June 30, 2025

The Honorable Scott Bessent
Secretary
Department of the Treasury
1500 Pennsylvania Ave., NW
Washington, DC 20220

RE: TREAS-DO-2025-0004: Request for Information Related to the Executive Order, "Modernizing Payments To and From America's Bank Account"

Dear Honorable Secretary Bessent:

Thank you for the opportunity to comment on the important questions raised by Executive Order 14247.

The Consumer Federation of America was founded to advance the consumer interest through research, advocacy, and education. Today, we represent a coalition of over 250 nonprofit consumer interest organizations.

Through education and advocacy, Consumer Action fights for strong consumer rights and policies that promote fairness and financial prosperity for underrepresented consumers nationwide.

Americans for Financial Reform Education Fund (AFREF) is a nonpartisan and nonprofit coalition of more than 200 civil rights, consumer, labor, business, investor, faith-based, and civic and community groups that works towards a strong, stable, and ethical financial system and is committed to eliminating inequity and systemic racism and fighting for a just and sustainable economy for everyone.

The National Consumers League, founded in 1899, is America's pioneer consumer organization. Our mission is to protect and promote social and economic justice for consumers and workers in the United States and abroad.

Founded in 1936, Consumer Reports (CR) is an independent, nonprofit, and nonpartisan organization that works with consumers to create a fair and just marketplace. CR is dedicated to amplifying the voices of consumers to promote safety, digital rights, financial fairness, and sustainability.

Since 1969, the nonprofit National Consumer Law Center® (NCLC®) has worked for consumer justice and economic security for low-income and other disadvantaged people in the United States through its expertise in policy analysis and advocacy, publications, litigation, expert witness services, and training.

Directionally, we understand the reasons to migrate more payments away from paper checks to electronic payments. Electronic payments can be less expensive, settle more quickly, and may be more secure. However, policy should proceed with a balanced and careful approach that still permits people to use paper checks when making payments to or receiving funds from the government. In some instances, consumers face insurmountable hurdles to using electronic funds transfer systems. Consumers and businesses should still have an option to receive funds through checks.

Simultaneously, we have deep concerns about the possibility that the federal government would conduct its business using forms of currency not denominated in dollars. It is imperative for our economy to conduct business using a single and universally accepted currency and under the protections afforded to transfers of insured funds.

I. The insecure nature of checks makes them vulnerable to criminal fraud.

i. Many checks are stolen, including checks sent by the federal government. Often, criminals exploit vulnerabilities in the security of the US Postal Service.

Due to the critical bank account information disclosed by checks and their physical vulnerability to manipulation, paper checks can be easily exploited by criminals. All checks show the account holder's bank account number and the bank's routing number.

Once a criminal has stolen a check, they can use the account and routing numbers on the check to commit multiple crimes. By washing a check, they can change the name of the account recipient and the amount of the payment order. With the advent of digital check deposit technologies, a check image of a stolen check from one part of the country can be sold across nationwide "dark web" bidding networks. Often, networks use techniques to convince unassuming victims to act as money mules to deposit checks.

In recent years, the number of checks stolen in the mail has surged. In 2023, FinCEN issued an alert to financial institutions reporting that the number of suspicious activity reports (SARs) it received involving check fraud nearly doubled from 2021 to 2022. It attributed most of the increase to mail theft.[1] In the twelve months ending February 2021, the US Postal Inspection Service received 299,020 mail theft complaints, reflecting a surge of 161 percent from the prior twelve-month period. Even worse, these numbers represent an undercount of the total volume of activity, as only a small percentage of Bank Secrecy Act (BSA) filings used the technical codes to indicate if a check fraud occurred through the mail specifically.[2]

Like any other paper check, government-issued checks are vulnerable to these practices. While public data does not indicate how many tax refund checks were stolen, a New York Congressman recently raised concerns relating to the theft of tax refund checks worth approximately $3 million in her district.[3] The

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[1] FinCEN.gov. "FinCEN Alert on Nationwide Surge in Mail Theft-Related Check Fraud Schemes Targeting the U.S. Mail," February 27, 2023. https://www.fincen.gov/news/news-releases/fincen-alert-nationwide-surge-mail-theft-related-check-fraud-schemes-targeting.

