



Financial Services Policy Committee

A Committee of the Conference of Presidents
Federal Reserve System

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Federal Reserve Study Shows More Than Three-Quarters of Noncash Payments Are Now Electronic

Cleveland, Ohio, Dec. 8, 2010—The Federal Reserve’s 2010 study of noncash payments released today revealed that in 2009 more than three-quarters of all U.S. noncash payments were made electronically, a 9.3 percent annual increase since the Federal Reserve’s last study in 2007. This growth and other statistics in the study emphasize consumers’ increasing adoption of electronic alternatives for payments in the United States. The 2007 study revealed that in 2006 roughly two-thirds of the payments were made electronically.

From 2006 to 2009, the period covered by the study, all types of electronic payments included in the study grew with the exception of credit cards. (Wire transfers were not included in the study.) The number of noncash payments in the United States grew more slowly between 2006 and 2009 than in prior periods and the total value of noncash payments declined. As in previous years, check payments continued to decline and were eclipsed by debit cards as the most used noncash instrument in the United States.

“The results of the study clearly underscore this nation’s efforts to move toward a more efficient electronic clearing system for all types of retail payments,” noted Richard Oliver, executive vice president of the Federal Reserve Bank of Atlanta, which sponsored the study. “It is also likely that the results reflect changing consumer behavior during difficult economic times.”



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The number of noncash payments in the United States increased 4.6 percent per year since 2006, approximately the same pace as the previous three-year period, 4.5 percent. The value of noncash payments experienced an annual rate of decline of 1.6 percent over the last three years compared to an annual growth rate of 3.9 percent from 2003 to 2006. About 20 billion more electronic payments were made in 2009 than in 2006 which represented a 9.3 percent annual increase. In contrast, the number of checks paid fell by about 6 billion or 7.2 percent over the same period, while the number of checks written fell by about 5.7 billion, an average of 6.1 percent per year.

While checks written by consumers to businesses for household bill payments and point-of-sale transactions represented 44 percent of all checks written, both payments types declined by 4.9 billion or 10.6 percent annually, reflecting growing comfort of consumers with electronic options. The use of checks between businesses and between businesses and individuals experienced more modest declines. Checks written between individuals, which may include some very small businesses, actually increased slightly.

The annual use of debit cards increased by over 12.8 billion payments, the largest increase by any payment type during the survey period, reaching 37.9 billion payments in 2009, which represented a 14.8 percent annual growth rate. Debit card usage now exceeds all other forms of noncash payments and, by number of payments, represents approximately 35 percent of total noncash payments. Over the same period, automated clearinghouse (ACH) payments grew to 19.1 billion, an increase of 4.5 billion payments. Credit card payments declined by 0.1 billion to 21.6 billion in 2009.

Prepaid card transactions had the lowest transaction volume of all noncash payments at 6 billion; however, these transactions represented the fastest growing payment type, increasing 21.5 percent annually from 2006 to 2009.

The check collection process continued to become increasingly electronic over the survey period. Approximately 96 percent of interbank checks—those drawn on a different depository institution than the one at which they were deposited—involved electronic clearing, compared to roughly 43 percent during the 2007 study. Approximately 13 percent of checks were deposited as images at the bank of first deposit.



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“Not only does this study show the continued move from checks to electronic means of making payments, but we also see the extraordinary progress the industry has made in electrifying the clearing process for the 27.5 billion checks still being written,” added Oliver.

The *2010 Federal Reserve Payments Study* consists of three research efforts commissioned to estimate the annual number, dollar value, and composition of noncash retail payments in the United States. The *Depository Institutions Payments Study* included responses from approximately 1,300 financial institutions (commercial banks, savings institutions and credit unions). The *Electronic Payments Study* included responses from 94 of the largest payment networks, processors and card issuers. The *Check Sample Study* characterized check payments according to type of payer, payee and purpose. Study data are based on a random sample of checks processed by 11 banks that use the Viewpointe archive.

“The 2010 *Payments Study* is part of an ongoing effort by the Federal Reserve System to measure the changing nature of the nation’s noncash payments system and share the results broadly as a means of better informing future investment decisions facing this country’s payments industry,” Oliver said. “Additionally, more detailed data resulting from this year’s survey, including information about processing methods and emerging payment options, will be released early next year. We deeply appreciate the efforts of all the institutions that provided the data necessary to complete these studies.”

A summary report of the 2010 Federal Reserve Payments Study is available at www.frbfinancialservices.org. Detailed reports on the individual studies will be available in early 2011.



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Fact Sheet

Background

The *2010 Federal Reserve Payments Study* includes three research efforts to estimate the annual number, dollar value, and composition of noncash payments in the United States. For this study, noncash payments included check, automated clearinghouse (ACH), credit card, debit card (both signature and PIN), prepaid debit card and electronic benefits transfer (EBT) transactions. The study also estimated the number and value of ATM withdrawals.

The *Depository Institutions Payments Study* estimated the number and value of checks and other types of payments from deposit accounts based on responses from approximately 1,300 financial institutions in the United States for March and April of 2010. The *Electronic Payments Study* estimated the number and value of electronic payments in the United States for calendar year 2009 based on responses from 94 of the largest payment networks, processors and card issuers. The *Check Sample Study* characterized check payments according to type of payer, payee and purpose. Study data are based on a random sample of checks processed by 11 banks that use the Viewpointe archive.

McKinsey & Company assisted the Federal Reserve with the three data collection efforts for the *2010 Payments Study*. McKinsey & Company worked with Lieberman Research Group as a subcontractor for the *Depository Institutions Payments Study*.

Findings (All are annual estimates based on survey data)

Check Payments

- Number of checks paid: 24.4 billion
- Value: \$31.6 trillion
- Annual rate of decrease in transactions from 2006 to 2009: 7.2 percent

Electronic Payments

- Number of electronic payments: 84.5 billion
- Value: \$40.7 trillion
- Annual growth rate of transactions from 2006 to 2009: 9.3 percent

ACH Transactions

- Number of ACH payments: 19.1 billion
- Value: \$37.2 trillion
- Annual growth rate of transactions from 2006 to 2009: 9.3 percent

Credit Cards

- Number of credit card payments: 21.6 billion
- Value: \$1.9 trillion
- Annual rate of decrease in transactions from 2006 to 2009: 0.2 percent



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Debit Cards

- Number of debit card payments: 37.9 billion
- Value: \$1.5 trillion
- Annual growth rate of transactions from 2006 to 2009: 14.8 percent

Prepaid Cards

- Number of prepaid card payments transactions: 6.0 billion
- Value: \$0.1 trillion
- Annual growth rate of transactions from 2006 to 2009: 21.5 percent

ATM Withdrawals

- Number of ATM cash withdrawals: 6.0 billion
- Value: \$0.6 trillion
- Annual growth rate of transactions from 2006 to 2009: 0.8 percent