

Talk About Payments: 2018 Check Sample Survey (CSS)

Retail Payments Risk Forum

August 27, 2020

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Need to update
with correct
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Today's speakers



Nancy Donahue



Catherine Thaliath

Retail Payments Risk Forum mission

Detect and identify, assist and encourage

- Identify what?
 - Risk in existing and emerging retail payments
- Help how?
 - Contribute to mitigating payment risks by:
 - Researching products, services, and systems
 - Collaborating with the industry
 - Convening
- Take On Payments weekly blog
- Talk About Payments webinar series
- Retail Payments Risk Forum website

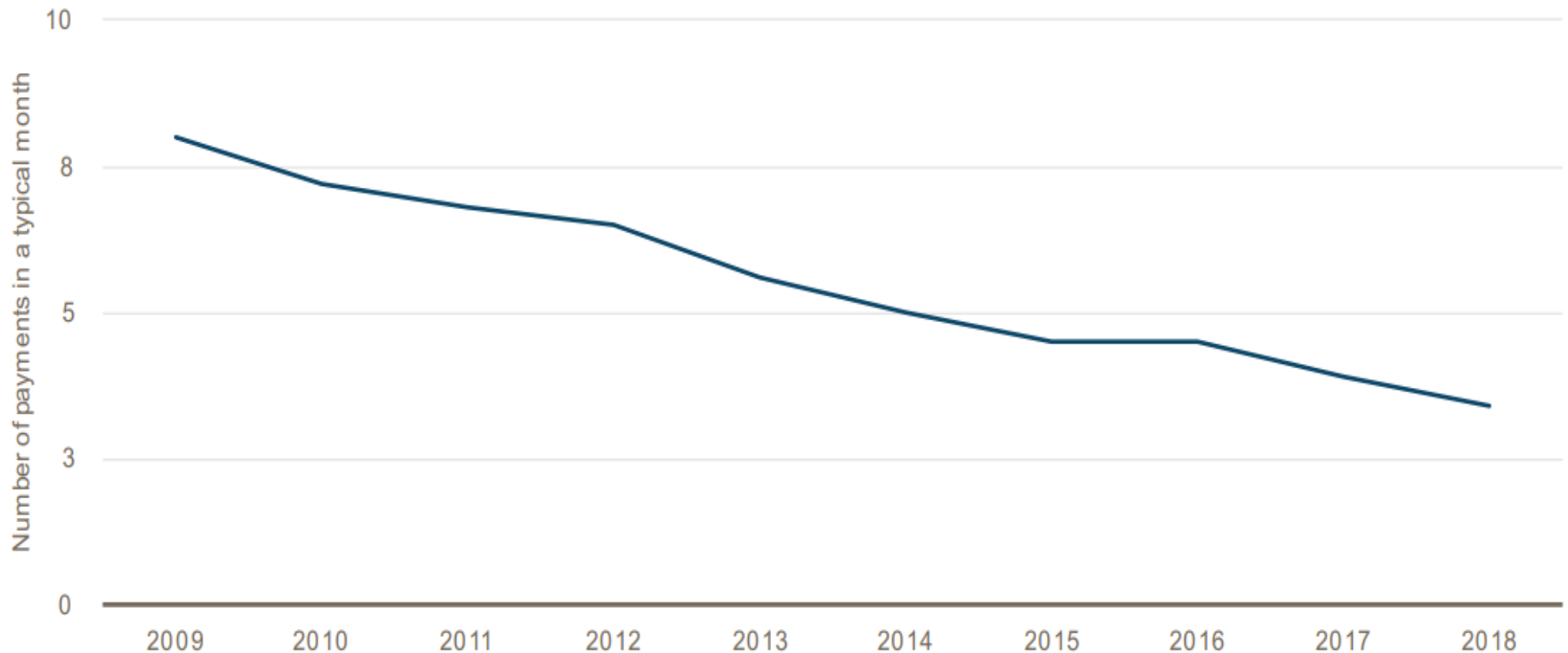
Rapid fire



In a given month, how many checks do you write?

- A. 1-3
- B. 4-6
- C. 7-9
- D. 10 or more
- E. Who writes checks these days?

Consumer check use continues to decline in the U.S.



Rapid fire

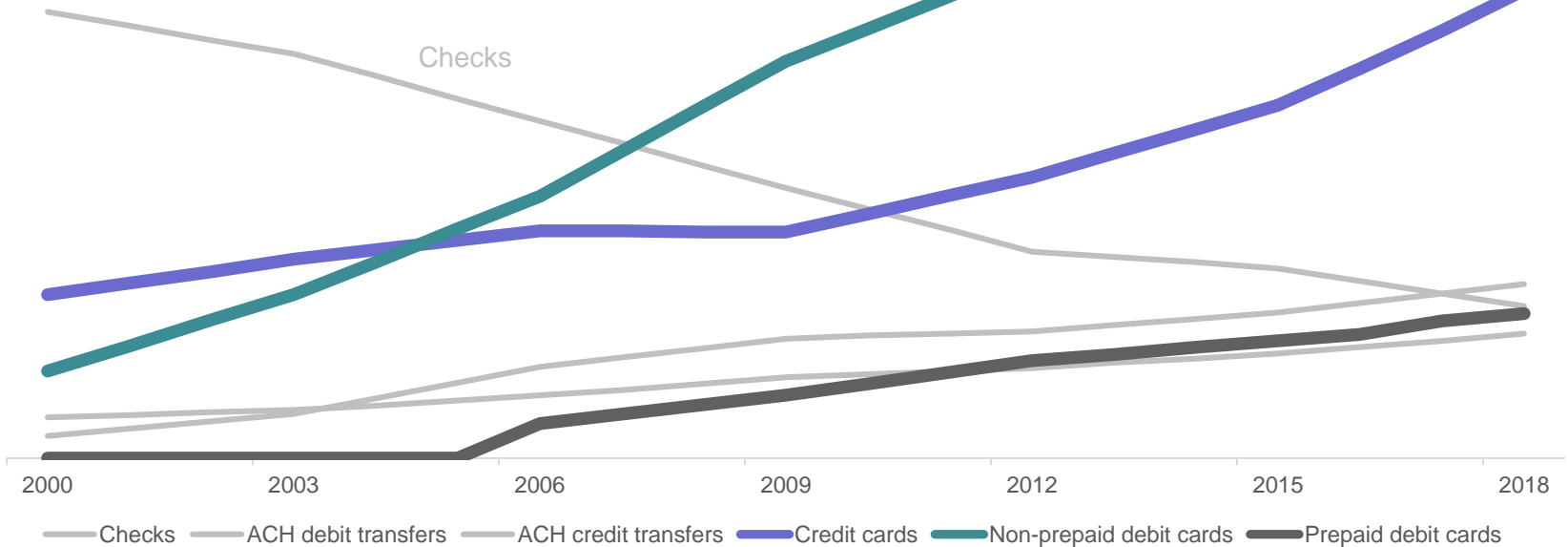


Have your check writing habits changed as a result of the coronavirus pandemic?

- A. Yes
- B. No

What did the payments landscape look like in 2018?

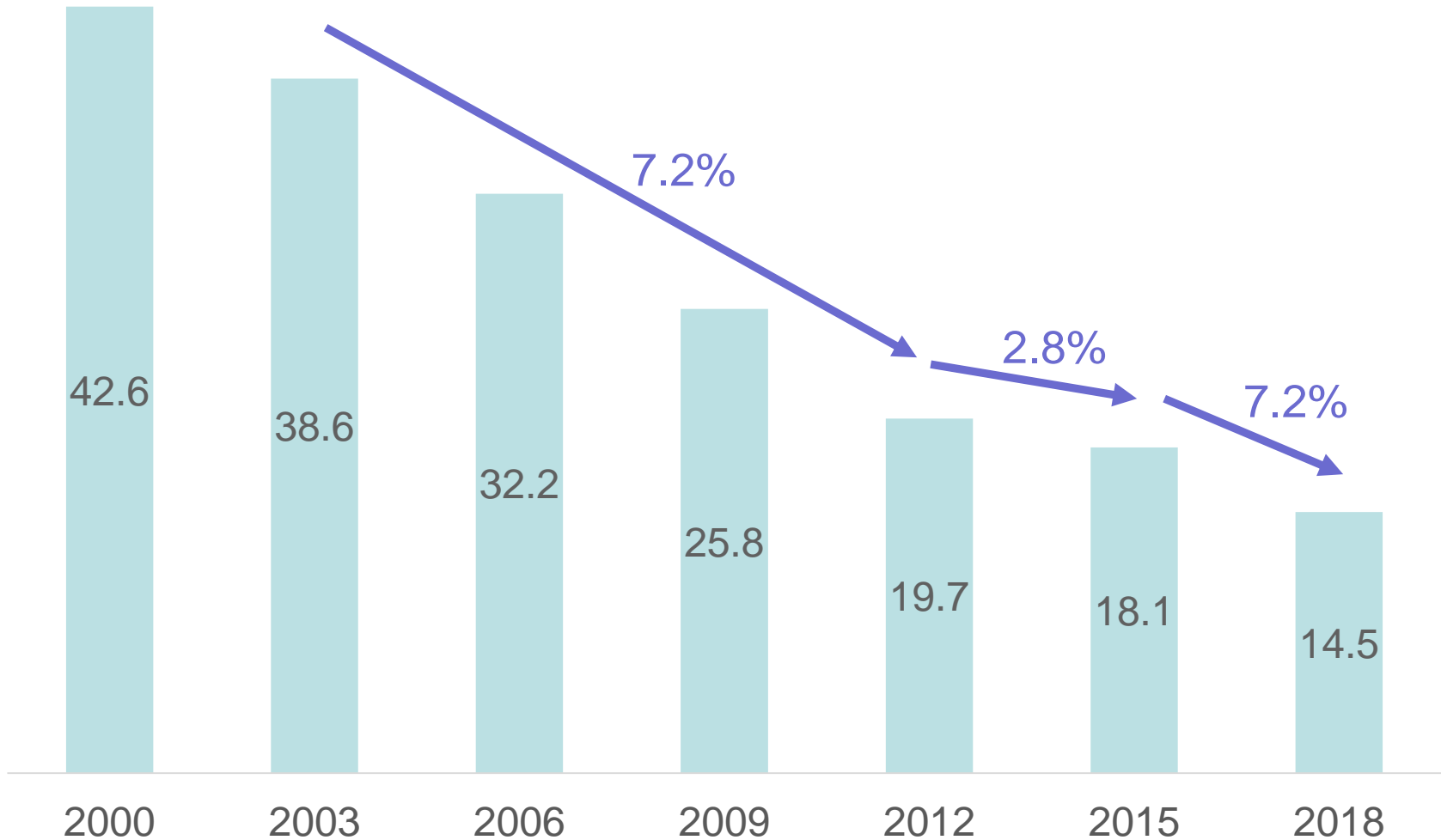
Payment type	CAGR
Credit	9.9%
Nonprepaid debit	8.4%
Prepaid debit	7.1%
ACH	6.0%
Check	-7.2%



Trends based on annual number of payments from 2000 - 2018

Source: Federal Reserve Payments Study

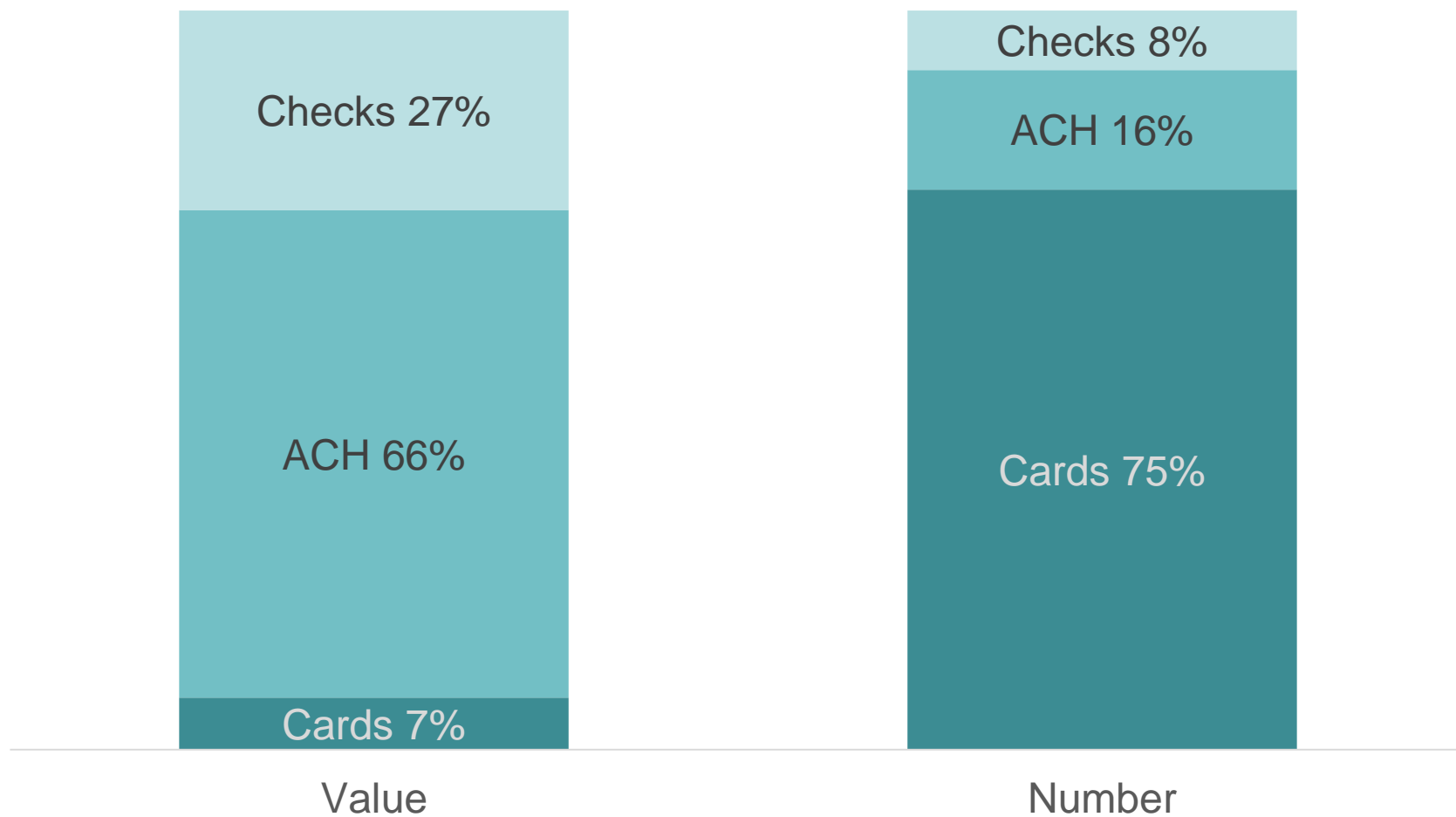
2018 payments landscape (cont.)