[2] Financial Crimes Enforcement Network. "Mail Theft-Related Check Fraud: Threat Pattern & Trend Information, February to August 2023." Financial Trend Analysis, September 2024. https://www.fincen.gov/sites/default/files/shared/FTA-Check-Fraud-FINAL508.pdf.

[3] Smith, Jason, and Nicole Malliotakis. "W&M Lawmakers Ask Inspectors General to Probe Stolen IRS Checks," August 27, 2024. https://www.taxnotes.com/research/federal/legislative-documents/congressional-tax-correspondence/wm-lawmakers-ask-inspectors-general-probe-stolen-irs-checks/7l5d7.

process for a consumer to resolve a problem can be slow. As long as the IRS sends checks in a logo-bearing envelope through the mail, criminals will steal them from mailboxes. Unfortunately, once a check has been stolen, it is challenging for taxpayers to receive a timely resolution. If a person believes a check sent by the Internal Revenue Service has gone missing in the mail, they can file a request for a "refund trace." However, traces often take six weeks or longer.

ii. Progress is already underway to migrate a higher percentage of government payments from paper to electronic formats.

In fulfillment of Agency Priority Goal 4 (AGP4), the Bureau of the Fiscal Service (BFS) is already reducing the use of paper checks. By the end of this fiscal year, the BFS will have converted 4.5 million transactions that would have previously used paper checks to ones made through an electronic payment.[4]

To BFS's credit, existing efforts are working. Progress is being made to reduce the use of paper checks. BFS believes that only 1.6 percent of non-tax disbursements from Treasury will use a paper check by fall 2025.[5] By contrast, private households used checks for three percent of their payments in 2023.[6]

These successes are worth noting because they provide context for understanding the scope of the challenge. By now, the use of checks is rare. Almost all payments occur electronically. Relatedly, the fact that some payments are not made electronically is not due to a lack of effort, but rather to real challenges that can only be addressed through thoughtful policy, not mandates.

iii. Treasury will have a choice between the Automated Clearing House (ACH) and faster payment operating networks. The choice between ACH and faster payments may depend on the payment context.

For most situations, disbursements using ACH will be adequate for the needs of recipients. A large share of Treasury's disbursements is recurring, so faster disbursement would not result in a meaningful benefit.

However, in some cases, Treasury should consider using real-time gross settlement through faster payments. For example, during natural disasters, victims need access to funds as soon as possible. Timing is urgent, so even a same-day ACH transfer would be suboptimal. Effectuating this change depends on every bank having access to one of the two faster payment networks. This need may be challenging to address, as only about one-fourth of US banks have joined a faster payment network. When Treasury chooses a prepaid debit card to receive electronic payments for people who do not have a bank account, it should insist that the card can receive faster payments.

By using faster payments, Treasury could dramatically reduce filers' demand for refund anticipation loans (RALs). In 2024, approximately 502,000 tax filers paid RAL fees to receive their refunds, rather than wait

[4] Bureau of the Fiscal Service. "Fiscal Service Makes Progress to Reduce Paper Checks." *Agency Priority Goal* (blog), 2025. https://fiscal.treasury.gov/agency-priority-goal/apg-4-0-article.html.

[5] Ibid.

[6] Bayeh, Berhan, Emily Cubides, and Shaun O'Brien. "2024 Diary of Consumer Payment Choice." Federal Reserve, 2024. https://www.frbservices.org/news/research/2024-findings-from-the-diary-of-consumer-payment-choice.

for the next round of ACH disbursements to occur.[7] The largest volume provider of RAL loans charges 35.9 percent for its loans. In the disclosures on a partner preparer's website, it indicates that a $1,500 "Early Tax Refund Advance" has a finance charge of $110.85.[8] By necessity, all RAL users have bank accounts; their motivation to use the loan product is based on the duration of the wait. Treasury has control over both components contributing to waiting times – the cadence of funds disbursements and the method of ACH chosen. A standard ACH transfer could take three to five business days. If disbursements occurred more frequently and were sent by a faster payment, fewer filers would choose to pay for a RAL.

