and cut overhead tied to check printing and processing. The mandated shift to fully electronic payments is expected to free up public resources while modernizing delivery.



63%

of organizations reported check fraud in 2024, even as check usage declined.



Operational Risk and Cost

Checks remain a top driver of payment fraud.

According to the [2025 AFP Payments Fraud Survey](#), checks remain the most fraud-prone payment method among U.S. businesses. In 2024, 63% of organizations reported experiencing attempted or actual check fraud. Common threats included counterfeit checks, payee forgery and check washing, all of which often require manual investigation and recovery.

Despite the long-term decline in check usage, newly published findings from [the Fed](#) indicate that in 2024, the number of financial institutions (FIs) experiencing fraud attempts rose by 10%, and those reporting monetary losses due to check fraud increased by 5%. While fewer organizations rely heavily on checks, 75% do not plan to eliminate them within the next two years, according to the AFP survey. The survey suggests that risk tolerance, operational inertia and gaps in digital infrastructure continue to slow the transition away from paper-based payments. As real-time digital disbursements gain traction, check fraud rates remain a powerful incentive for businesses and government agencies to modernize their systems.



Operational Risk and Cost

Paper-based payments drain resources and strain infrastructure.

Industry data confirms that [reliance on checks](#) is shrinking. Seventy percent of organizations now make less than 25% of payments by check, while more than half of large firms with annual revenues of \$1 billion or more use checks for 10% or less. However, the cost of maintaining check-processing infrastructure remains high. In FY 2024, the White House reported more than \$657 million in federal spending to support aging systems tied to paper disbursements.

Meanwhile, AFP found that 23% of organizations experienced check-related fraud due to mail theft. Industry groups like the [American Bankers Association](#) and [Nacha](#) have endorsed the shift as overdue. Direct deposit already covers nearly all federal employee and benefit payments, moving \$8.5 trillion in 2024 via 1.86 billion ACH transactions. The executive order signals a permanent move away from costly, fraud-prone infrastructure and toward more secure, instant-capable payment rails.

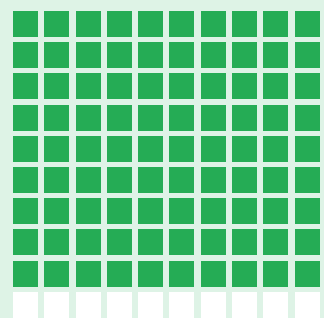
Check fraud remains stubborn even as instant losses stay low.

According to the Fed, 62% of FIs experienced [check fraud attempts](#) in 2024, up 10% year over year, with 32% reporting losses, up 5%. Checks accounted for 31% of total fraud losses, while instant/real-time payments showed low to no reported impact. Among affected FIs, 43% said counterfeit check fraud remained persistent, and 34% said it was getting worse. These findings reinforce why paper-based payment systems continue to pose risks despite the broader adoption of safer digital alternatives.

Access and Equity Gaps

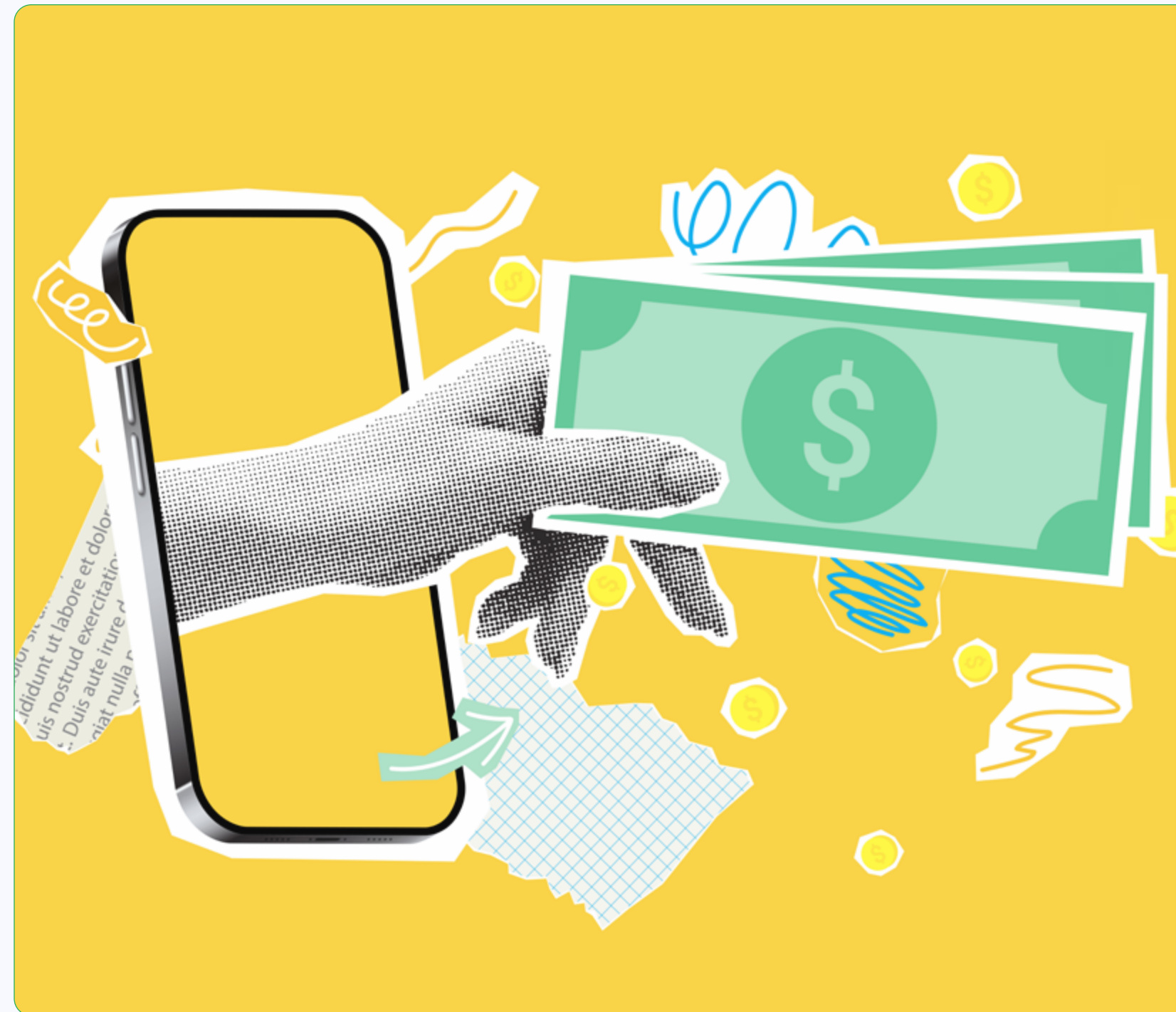
Inclusiveness Is Key to Instant Adoption