Numbers in billions

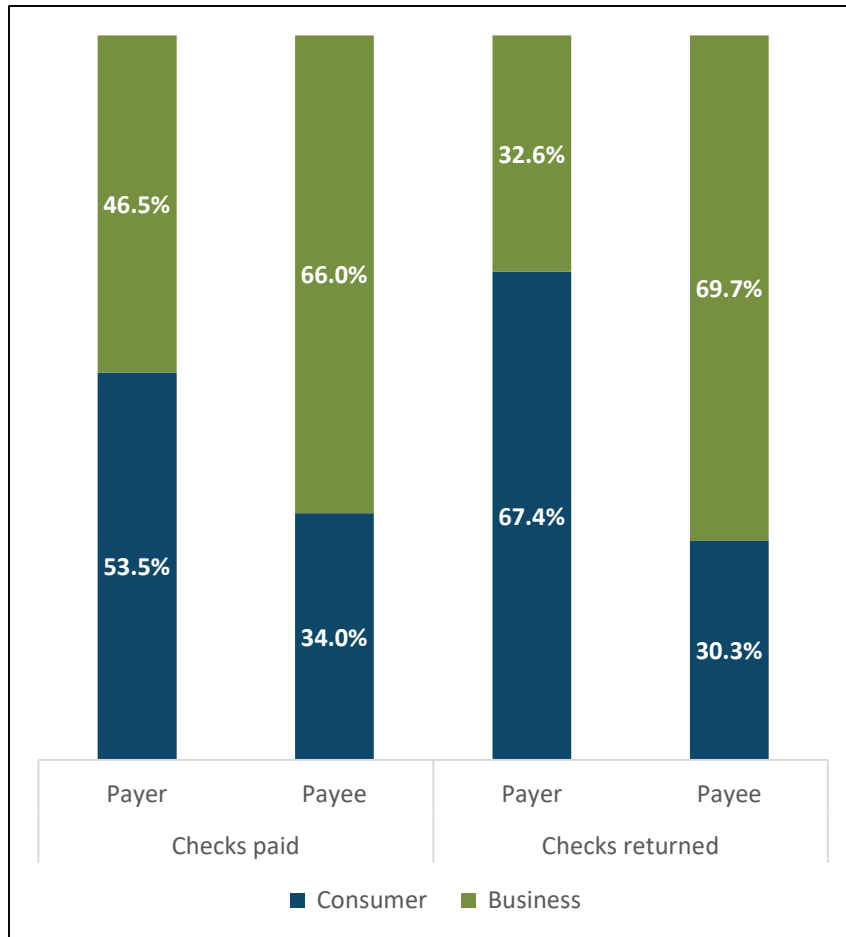
Source: Federal Reserve Payments Study

2018 payments landscape (cont.)

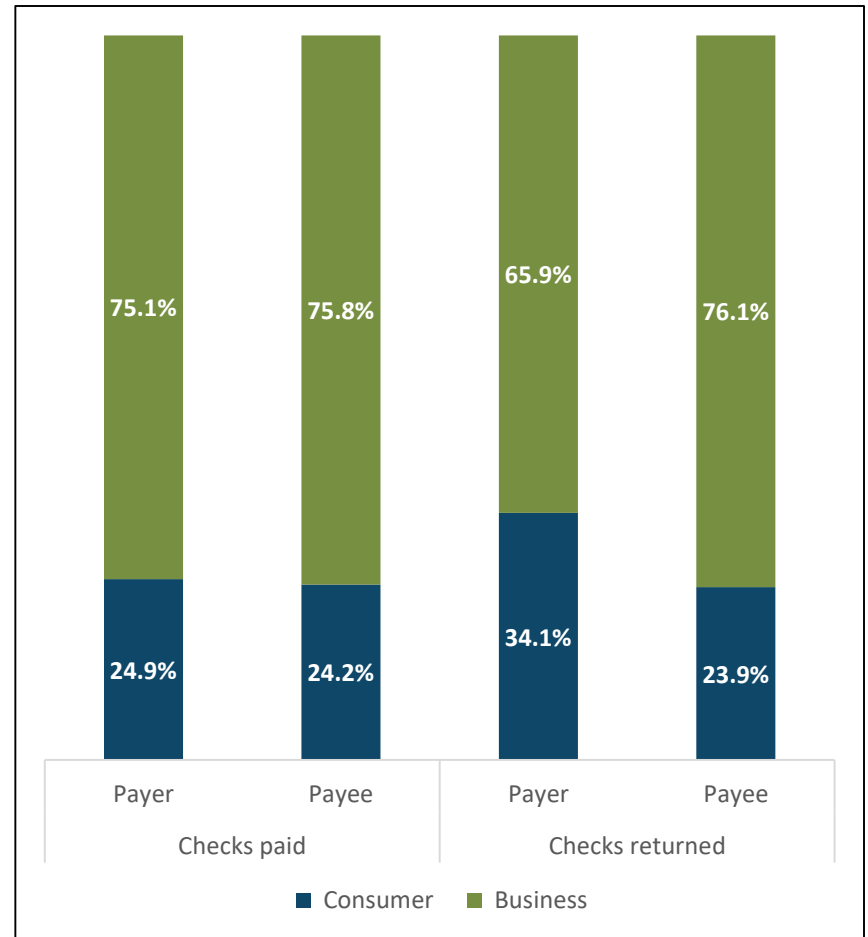


CSS results at a glance

Shares by number



Shares by value

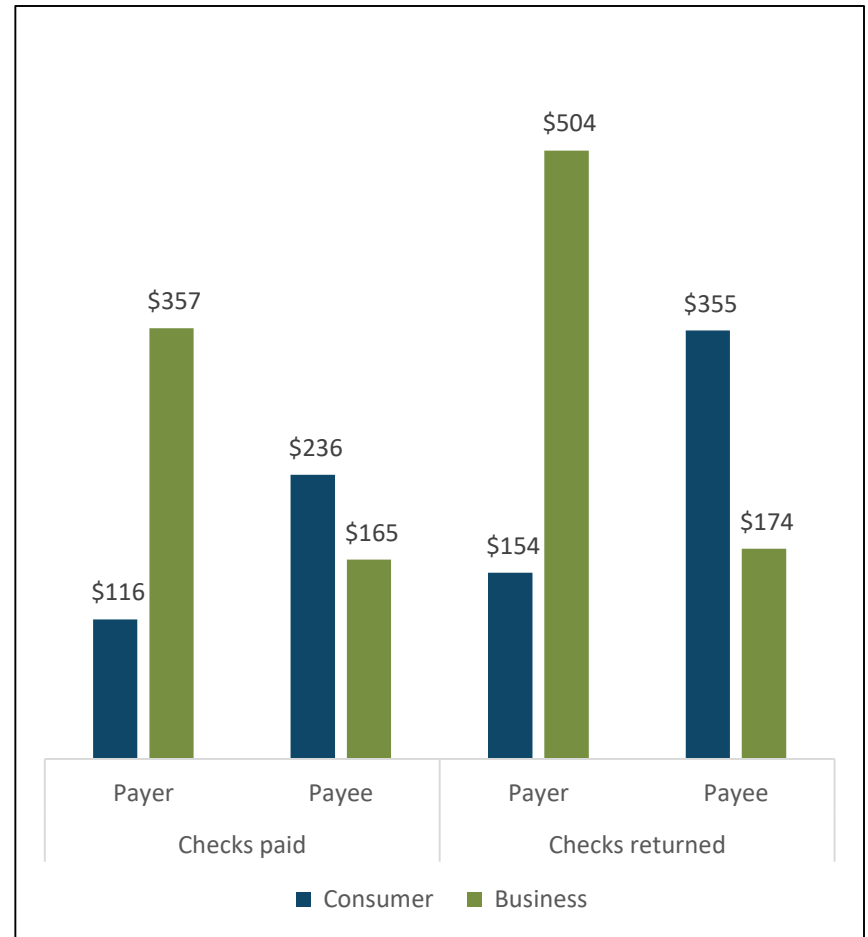


Results at a glance (cont.)

Average value



Median value



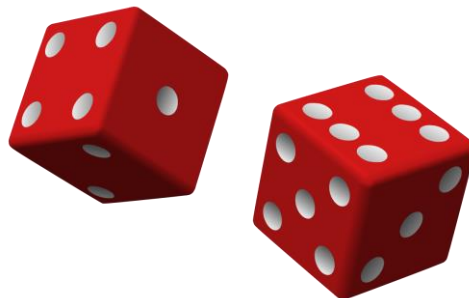
What is the CSS?

- Conducted since 2001
- Seeks to understand check use by U.S. businesses and consumers and for what purpose
- Based on forward and return checks processed in 2018 by the Federal Reserve
- 2018 study included return checks for the first time

How was the CSS conducted?

Sample selection

Forward: 3-step process

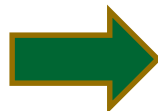


1. On each business day, 20 cash letter files were randomly selected.

2. Checks were randomly selected each month from the daily set-asides, yielding 21,500 items monthly.

3. At the end of the 12-month period, a random sample of 55,000 checks was then selected for analysis.

Return: 2-step process

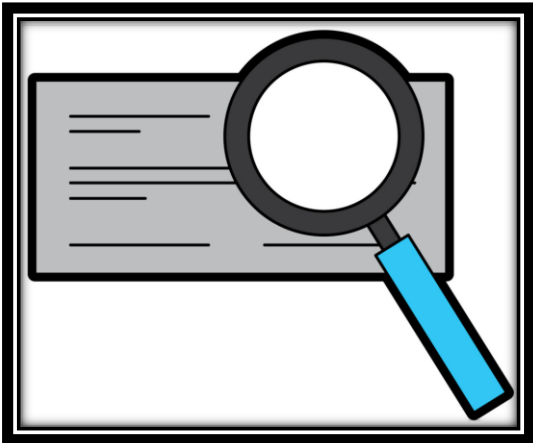


1. On each business day, 4 return cash letter files were randomly selected.

2. At the end of the 12-month period, a random sample of 10,000 checks was then selected for analysis.

How was the CSS conducted?

Check interrogation



Each check is reviewed by up to three investigators who answer objective and subjective questions about the content of the checks through survey questionnaires.

Long survey:

- 26 questions
- Seeks objective facts about the check
- Asks for investigator's subjective opinion of the payer, payee, and purpose



Short survey:

- 4 questions, which are also included in long form
- Asks for investigator's subjective opinion of the payer, payee, and purpose



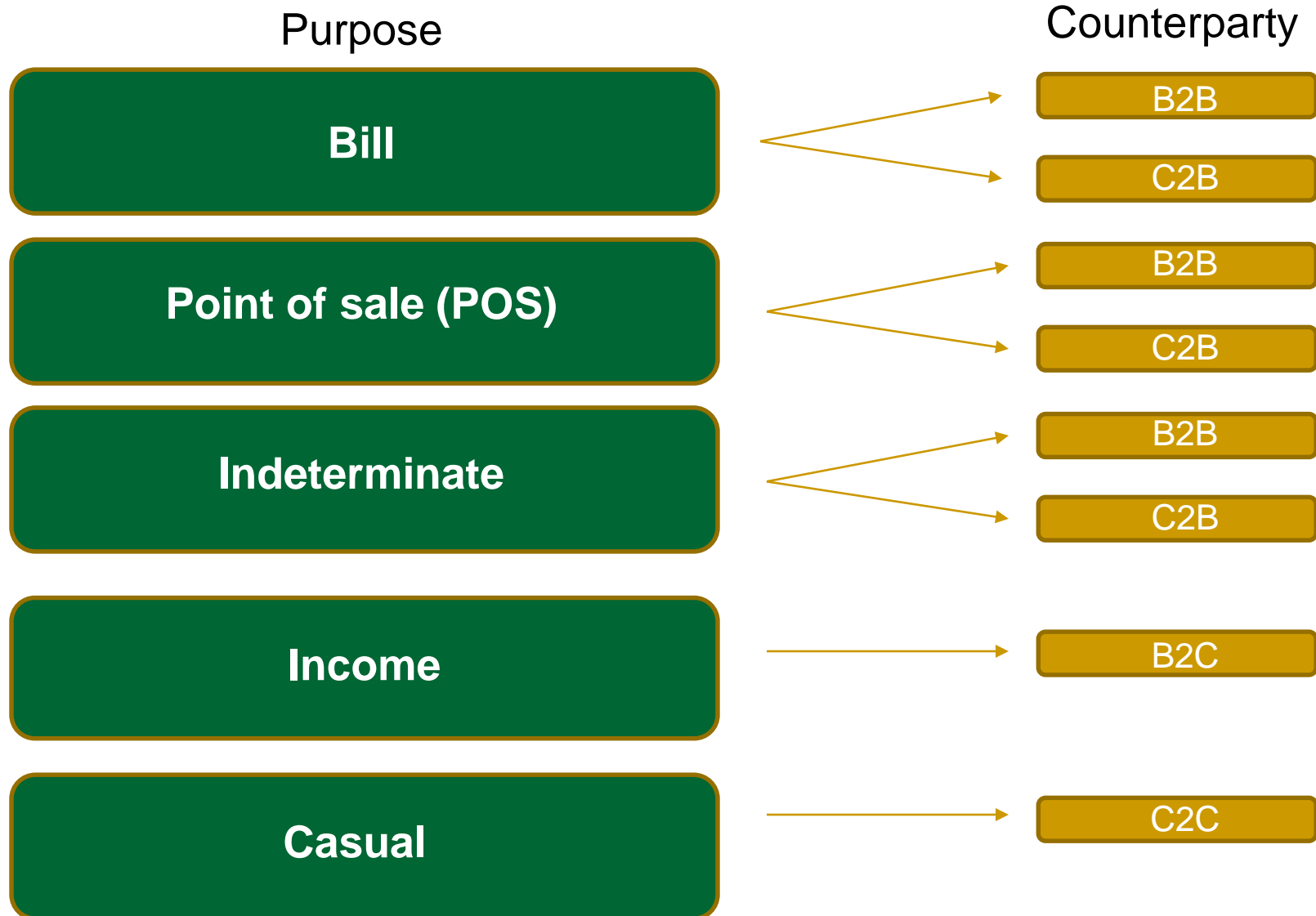
Reconcile survey:

- Same questionnaire as short survey
- Only used *if any* of the answers to the common questions between the long and short survey do not match



How was the CSS conducted?