Through Treasury, the Federal Emergency Management Administration (FEMA) disburses payments to people impacted by natural disasters and other emergencies. Generally, time is of the essence in these situations. A faster payment would be far better than a check when disbursing funds to individuals with bank accounts.

RALs and emergency payments are two examples, but there are certainly others where faster settlement time could provide benefits that motivate beneficiaries to adopt electronic payment.

II. Consumers and businesses should still have an option to receive funds through checks. Treasury should consider how moving away from paper checks creates opportunities to reduce the number of unbanked households.

While it is vital to continue its campaign to convert more payments to electronic channels, the Treasury Department ("Treasury") should not mandate electronic funds transfers.

Treasury should provide exceptions for some beneficiaries to receive funds by paper check. For example, while more than 99 percent of Social Security checks are cleared by direct deposit, the Social Security Administration (SSA) still permits exceptions for people who qualify for a hardship waiver. Exemptions are granted to individuals who are blind or reside in geographically remote areas.[9]

i. Many people will never be able to use electronic payments. Treasury cannot eliminate the use of paper checks. It must ensure that people have the right to pay or receive funds by check.

Treasury should acknowledge that while it can reduce its costs by migrating to electronic funds, it has an obligation not to place undue burdens on some portions of the public. Even after years of progress to reduce the number of unbanked households, millions remain unbanked. In the last FDIC survey, over 4 percent of households did not include any residents with a bank account.[10] Eliminating non-electronic payments would immediately exclude these individuals.

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[7] Treasury Inspector General for Tax Administration. "TIGTA Assesses Use of Refund Anticipation Checks, Loans | Tax Notes." Treasury Reports, November 18, 2024. https://www.taxnotes.com/research/federal/other-documents/treasury-reports/tigta-assesses-use-refund-anticipation-checks-loans/7nfhq.

[8] Jackson Hewitt Tax. "Your Tax Refund Loan with No Fees & 0% APR: Frequently Asked Questions." Accessed June 18, 2025. https://www.jacksonhewitt.com/refund-advance/.

[9] Carrns, Ann. "Still Receive Paper Checks From the Government? That Will Soon End." *The New York Times*, April 4, 2025, sec. Your Money. https://www.nytimes.com/2025/04/04/your-money/paper-checks-tax-refunds-social-security.html.

[10] Federal Deposit Insurance Corporation. "2023 FDIC National Survey of Unbanked and Underbanked Households." Federal Deposit Insurance Corporation, July 24, 2023. https://www.fdic.gov/analysis/household-survey/index.html.

Increasingly, it is not just that some individuals are unbanked. Many communities are also becoming unbanked. Not all places are equally affected by this problem. Rural areas constitute the majority of places where there are no branches or only a single one.[11] Prudential banking regulators have acknowledged the problem, but supervisory licensing manuals make clear that regulations do not permit banking supervisors to prevent banks from electing to close a branch.[12] Individuals and small businesses are unlikely to open a bank account when a bank branch does not exist in their community.

Moreover, the problem of bank branch deserts cannot be rectified by digital banking. The United States still has uneven access to broadband or cellular service. In 2023, the National Telecommunications and Information Administration reported that 12 percent of households did not have broadband service or mobile internet. Progress toward complete access has been slowing, as evidenced by the fact that during the two years from 2021 to 2023, the reduction in non-internet households declined by only two percentage points. [13] Making payments to the government electronically is impossible without access to broadband or a smartphone. It is unreasonable to burden people with the duty to travel to a library or similar public place to conduct their financial affairs. In many cases, it will compromise their privacy and security.

Additionally, the population of people least likely to have internet access is possibly more likely to receive a government payment. Only 54 percent of households making less than $25,000 have both internet and mobile service, and only 73 percent have one or the other.[14] Some people with disabilities may not have access to assistive technology that enables them to use a cell phone or computer.