Most consumers prefer to receive cash disbursements instantly—but access gaps persist. The executive order seeks to address these gaps by requiring accommodations for the underbanked and those without digital tools.



90%

of consumers would prefer to receive disbursements instantly if given the choice.



Access and Equity Gaps

Instant disbursements gain ground over other payment methods.

Consumers now expect to receive funds instantly—not days after issuance. In January 2025, 41% of U.S. consumers said they received disbursements instantly most often, up from just 11% in 2018, according to [PYMNTS Intelligence](#). Ninety percent of all surveyed consumers said they would choose instant disbursements if given the option. The report also shows that users associate instant payments with greater control, transparency and satisfaction. Convenience matters too: Consumers using digital wallets to receive disbursements were more satisfied than those paid by check. This behavioral shift underscores why instant capabilities are no longer optional. For public and private institutions alike, real-time rails are becoming the baseline consumers expect.



Access and Equity Gaps

Tax refund data confirms a shift toward digital preferences.

Tax data suggests a similar trend toward faster payment preferences: A recent [ACI Speedpay Tax Trend Report](#) found that 78% of Americans prefer direct deposit for refunds, while only 14% prefer checks. Gen Z's preference for mailed refunds dropped from 34% in 2024 to 24% in 2025. Taken together, these trends reflect a broader shift toward digital-first expectations. Whether receiving a refund, insurance payout, or government benefit, consumers value convenience—and increasingly equate that with instant access.

Broader access and overlooked edge cases must shape rollout.

Unbanked households remain a key consideration in the move to digital. According to a survey by the [Federal Deposit Insurance Corp. \(FDIC\)](#), check cashing use among unbanked households fell from 38% in 2013 to 18% in 2023—but significant barriers to digital access and financial inclusion remain. The executive order mandates coordination with FIs to help bridge access gaps and ensure inclusive implementation for these consumers.

Call to Action

Digital and Instant Payments Require Infrastructure, Education and Access

The phase-out of federal checks marks a turning point for the U.S. disbursement landscape. By September 30, agencies must deliver payments electronically, via ACH, real-time payments and digital wallets. This shift introduces a new baseline for speed and security—but also places new demands on systems, outreach and user access.

To meet those demands, agencies, financial institutions and technology providers must modernize legacy infrastructure to support instant rails and improve cross-platform interoperability. They must also expand outreach to underbanked households through financial education and offer low-cost account options

“This shift confirms that real-time payments are the future of disbursements. Ingo Payments is proud to help agencies and institutions deliver funds faster, more securely and to more people.”

DREW EDWARDS
CEO



with mobile tools to facilitate participation. Ensuring recipients can choose their preferred disbursement method will improve satisfaction and drive broader usage.

This transition is not just about faster payments—it's about building a more inclusive and resilient system. As paper disbursements fade, gaps in access and reliability will become more visible. Institutions that lead on modernization, transparency and consumer empowerment now have a rare opportunity to shape the future of U.S. payments.

About

PYMNTS INTELLIGENCE

[PYMNTS Intelligence](#) is a leading global data and analytics platform that uses proprietary data and methods to provide actionable insights on what’s now and what’s next in payments, commerce and the digital economy. Its team of data scientists include leading economists, econometricians, survey experts, financial analysts and marketing scientists with deep experience in the application of data to the issues that define the future of the digital transformation of the global economy. This multilingual team has conducted original data collection and analysis in more than three dozen global markets for some of the world’s leading publicly traded and privately held firms.

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