Check categorization



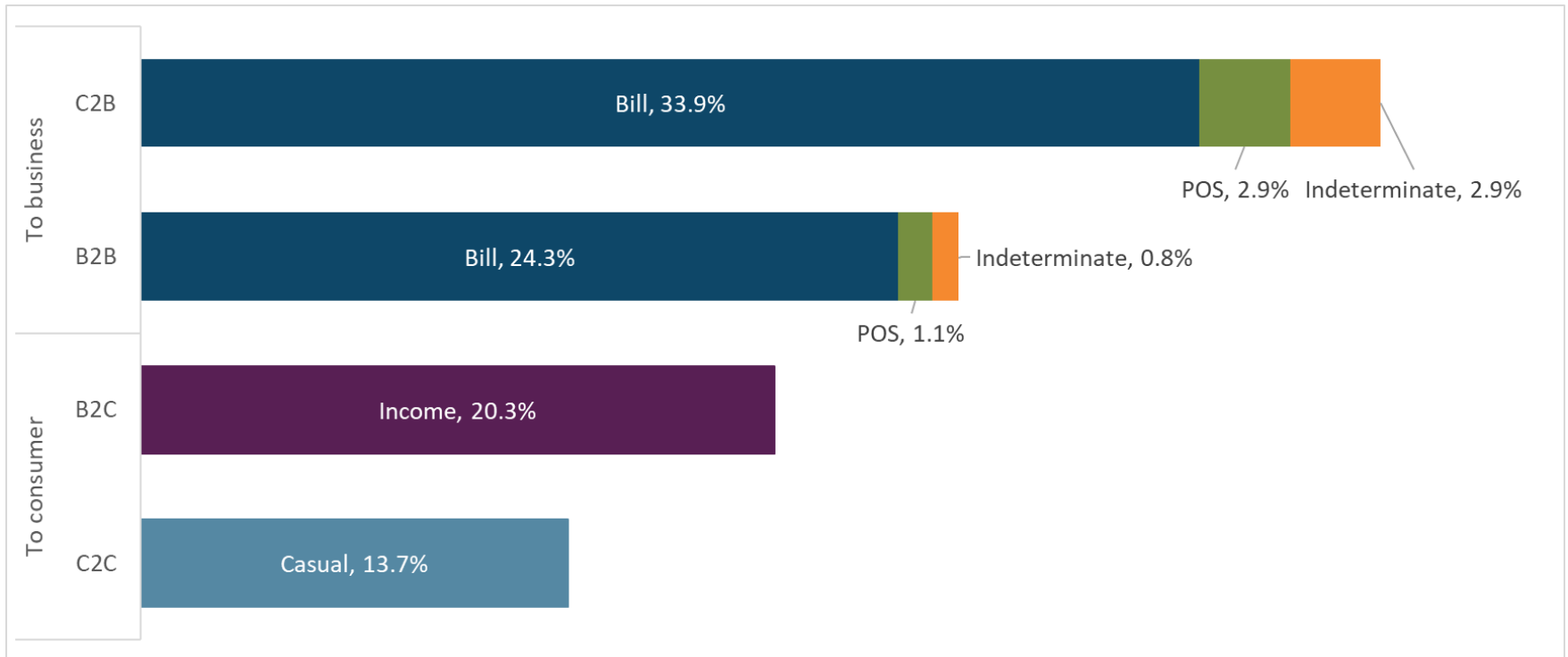
Checks paid

- Checks written, collected, and paid as checks
- Also known as forward checks



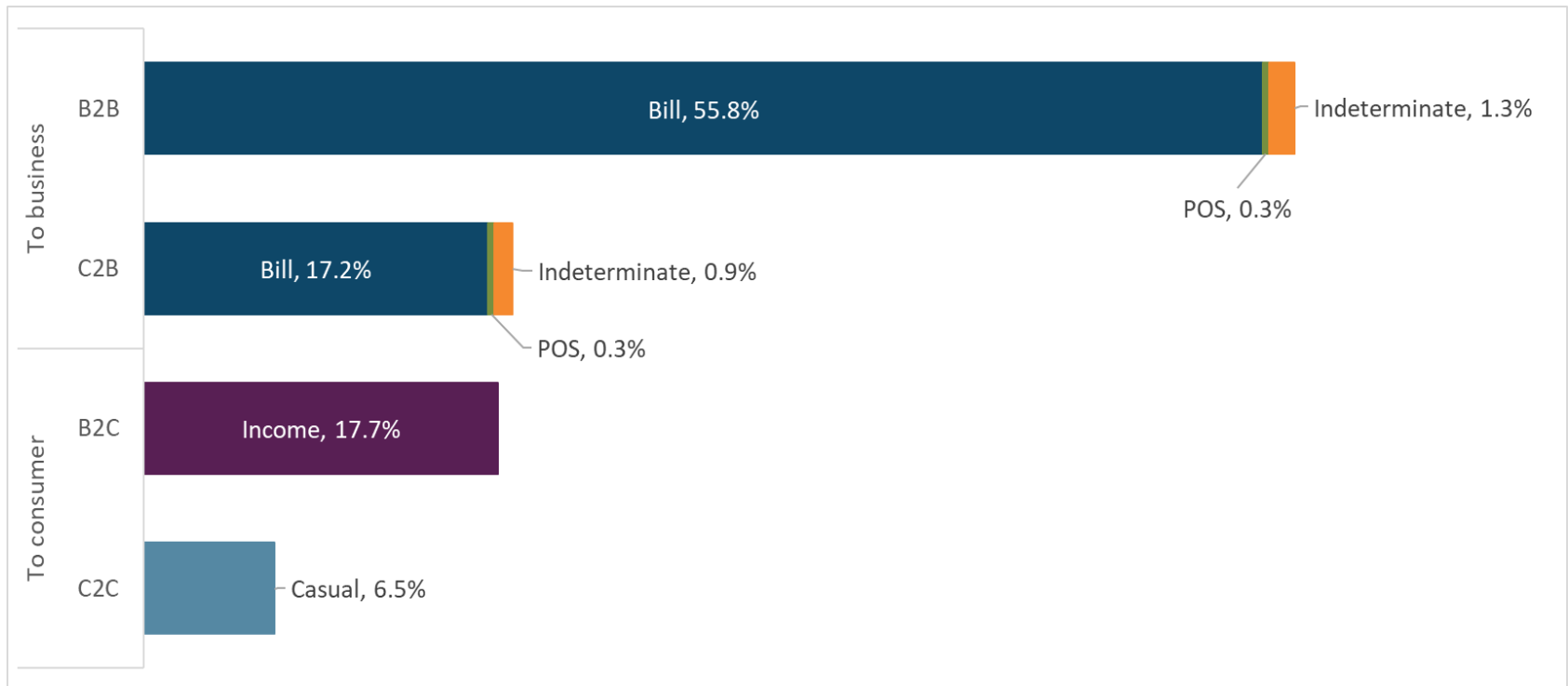
Nearly 60 percent of forward checks were for bill payments

Shares by number



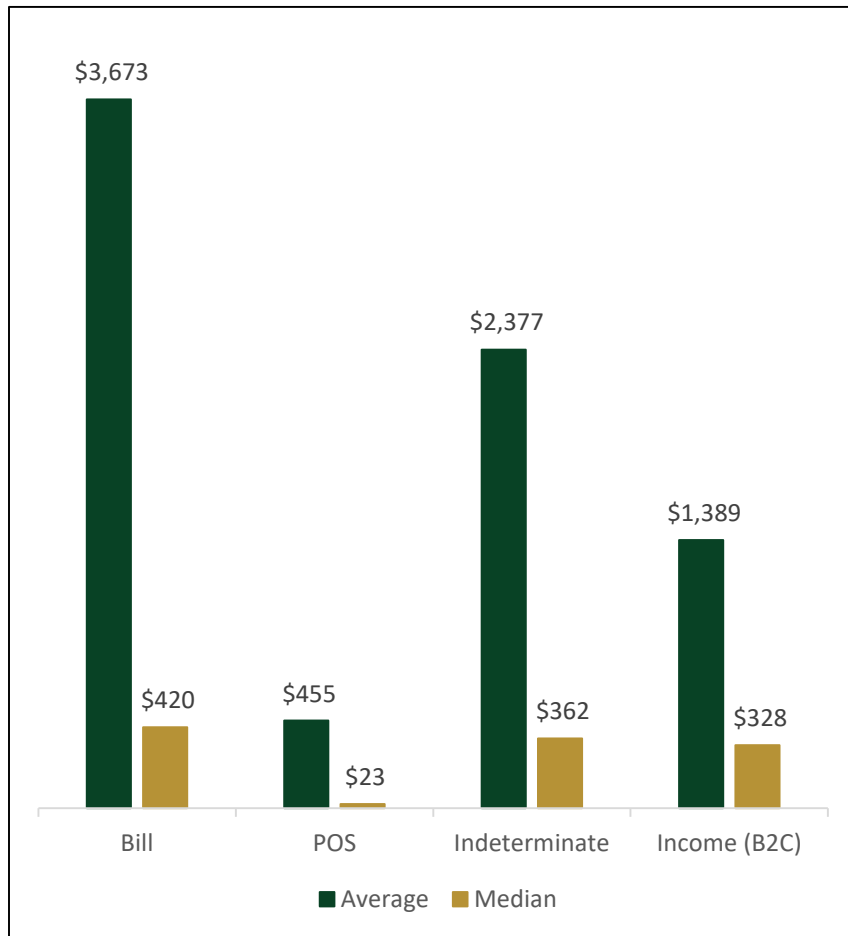
By value, bill payment checks represented three-fourths