People with disabilities, limited English proficiency, of advanced age, or in rural areas are disproportionately more likely to not have a computer, smartphone, or a subscription to an internet service provider.[15]

In practice, a Treasury rule requiring individuals and small businesses to initiate and receive payments electronically will favor large banks over many small financial institutions. Some financial institutions have yet to offer online banking. Many do not have an app, or if they do, their apps have limited functionality. Many prepaid debit cards do not permit funds to be withdrawn electronically.

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[11] Board of Governors of the Federal Reserve. "Perspectives from Main Street: Bank Branch Access in Rural Communities." Washington, D.C., November 2019. https://www.federalreserve.gov/publications/files/bank-branch-access-in-rural-communities.pdf.

[12] Office of the Comptroller of the Currency. "Licensing Manual, 'Branch Closings,'" September 2023. https://www.occ.gov/publications-and-resources/publications/comptrollers-licensing-manual/files/pub-clm-bc.pdf

[13] Goldberg, Rafi. "New NTIA Data Show 13 Million More Internet Users in the U.S. in 2023 than 2021." National Telecommunications and Information Administration. June 6, 2024. https://www.ntia.gov/blog/2024/new-ntia-data-show-13-million-more-internet-users-us-2023-2021.

[14] Ibid

[15] US Census Bureau. "Computer and Internet Use in the United States: 2021." Census.gov. Accessed June 24, 2025. https://www.census.gov/library/publications/2024/acs/acs-56.html.

ii. Treasury can use this opportunity to increase access to electronic banking for traditionally underserved households. Formerly incarcerated individuals are a large addressable market.

The uptake of the Treasury Direct product suggests that a bank-issued debit card account could be expanded to serve other unbanked households.

Treasury should consider why some people do not have a bank account before initiating any effort to reduce the use of checks. The conclusions to be drawn from scanning specific lived experiences can inform policies to encourage, rather than mandate, the use of electronic payments.

Addressing challenges faced by people when leaving incarceration presents a significant opportunity. Approximately 600,000 people leave a state or federal correctional facility every year.[16]

People transitioning from incarceration often encounter challenges in qualifying for a bank account. By definition, these individuals do not have a fixed address of record, making it significantly more challenging for them to meet the requirements of most banks. Many live in transitional housing but receive mail through a P.O. Box, which is also a disqualifying factor for many banks. In many instances, when a person enters incarceration with outstanding debt, their accounts are in default at the end of their sentence. This outcome makes it even more difficult to receive approval for a bank account.

Across the country, individuals leaving incarceration have to pay "fines and fees" during probation.[17] A bank account would save them time and expense. A natural opportunity exists for the federal government to partner with federal, state, and municipal law enforcement agencies to introduce formerly incarcerated individuals into the banking system.

Providing banking services to individuals upon their release from incarceration, provided they receive access to full-featured insured bank accounts, could improve outcomes in our correctional system. Currently, many prisons and jails have partnerships to provide people with problematic "release cards." Contracts to establish partnerships between the handful of large release card issuers and individual correctional institutions are ripe with conflicts of interest. Historically, the cards have charged high fees and offered little value as long-term financial tools.[18] Fee-draining accounts make it that much harder for a person to transition back into society.

Banks have not reached out to serve this market. Treasury should offer quality accounts to people leaving incarceration.

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[16] Sawyer, Wendy. "Since You Asked: How Many People Are Released from Each State's Prisons and Jails Every Year?" Prison Policy Initiative. August 22, 2022. https://www.prisonpolicy.org/blog/2Initiative022/08/25/releasesbystate/.

[17] Kauhal, Arjun, Tanya Ladha, and David Silberman. "Financial Health and Criminal Justice: The Impacts of Involvement." The Financial Health Network and the University of Southern California Center for Economic and Social Research, May 2021. https://s3.amazonaws.com/cfsi-innovation-files-2018/wp-content/uploads/2021/05/26150028/FSL_CriminalJustice_Quant_Report_2021.pdf.

