

President Trump issues executive order to modernize federal payments

Initial perspectives on President Trump's executive order (EO) to phase out paper check disbursements and receipts



On March 25, 2025, President Donald Trump issued an EO directing the federal government to modernize how it handles payments by transitioning from paper-based payments to secure electronic payments by September 30th, 2025.¹ This directive mandates that all federal transactions, including tax returns and refunds, social security benefits, loans, fines, and fees, must be conducted electronically. Consequently, banks and financial institutions should assess whether their technological and operational systems are prepared for this change.

5 insights you should know

Moving toward electronic payments: The EO directs the Secretary of the Treasury and all federal departments and agencies—with limited exceptions—to cease issuing paper checks for all federal disbursements inclusive of intragovernmental payments, benefits payments, vendor payments, and tax refunds. Additionally, the EO notes that all payments made to the federal government shall be processed electronically as soon as practicable.

Exceptions and accommodations for paper checks: Under the EO, exceptions may be included where electronic payment and collection methods are not feasible or desirable, including for: (i) individuals who do not have access to banking services or electronic payment systems; (ii) certain emergency payments; (iii) national security- or law enforcement-related activities; (iv) other circumstances as determined by the Secretary of the Treasury; and (v) exceptions under applicable laws.

Rationale for phasing out paper checks: The EO and accompanying fact sheet note the administration's rationale for moving federal government payments toward electronic payments includes concerns for costs; delays; and risks of fraud, lost payments, theft, and inefficiencies. The EO notes Department of the Treasury checks are 16 times more likely to be reported lost or stolen, returned undeliverable, or altered than an electronic funds transfer (EFT). Additionally, maintaining the physical infrastructure and specialized technology for digitizing paper records cost the government over \$657 million in Fiscal Year (FY) 2024 alone.

Agencies to launch a public awareness campaign: The Secretary of the Treasury will coordinate with the heads of federal departments and agencies to develop and implement a public awareness campaign to inform federal payment recipients of the transition to electronic payments. This campaign includes working with financial institutions, consumer groups, and other stakeholders in addition to developing guidance on accessing and setting up digital payment options.

Assessing potential impact: The percentage of payments made electronically by the federal government has increased significantly in recent years. Nonetheless, there are still a sizable number of non-electronic payments that may be impacted by this EO. According to the Internal Revenue Service (IRS), approximately 3% of individual tax refunds for this year have been made through channels other than direct deposits.² Meanwhile, 3% of veteran benefits are paid through non-electronic channels³ and more than 480,000 individuals receive paper Social Security checks.⁴

5 considerations to evaluate

1

Financial institutions: Financial institutions may benefit from reduced expenses associated with the issuance of check payments (~\$2 to \$4 per check issued⁵) but may also need to modify existing programs established with federal agencies. Additionally, it is important that these institutions continue to monitor evolving consumer fraud trends, as individuals engaged in fraudulent activities focused on physical payments involving government entities may adapt these activities to electronic payments for the same use cases.

2

Businesses: While check payments are a small portion of overall payments, they remain prevalent in select business-to-business use cases.⁶ Businesses engaging with the federal government that rely more heavily on check payments may need to make a range of adaptations including coordinating new EFT schemes. Meanwhile, businesses for whom the federal government is a significant customer may evaluate moving away from check payments altogether.

3

Consumers: Consumers may need to adapt to receiving and initiating payments through new electronic payment methods while potentially navigating differing requirements around electronic payments for federal vs state agencies. However, consumers may also benefit from faster access to benefits and tax refunds, as well as a potential reduction in incidents of fraud, particularly for older demographics who are often targeted by check-related fraud schemes.

4

Fintechs: In recent years, a growing number of fintechs have introduced solutions offering financial services to traditionally underbanked populations.⁷ While the EO maintains certain exceptions for specific underbanked groups, it may nonetheless offer fintechs an opportunity to strengthen relationships with these underbanked populations.

5

Continuing trend of digital payments: Cash and check payments have steadily declined as a percentage of overall payments in recent years, with some retailers embracing a “check zero” future. This EO is expected to redirect a portion of check payments to alternative payment methods, with Automated Clearing House (ACH), instant payments, credit and debit card transactions, and prepaid card options representing potential alternatives depending on the use case.

Endnotes

¹ The White House, “[Modernizing Payments To and From America’s Bank Account](#),” March 25, 2025; The White House, “[Fact Sheet: President Donald J. Trump Modernizes Payments to and from America’s Bank Account](#),” March 25, 2025.

² Internal Revenue Service (IRS), “[2025 Filing season statistics — individual income tax returns](#),” March 14, 2025.

³ PYMNTS, “[The US’s \\$750 Million Bet: Ending Paper Checks to Drive Digital Finance](#)” March 28, 2025.

⁴ Social Security Administration, “[Social Security Administration Beneficiaries Social Security Direct Deposit and Check Statistics](#)” April 2025.

⁵ Evan Sparks, “[Is it time to kill the paper check?](#)” ABA Banking Journal, May 6, 2024.

⁶ Federal Reserve Bank of Atlanta, “[Check Sample Survey](#),” 2018.

⁷ E.g., Federal Reserve Board of Governors (FRB), Speech by Vice Chair for Supervision Michael Barr, “[Financial Inclusion: Past, Present, and Hopes for the Future](#),” July 9, 2024; Federal Deposit Insurance Corporation (FDIC), Speech by Chairman Jelena McWilliams, “[Fintech: A Bridge to Economic Inclusion](#),” June 29, 2021.

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