Shares by value

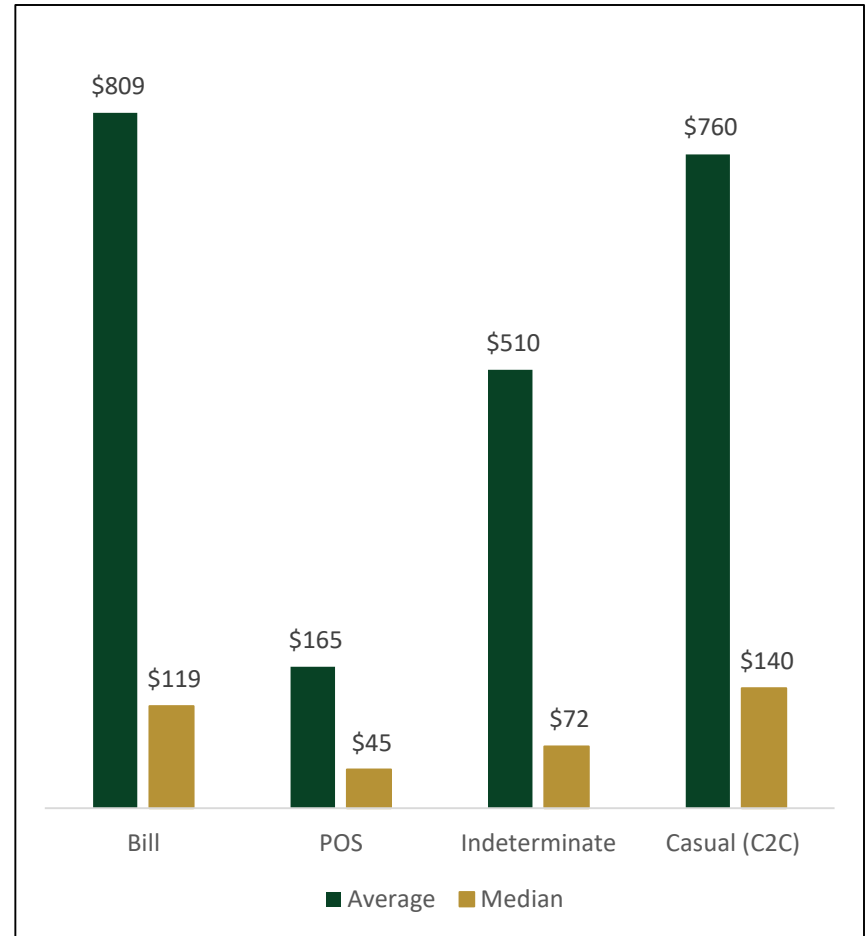


Casual payments have the highest median value of checks written by individuals

Business is payer



Consumer is payer



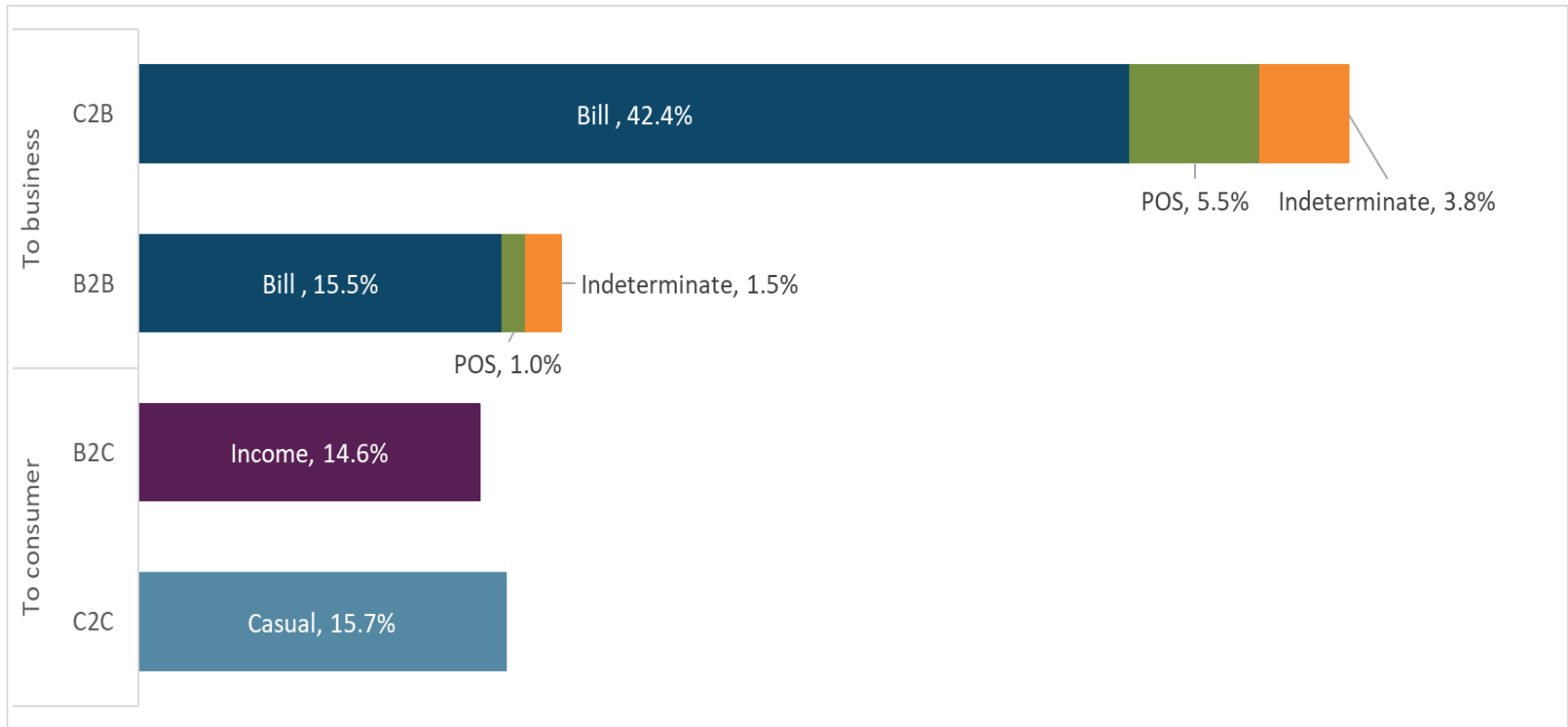
Checks returned

- Unpaid checks the paying bank returns to the depositing bank



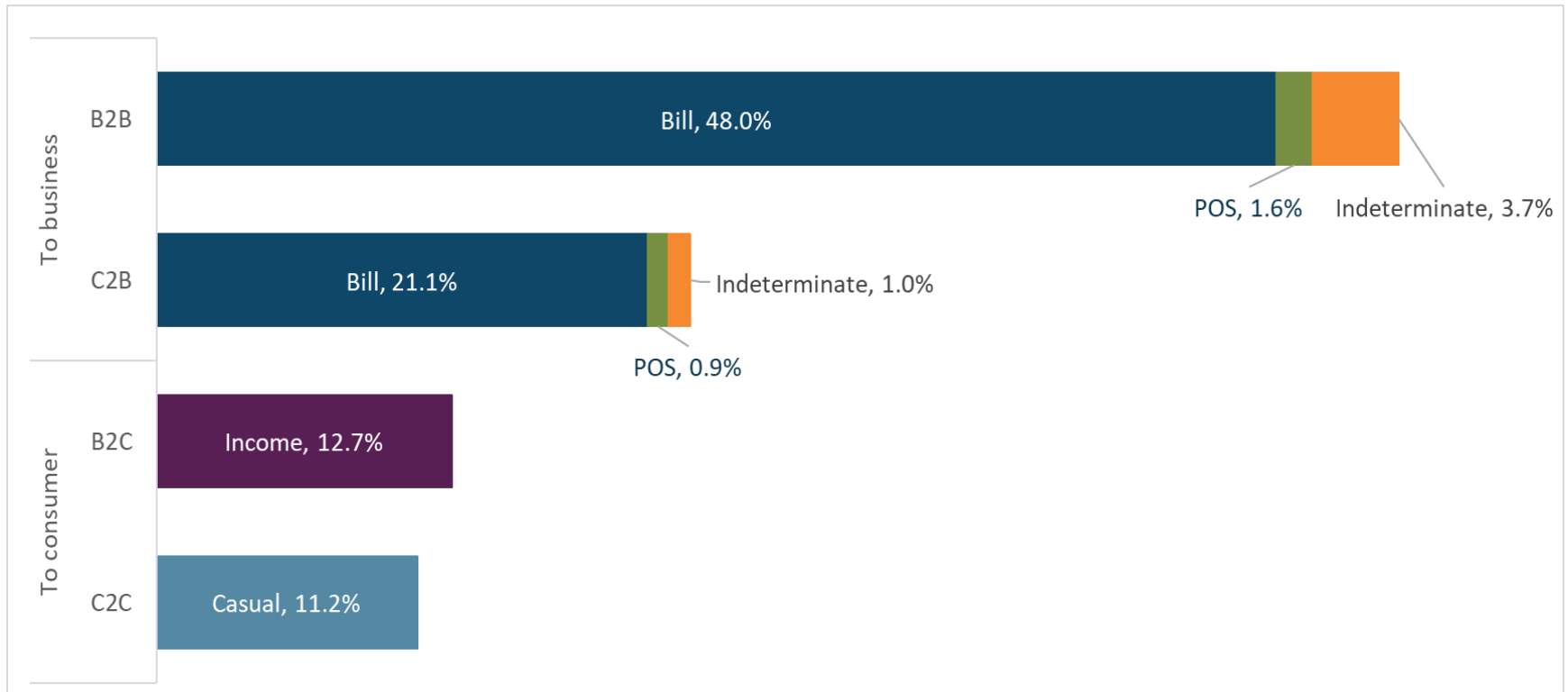
Much like checks paid, bill checks represented the majority of returns...