[18] National Consumer Law Center, and Collateral Consequences Resource Center. "The High Cost of a Fresh Start: A State-by-State Analysis of Court Debt as a Bar to Record Clearing," August 2022. https://www.nclc.org/wp-content/uploads/2022/08/Report-High-Cost-of-Fresh-Start.pdf.

iii. Millions of households do not have a bank account. Treasury should offer a choice of Treasury-sponsored, fee-free accounts at insured depository institutions designed for receiving payments in fiat currency.

A person cannot receive electronic payments if they do not have a bank account. 5.6 million people lived in an unbanked household in 2023. Unbanked rates were higher for populations likely to receive a federal benefit, such as working-age households with a disability or those with lower incomes.[19]

If Treasury intends to further the gains it has already made to reduce the use of paper checks, it must determine how to move more people into the banking system. The SSA created the Direct Express prepaid debit card to reduce the number of SSI and disability recipients receiving benefits via paper checks. Today, approximately 3.4 million people use a Direct Express card.[20]

The government cannot mandate electronic payments without providing a reasonable means for unbanked households to open and maintain accounts. Due to their experiences, many people are hesitant to open a bank account. Some of the most common reasons given by unbanked households for avoiding accounts are that they do not believe they can afford the fees or lack trust in banks.[21] The banking system has not served them well, and once bitten, they do not want to return. Another large group of unbanked households would like to open an account but lacks the necessary documentation.

Before requiring a household to receive recurring payments electronically, the Treasury should contract with an insured depository to offer a fee-free network-branded prepaid debit or demand deposit card, such as the insured bank-issued prepaid debit card already offered by the SSA. The accounts should be available to anyone, regardless of their credit score or banking history. Accounts provided by the government to receive benefits should be easy to use and provided at no cost. Recipients should be able to access information about their account without incurring any charges. The cards should:

- Be network-branded (VISA/MC)
- a member of a national fee-free ATM network
- issued by an insured depository
- not charge overdraft or non-sufficient funds fees
- without maintenance, monthly, or minimum balance fees
- provide free access to customer service call lines
- offer statements, in electronic or paper form, for free

[19] Federal Deposit Insurance Corporation. "2023 FDIC National Survey of Unbanked and Underbanked Households." Federal Deposit Insurance Corporation, July 24, 2023. https://www.fdic.gov/analysis/household-survey/index.html.

[20] BNY Mellon. "BNY to Manage U.S. Department of the Treasury's Largest Prepaid Debit Card Program for Federal Benefits - Direct Express®." BNY Newsroom, November 21, 2024. https://www.bny.com/corporate/global/en/about-us/newsroom/press-release/bny-to-manage-us-department-of-the-treasurypercent27s-largest-pr-130414.html.

[21] "2023 FDIC National Survey of Unbanked and Underbanked Households." Federal Deposit Insurance Corporation, November 2024. https://www.fdic.gov/household-survey/2023-fdic-national-survey-unbanked-and-underbanked-households-report.

iv. Treasury should select at least two bank partners to issue cards for unbanked households who receive a federal funds transfer.

Consumers deserve to have a choice of bank accounts. The Social Security Administration has contracted with a single bank for its Treasury Direct card. Comerica Bank, a long-time issuer of the Treasury Direct card, was sued by the CFPB for providing poor customer service and charging junk fees to older and disabled Americans without bank accounts.[22] Recipients of Direct Express cards have not had an alternative. Their lack of agency most likely contributed to the unwillingness by former issuers to alter their business practices.

Treasury should contract with two or more insured depositories to ensure payment recipients without bank accounts can still have a choice of accounts.

From the perspective of a profit-maximizing commercial bank or credit union, this contract will present a valuable opportunity. The accounts will generate revenue through interchange fees and allow their issuing bank to acquire millions of customers with virtually no customer acquisition costs.

v. Treasury should consider how partnerships with trusted community organizations could expand awareness and drive more uptake of electronic payments.