Shares by number



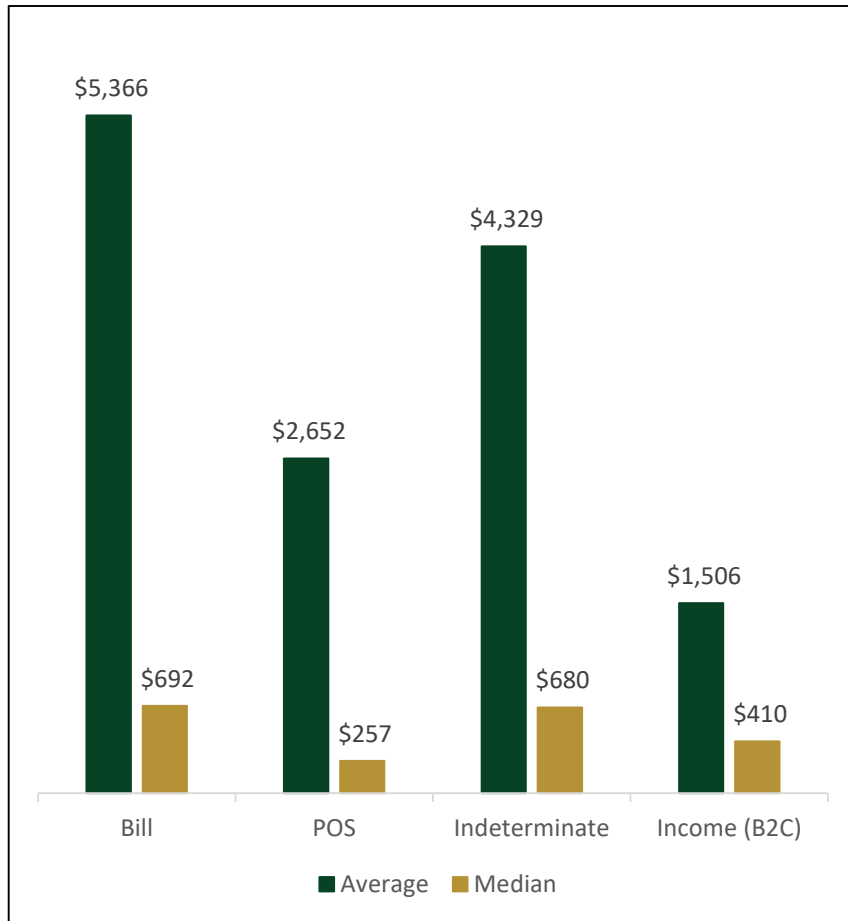
...and also by value

Shares by value

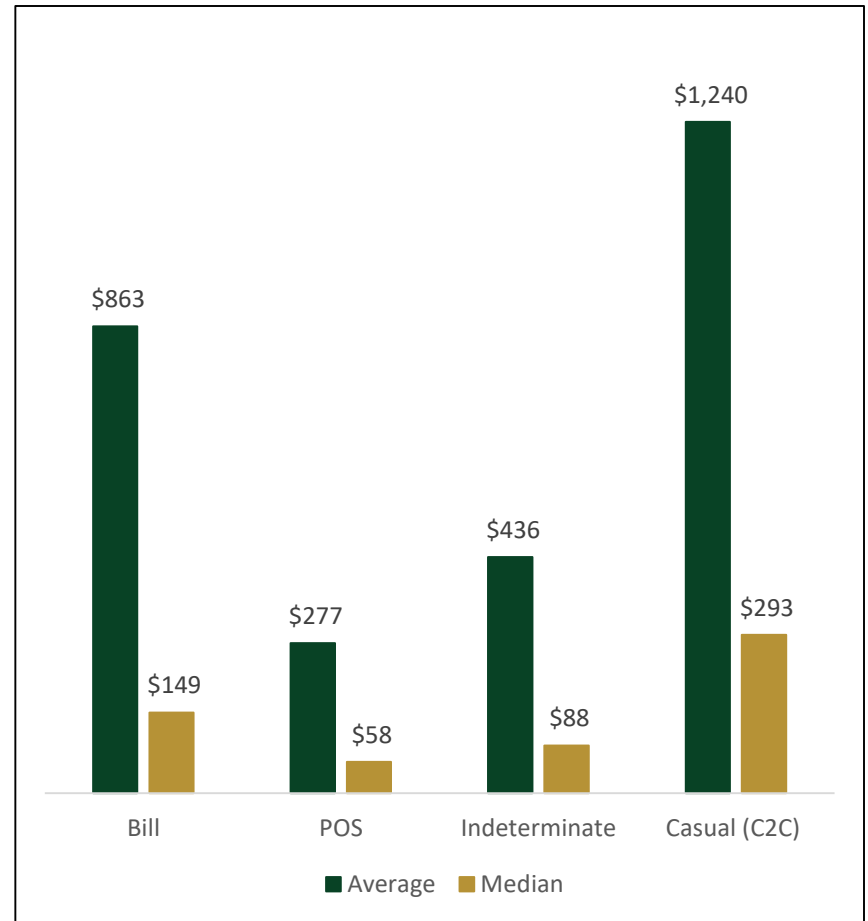


The median value of a casual returned check is nearly double that of bill

Business is payer



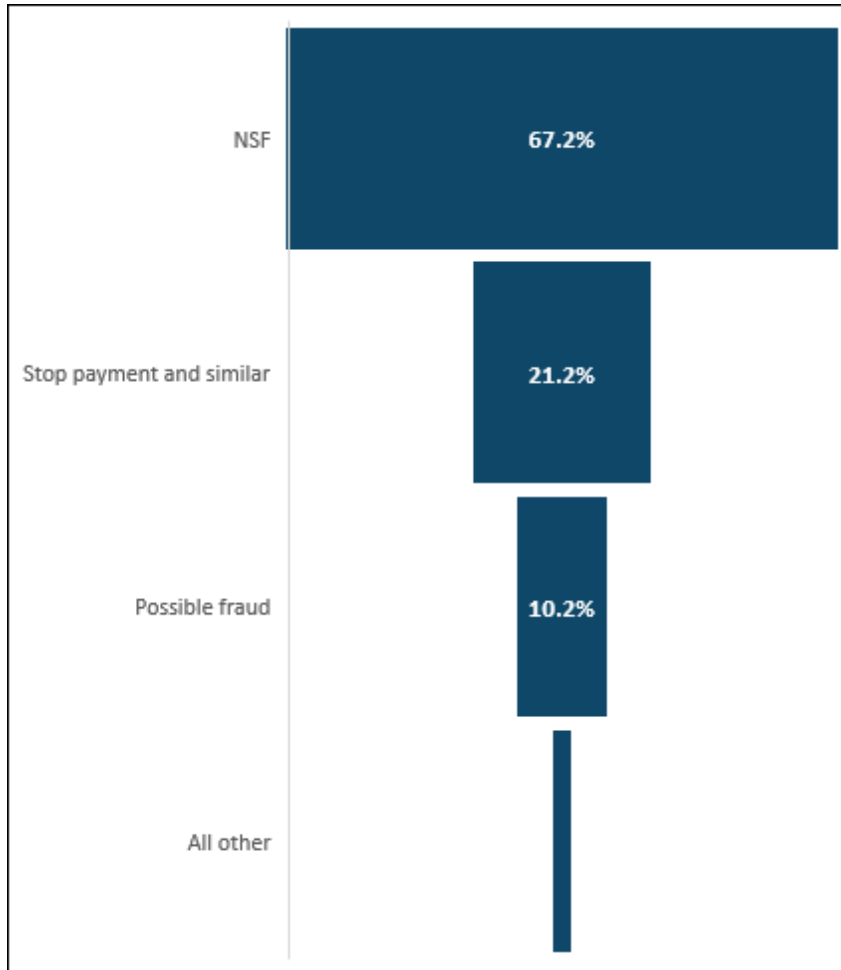
Consumer is payer



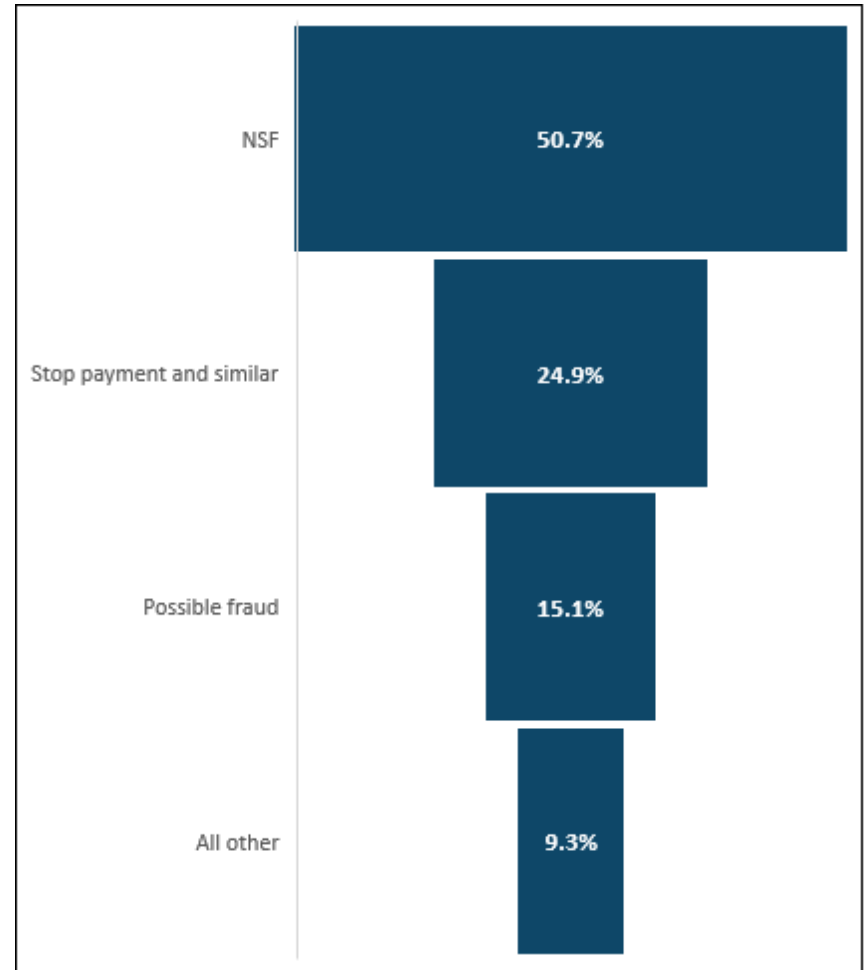
Why do checks get returned?

Mostly, it's NSF

Shares by number



Shares by value



Rapid fire

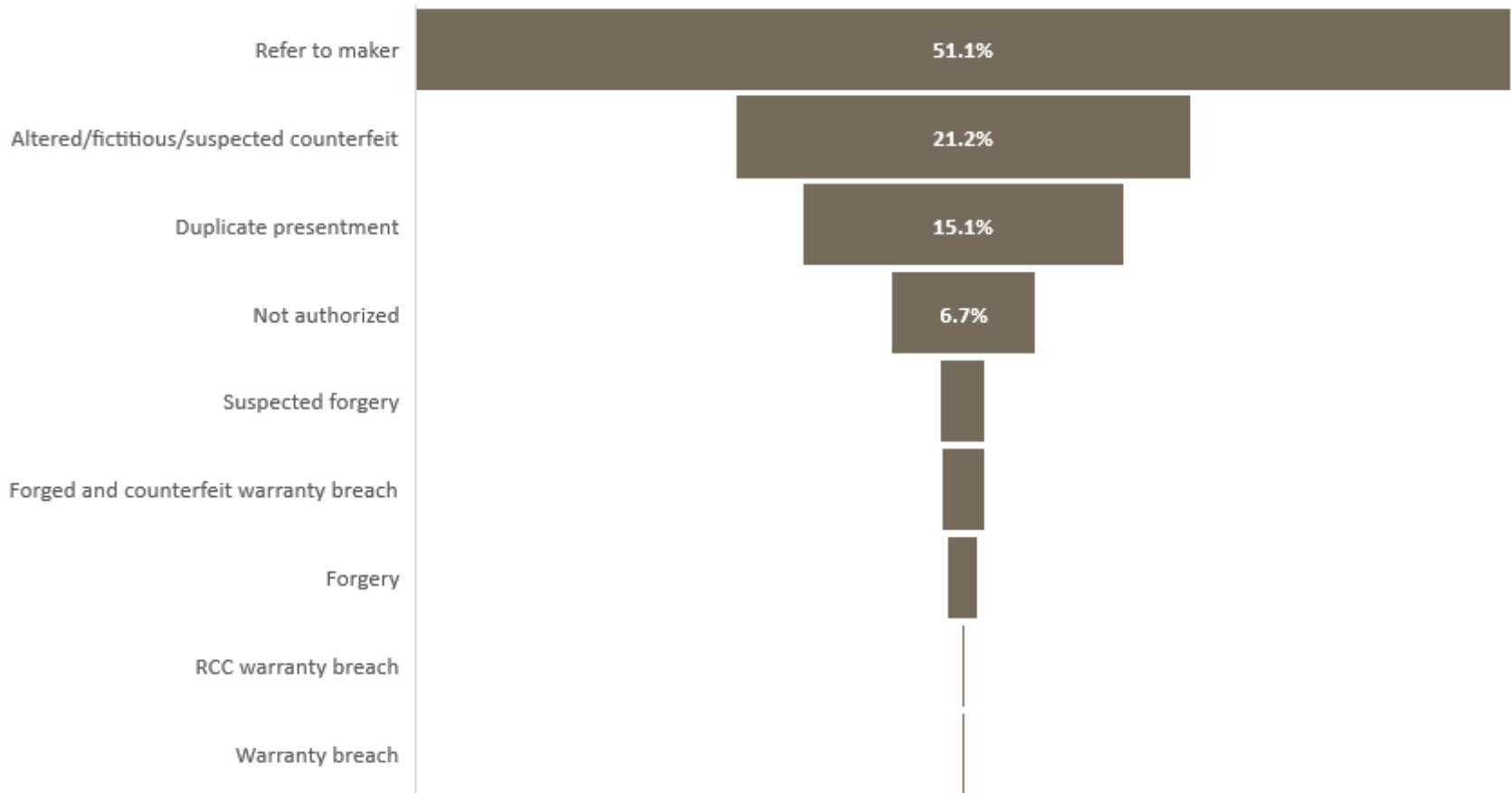


Have you ever been a victim of check fraud?

- A. Yes
- B. No

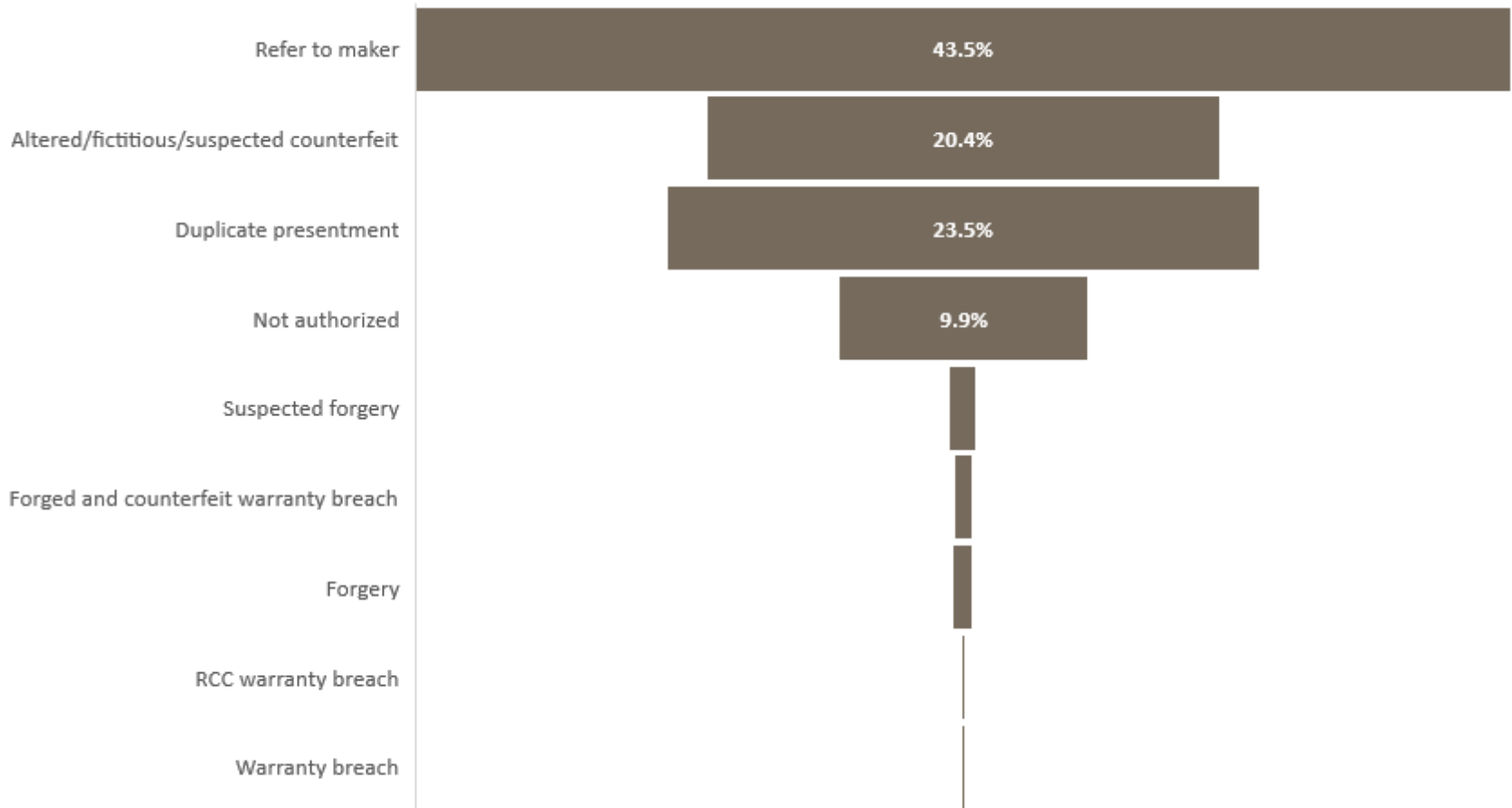
“Refer to maker” was the most common reason for checks returned as possible fraud

Shares by number



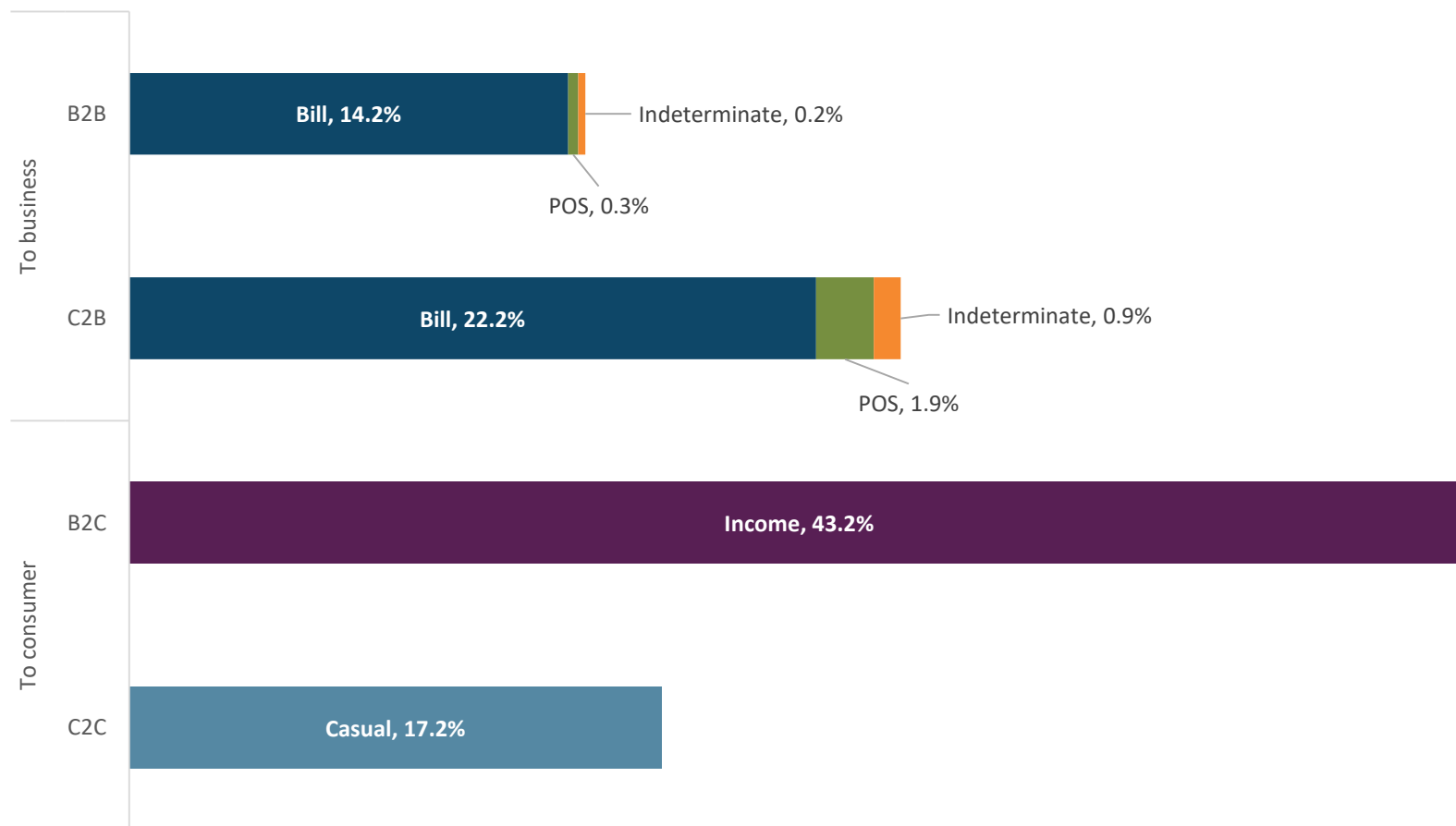
Similar case by value

Shares by value



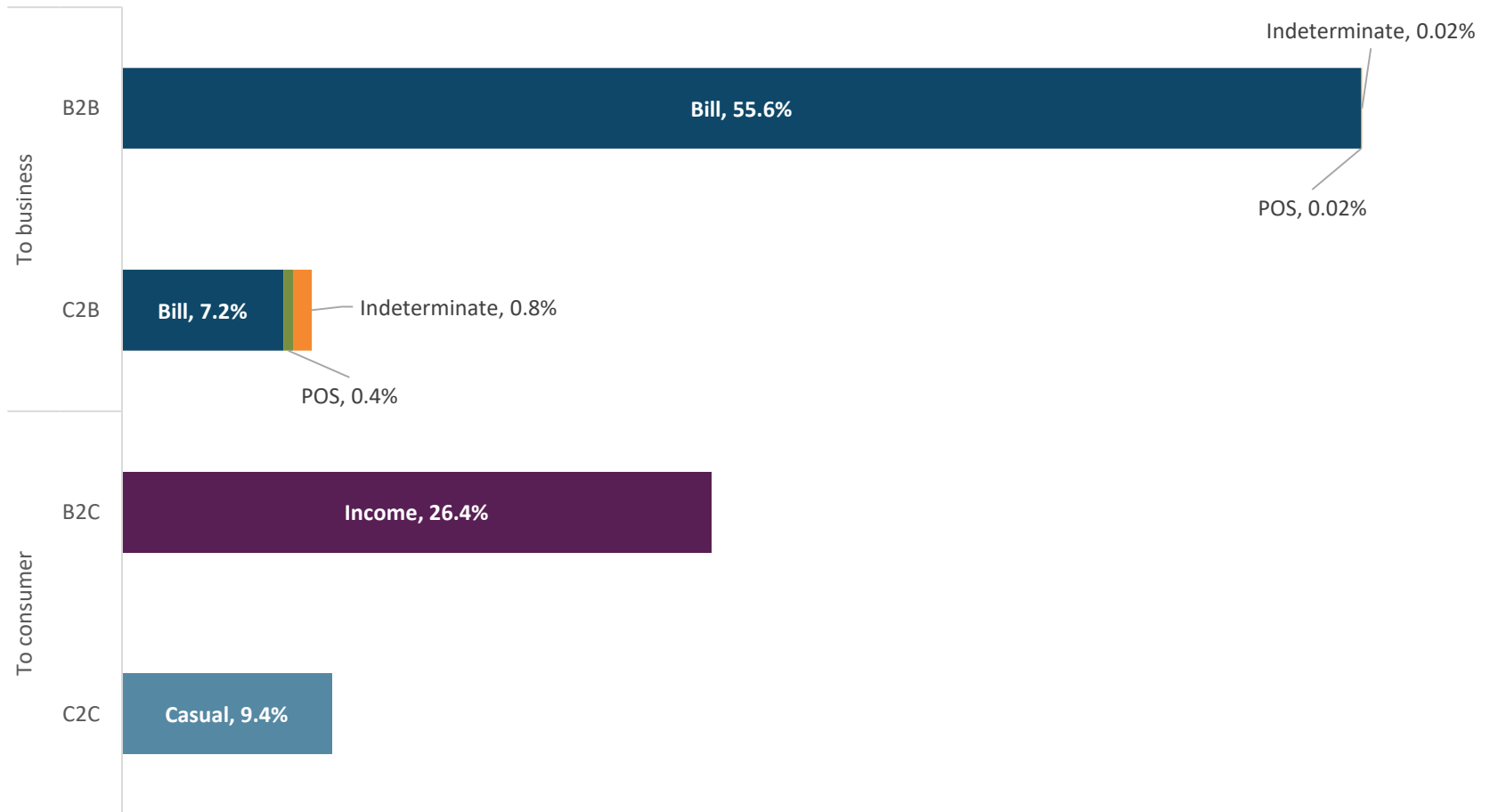
Possible fraudulent income checks written by businesses to consumers were the most prevalent

Shares by number



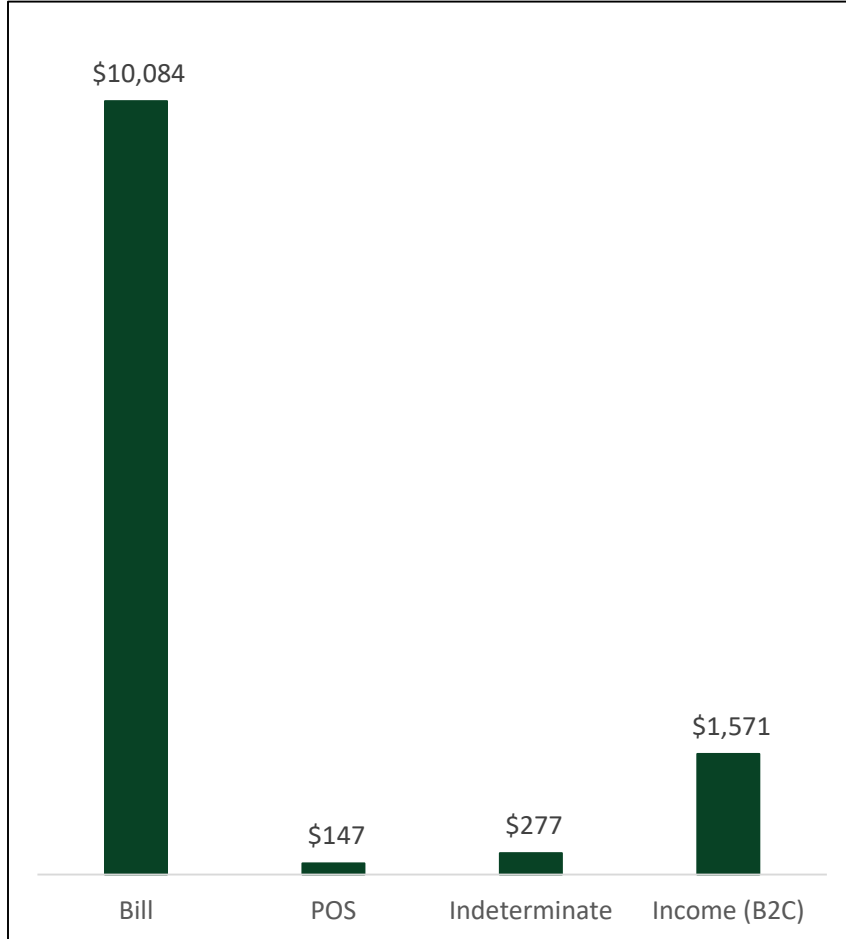
However, by value, almost two-thirds were bill

Shares by value

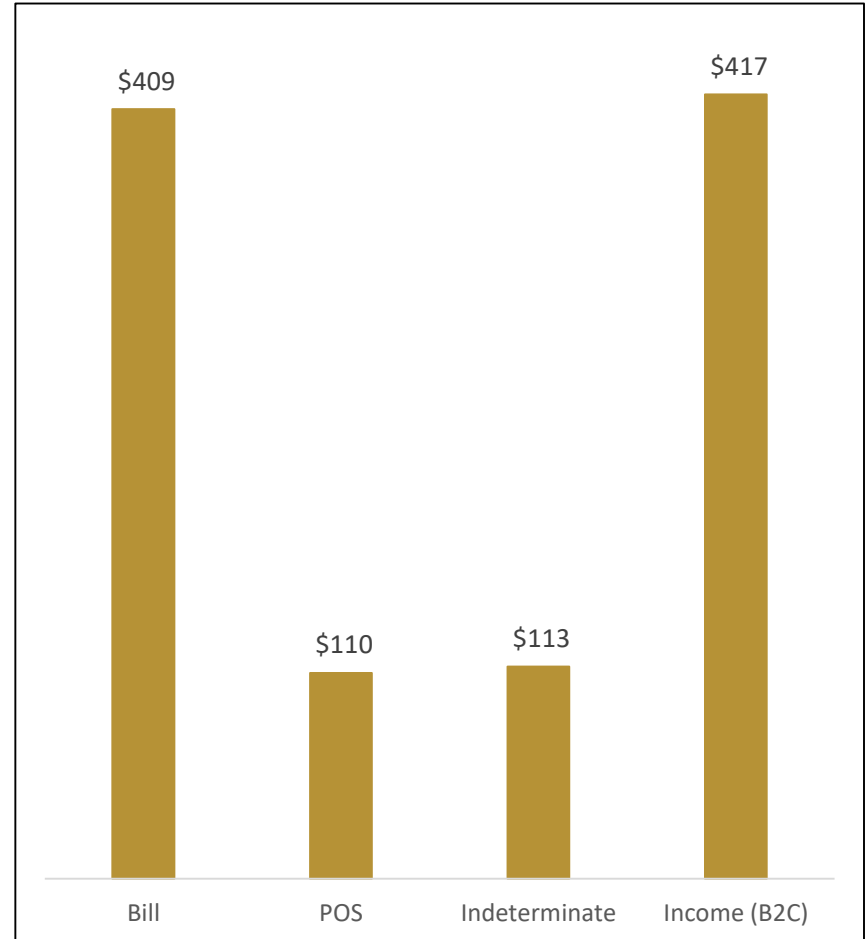


The average value of possible fraudulent bill checks written by businesses dwarfed others