Any effort to expand the uptake of electronic payments must communicate its intentions widely, provide substantial lead time for people to prepare, and use trusted community partners.

Treasury cannot pretend that it can transition to a checkless or near-checkless payment system in a short time. It is not realistic and could cause harm if implemented quickly or without considering exemptions for certain populations.

Given how criminal fraudsters use telephonic, social media, and social networks to trick people into sending money, many people will not trust an unsolicited message calling for them to submit their bank account numbers to an electronic portal. Government policymakers have not addressed authorized payment fraud, and for those who favor this policy proposal, the inaction will undermine the initiative's goals.

To overcome a lack of trust, Treasury should pursue partnerships with trusted community organizations. Community organizations frequently partner with local residents to improve their financial well-being. They would be naturally suited to tap into this social capital to facilitate the increased use of electronic payments. Examples include Voluntary Income Tax Assistance (VITA) sites, HUD-approved housing counseling agencies, BankOn, savings programs, county social service and housing agencies, and workforce development programs. Outside of those providers with direct engagement in financial health, many organizations have deep involvement with vulnerable households. Examples of potential partners include food banks, emergency shelters, faith communities, YMCAs, youth development centers,

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[22] Consumer Financial Protection Bureau. "CFPB Sues Comerica Bank for Systematically Failing Disabled and Older Americans," December 6, 2024. https://www.consumerfinance.gov/about-us/newsroom/cfpb-sues-comerica-bank-for-systematically-failing-disabled-and-older-americans/.

transitional housing, residential substance abuse treatment centers, nursing homes, senior centers, and local schools. Most of these groups serve unbanked households.

Community partners deserve to receive grants to support the cost of this work. The need for engagement with partners will be amplified by the recent reductions in staffing at many Social Security offices.

vi. Many people do not have a bank account because they do not trust banks or believe that bank accounts are too expensive. Congress should pass new legislation to increase the provision of overdraft-free bank accounts.

Earlier this year, Congress passed a resolution of disapproval for the CFPB's Overdraft Lending at Very Large Financial Institutions final rule. The rule would have dramatically reduced the cost of an overdraft.[23] For years, unbanked households have reported that they do not use banks because they are afraid of unexpected costs, including overdraft and non-sufficient funds fees.[24] That action will impact the ability of the Treasury Department to make more electronic payments.

Under the terms of the Congressional Review Act, the rule cannot be reissued in a substantially similar form. However, Congress could compel banks to offer overdraft-free accounts, hold banks accountable with a negative Community Reinvestment Act rating if they rely too heavily on overdraft revenue and do not offer an overdraft-free account option, and potentially lower their safety and soundness ratings. For now, Congress has passed legislation that will undermine the efforts to expand the use of electronic payments.

III. We are concerned that the primary intent of this initiative is to convert government payments to stablecoins, specifically privately issued stablecoins.

i. Administration officials have proposed putting government payments "on the blockchain" while opposing the establishment of a US government-backed digital currency.

In late January, a top Treasury official resigned when Elon Musk's DOGE Team, with the support of the administration, demanded access to the Treasury payment system.[25] Musk then advocated putting these government payments - including social security, veterans' pension payments, and much more – "on the blockchain."[26] Shortly thereafter, recordings provided to news outlets contained discussions at the Department of Housing and Urban Development proposing to disburse the $3.3 billion in Community

[23] Consumer Financial Protection Bureau. "Overdraft Lending: Very Large Financial Institutions." Final Rule. Federal Register, December 30, 2024. https://www.federalregister.gov/documents/2024/12/30/2024-29699/overdraft-lending-very-large-financial-institutions.

[24] Federal Deposit Insurance Corporation. "How America Banks: Household Use of Banking and Financial Services, 2019 FDIC Survey," Spring 2019. https://www.fdic.gov/analysis/household-survey/index.html.