Average value

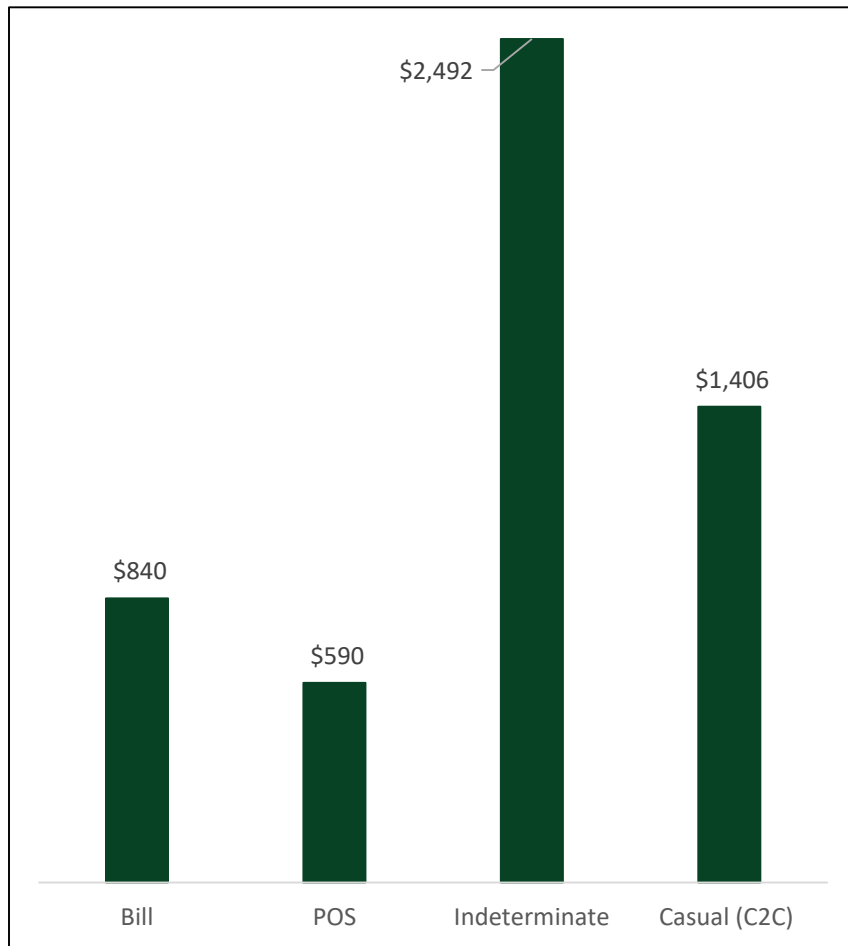


Median value

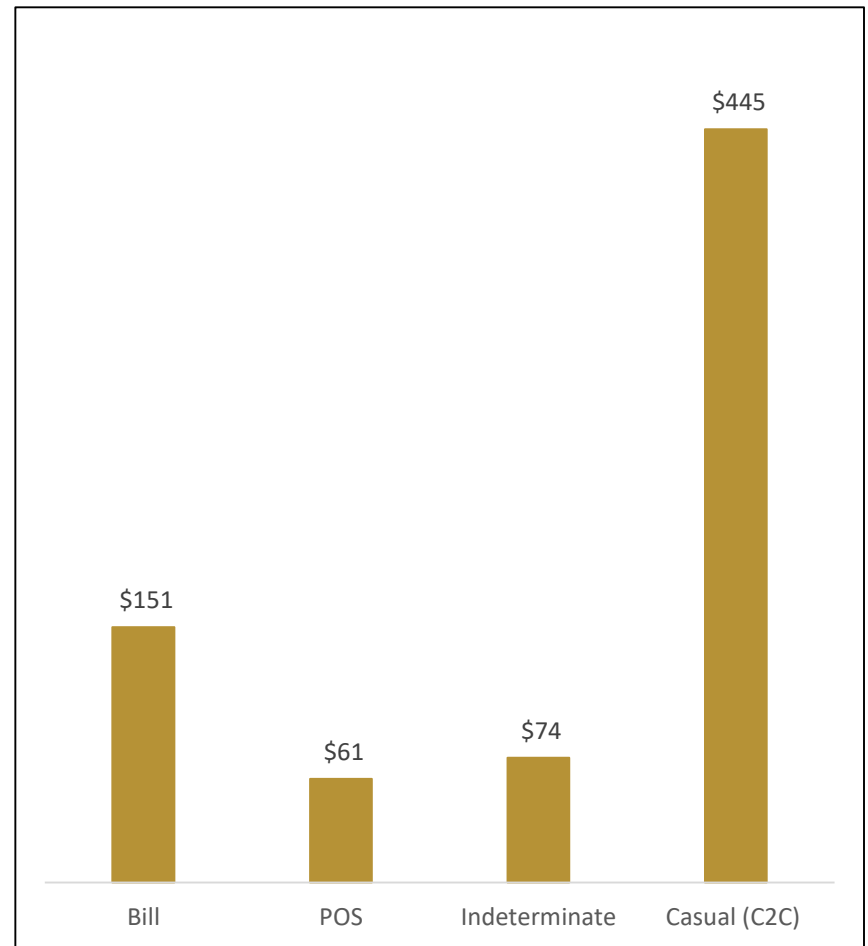


The median value of possible fraudulent consumer casual checks is nearly three times that of bill

Average value



Median value



Rapid fire

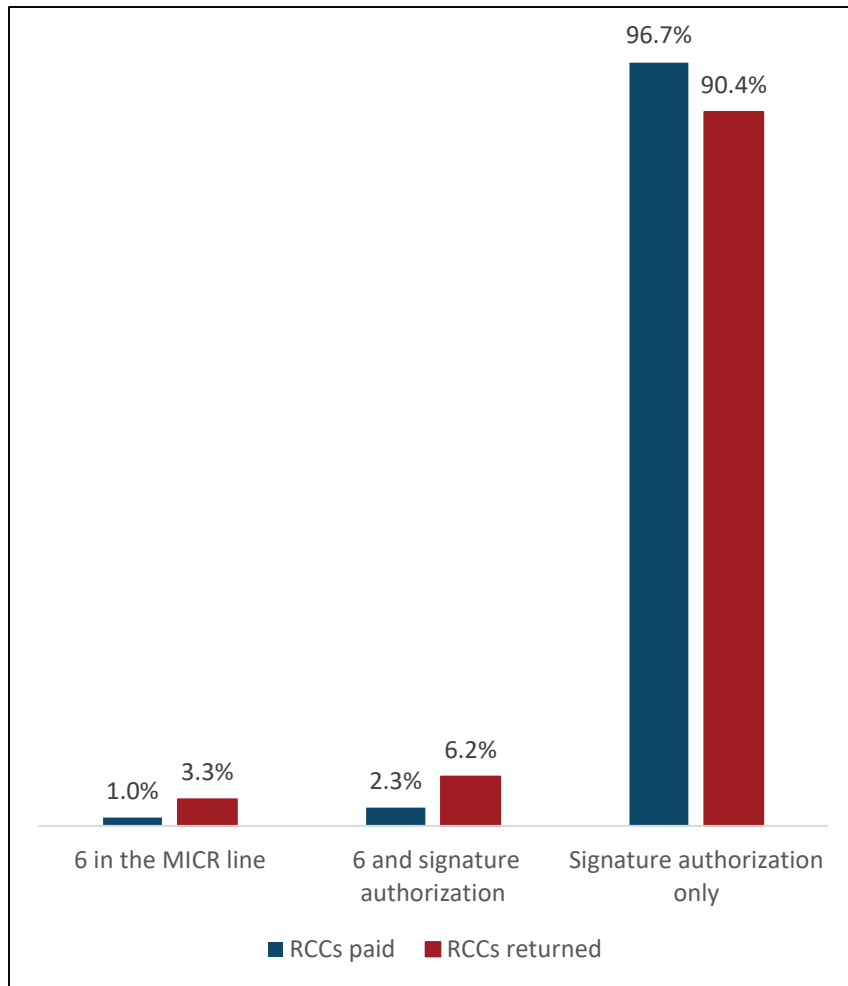


Does your organization use Refer to Maker as a return reason for potentially fraudulent checks?

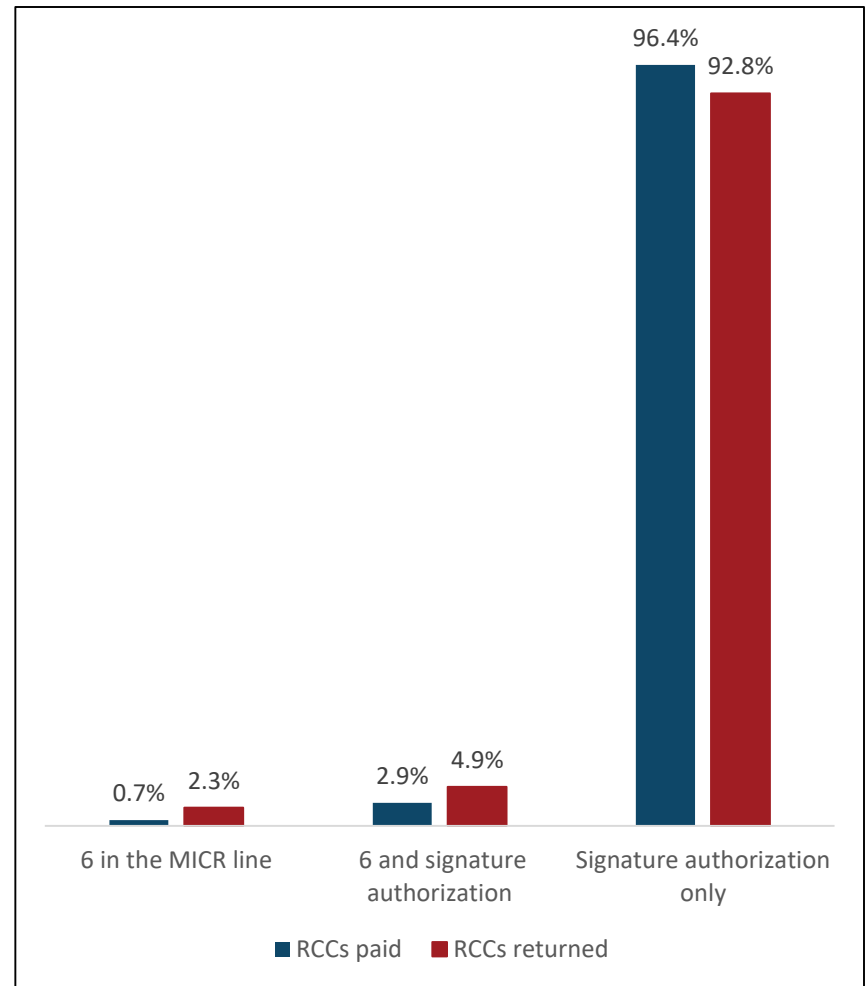
- A. Yes
- B. No
- C. Unsure

What defines a remotely created check (RCC)?

Shares by number

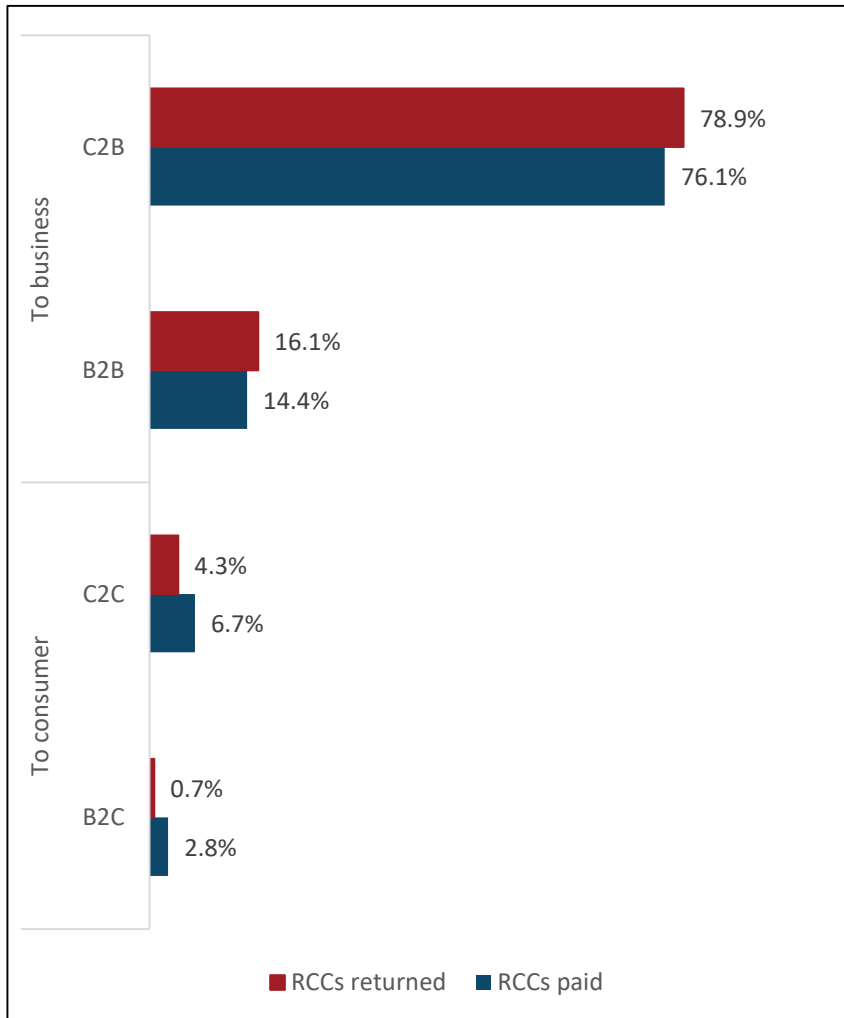


Shares by value

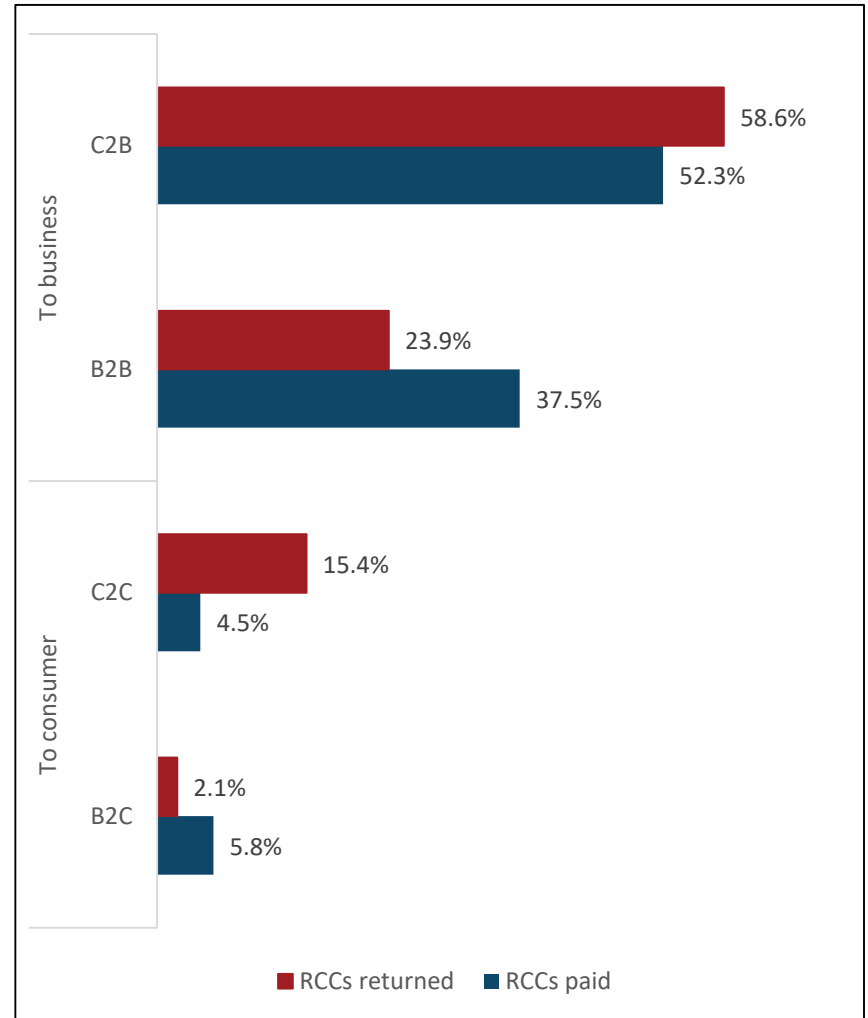


By both number and value, consumer payers generate the lion's share of RCCs

Shares by number

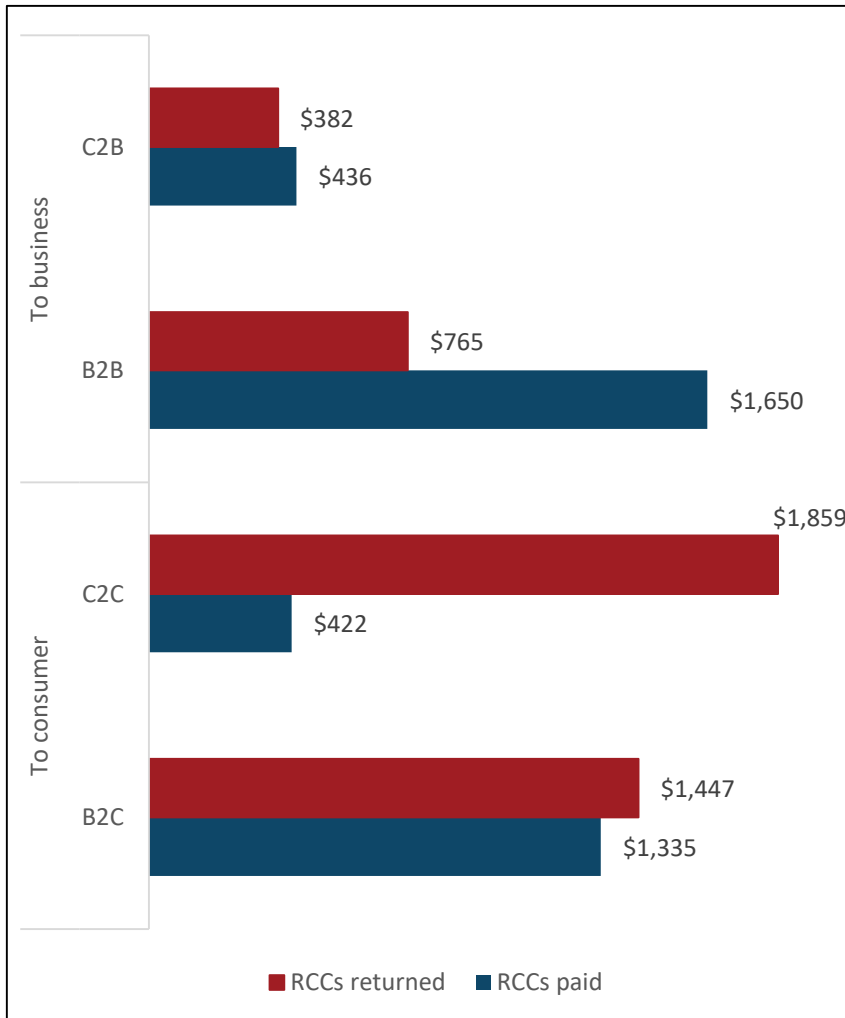


Shares by value

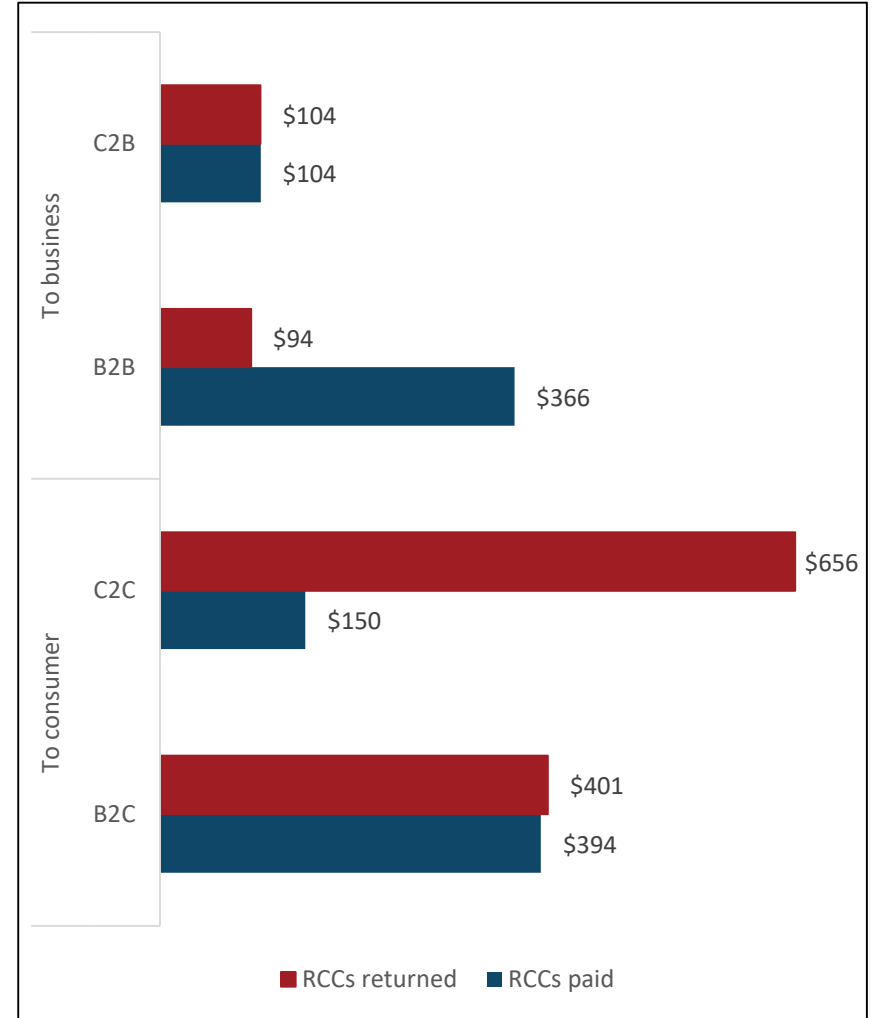


The average and median values of C2C RCCs returned are four times that of forward items

Average value

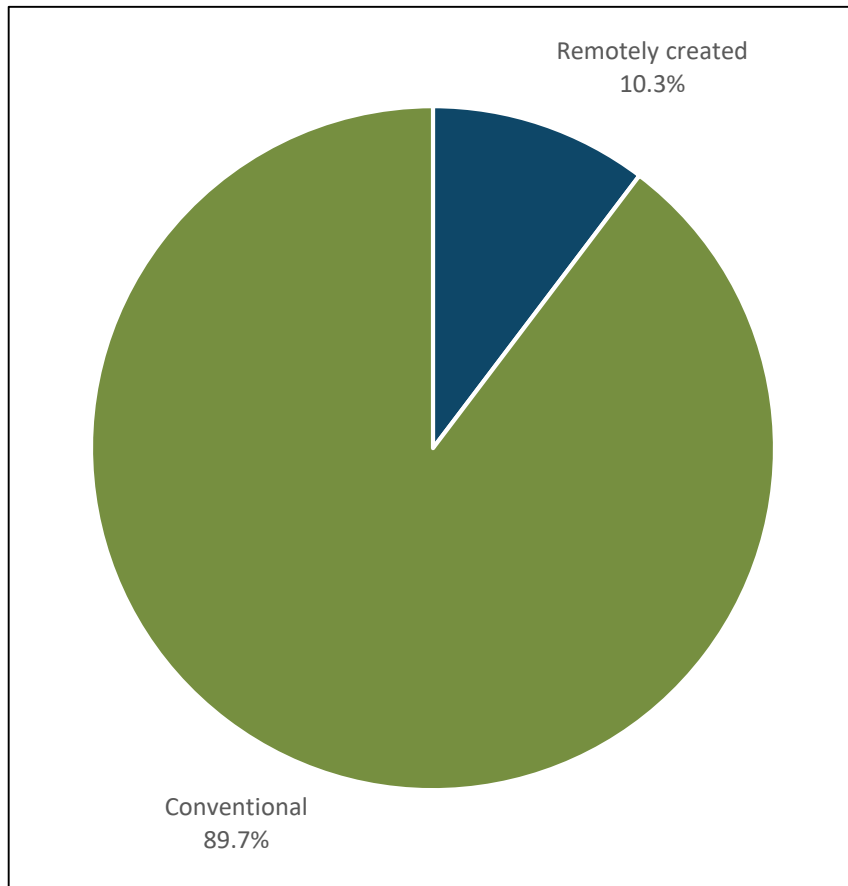


Median value

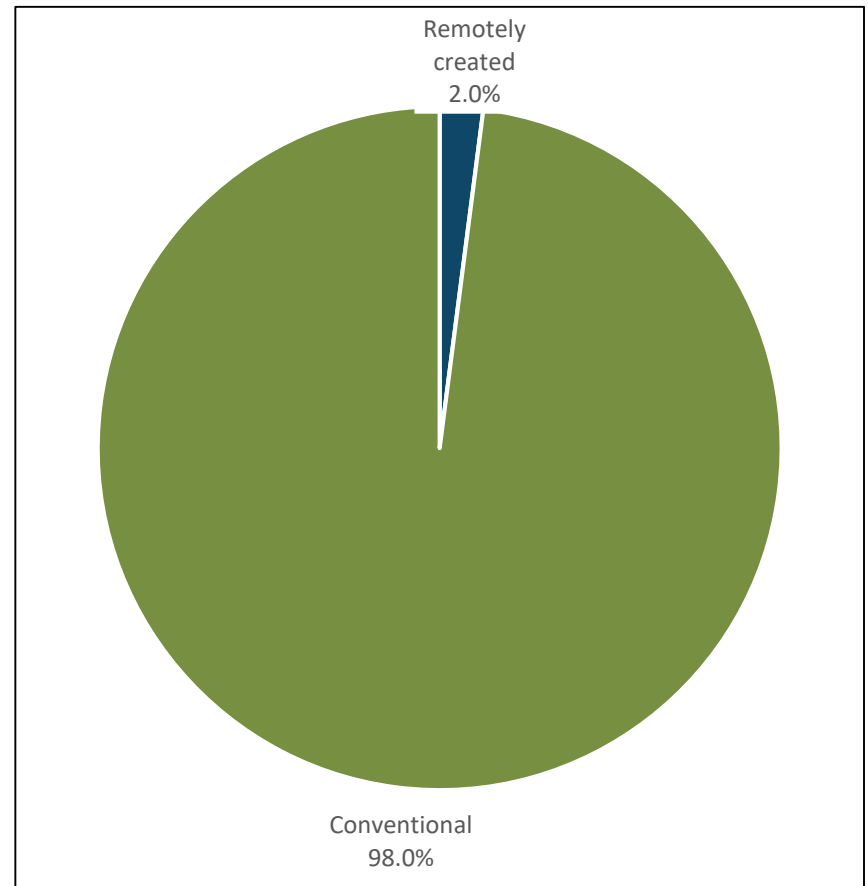


RCCs represented a small share of possible fraudulent checks returned overall

Shares by number



Shares by value



Rapid fire



Which of the following characteristics do you think best identifies an RCC?

- A. #6
- B. #6 and signature
- C. Signature only
- D. A or B
- E. A or C
- F. All of the above

How is the CSS different this year compared to previous years?

2018 study

- Based on checks processed by the Federal Reserve System
 - This includes credit unions, savings institutions, and commercial banks, of all sizes and geographic locations
- Included transit items only; does not include “on-us” items
- Employed metadata produced through Fed check-processing for each item sampled
- All check analysis was performed by Fed consultants

Previous studies

- Based on checks processed by approximately 12 large commercial banks
- Included both transit and “on-us” items
- Likely included a greater number of corporate customers
- Metadata was employed when provided, although not fully available
- Some banks elected to perform their own check analysis

Questions or comments

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- **Email a question**

- rapid@stls.frb.org

- **Contact today's speakers**

- [Nancy Donahue](#)
- [Catherine Thaliath](#)

Resources

- Check Sample Survey

<https://www.frbatlanta.org/-/media/documents/rprf/publications/2020/07/30/2018-check-sample-survey/report.pdf>

- 2019 Federal Reserve Payments Study

<https://www.federalreserve.gov/publications/files/change-s-in-us-payments-fraud-from-2012-to-2016-20181016.pdf>

- 2019 Survey of Consumer Payment Choice

<https://www.frbatlanta.org/banking-and-payments/consumer-payments/survey-of-consumer-payment-choice/2019-survey.aspx>

Thank you for participating in today's webinar

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