[25] Duehren, Andrew; Alan Rappeport, Theodore Schleifer, Jonathan Swan, and Maggie Haberman Reporting from Washington. "Treasury Official Quits After Resisting Musk's Requests on Payments." *The New York Times*, January 31, 2025, sec. U.S. https://www.nytimes.com/2025/01/31/us/politics/david-lebryk-treasury-resigns-musk.html.

[26] Puckrin, Nic. "Elon Musk Wants the U.S. Treasury to Be on a Blockchain. That's a Terrible Idea—Take It from a Big Proponent of the Technology | Fortune," February 14, 2025. https://fortune.com/2025/02/14/elon-musk-us-treasury-blockchain-technology/.

Development Block Grant (CDBG) funds in stablecoins.[27] Further, a March State Department memo declared that all future USAID disbursements would be "secured and traced via blockchain technology."[28]

As the vast majority of government payments are already being made electronically, as outlined above, it is hard not to interpret this memo as sharing the same intentions as previous administration actions. By "modernize government payments" the directive appears to mean "hand them over to the crypto industry". While the memo does not say anything explicitly with regard to the adoption of private stablecoins, it does dismiss the consideration of a US government-issued stablecoin. If it is in fact the intention of this administration to begin migrating government payments to blockchain technology, and specifically via private companies, it raises a host of critical concerns for American consumers and the stability of the US financial system.

ii. Unlike currency issued by the United States, stablecoins do not dependably hold their value.

While the crypto industry may claim that fiat-backed stablecoins do not share the volatility and instability of other crypto assets, recent history disagrees. Consumer Federation of America's report on stablecoins noted that several fiat-backed stablecoins have fallen below their claimed $1 value by as much as 13 cents.[29] Further, the second-largest stablecoin in the world, USDC, fell in value by more than 13 cents before $3.3 billion in its reserves were bailed out during the 2023 regional bank crisis.[30] Several stablecoins have not only fallen off their "peg," but have failed entirely, leaving customers with worthless assets.

It would be both reckless and harmful to Americans to impose this uncertainty and volatility on government payments system that was responsible for approximately $5.45 trillion in transactions in 2024.[31] Americans cannot afford to receive 13% less in Social Security than they earned, nor can veterans afford to receive only 87% of their hard-earned pensions. Private companies that serve the US government would not accept a fraction of their contractual payments.

Failure to make government payments in full is not only illegal and harmful to American families, but it would also be catastrophic to the broader economy. Every economic actor in the United States, from the largest Wall Street banks to small-town hardware stores, relies on the stability and dependability of the US dollar. A currency crisis caused by private stablecoins could foreseeably destabilize the entire US economy.

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[27] Coburn, Jesse. "HUD Considers Crypto Experiment With Blockchain, Stablecoin — ProPublica." *ProPublica*, March 7, 2025. https://www.propublica.org/article/hud-considers-crypto-blockchain-stablecoin-housing-urban-development.

[28] Elliott, Vittoria. "The Trump Administration Wants USAID on the Blockchain." *Wired*, March 28, 2025. https://www.wired.com/story/trump-administration-usaid-blockchain/.

[29] Frayer, Corey. "The Very Real Dangers of Adopting Virtual Money · Consumer Federation of America." *Consumer Federation of America* (blog), February 25, 2025. https://consumerfed.org/reports/the-very-real-dangers-of-adopting-virtual-money/.

[30] Ibid.

[31] Bureau of the Fiscal Service. "Federal Disbursement Services." Accessed June 25, 2025. https://fiscal.treasury.gov/fds/.

ii. *Unlike currency issued by the United States and other forms of payment, private stablecoins do not have the same consumer protections or deposit insurance that consumers expect.*

Traditionally, payment services providers have either been banks themselves or required a relationship with a bank to gain access to a Fed Master Account. With some exceptions, that structure ensures that depositors who use their accounts for payments receive the benefit of FDIC insurance. Stablecoins that are issued by private companies not only lack insurance, but also lack the rigorous oversight and supervision that comes along with a banking charter. Their less stringent regulatory regime makes it even more likely they may fail during a period of market stress, leaving consumers to pay for that failure as their stablecoins fall precipitously in value. Further, payment providers and banks are subject to numerous consumer protection laws. These include limits on lending fees and interest rates, the ability to reverse and recover funds from fraudulent transactions, and rigorous oversight by the CFPB, among others. Stablecoin issuers that are not banks lack these fundamental protections applicable to all of their competitors. In fact, traditional firms plan to shift their business to stablecoins to take advantage of their weaker regulatory standards.[32]

In sum, while payment stablecoins are marketed as a technological advancement, the inapplicability of these consumer protections is likely to confuse consumers who have come to expect safety and security when banking.

iii. Stablecoins are vulnerable to cybersecurity attacks and other risks of loss that may harm consumers.

Hacks of even the most sophisticated crypto platforms happen with alarming frequency. Just months ago, one of the largest crypto platforms in the world was hacked for $1.5 billion in crypto, including stablecoins, by North Korean actors.[33] Experts estimate that between 2020 and 2024, more than $180 billion in crypto has been stolen through hacking and other cybersecurity attacks.[34]

Large crypto platforms aren't the only target of hacks and frauds. The leading methods of internet fraud and theft in 2024 involved crypto assets.[35] More than half of all internet fraud last year involved crypto assets, costing consumers $9.8 billion.[36] Due to the lack of consumer protections like the ability to be compensated for fraudulent payments and the irreversibility transactions in crypto assets, crypto assets

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[32] Forestell, Jack. "Visa's Role in Stablecoins." *VISA Innovation* (blog), April 30, 2025. https://corporate.visa.com/en/sites/visa-perspectives/innovation/visas-role-in-stablecoins.html and Gelsi, Steve. "Mastercard Makes a Move toward Stablecoins, in an Effort to Boost Mainstream Use." *MarketWatch*, June 24, 2025, sec. Industries. https://www.marketwatch.com/story/mastercard-makes-a-move-toward-stablecoins-in-an-effort-to-boost-mainstream-use-cb94d5a7.

[33] Yaffe-Bellany, David. "How the Crypto Exchange Bybit Lost $1.5 Billion to North Korean Hackers - The New York Times." *New York Times*, March 6, 2025. https://www.nytimes.com/2025/03/06/technology/bybit-crypto-hack-north-korea.html.

[34] Crime. "2025 Crypto Crime Trends from Chainalysis," January 15, 2025. https://www.chainalysis.com/blog/2025-crypto-crime-report-introduction/.

[35] Internet Crime Complaint Center. "Internet Crime Report 2024." Annual Report. Federal Bureau of Investigation, 2025. https://www.ic3.gov/AnnualReport/Reports/2024_IC3Report.pdf. Page 35

[36] Ibid.

present unique risks to consumers. The largest age group targeted by crypto scams were those 60+.[37] This population represents every American that receives Social Security payments, a critical source of income for more than 70 million retirees.

Crypto assets create other unique risks. Consumers that lose the private key to their crypto wallet lose access to all of their funds, permanently. And consumers that rely on crypto companies to custody their assets are subject to punishing terms and conditions that severely inhibit their rights in the case that their funds are compromised or fraudulently transferred. In fact, one US business lost one million dollars when a typo mistaking a B and an 8 caused their funds to be unintentionally sent to a crypto wallet address that did not exist.[38] Crypto transfers are complex, involving long strings of numbers and letters from 26 to 56 characters long. Internet discussion forums for crypto enthusiasts are rife with consumers that have unintentionally sent their funds to the wrong wallet in an irreversible transaction begging for assistance in recovering their crypto.

Finally, the disposition of crypto assets in the case of the bankruptcy of a crypto company is not well established in law.[39] While some customers of failed crypto companies received compensation associated with traditional custody arrangement, many others have been forced to line up with creditors and other parties that share rights to the trust's assets. Even if a customer does ultimately received full compensation for their losses, bankruptcy adjudications typically take years to be resolved. Customers will not have access to any of their funds during that process.

These unique risks make it wholly inappropriate to force crypto adoption on working Americans who bear the risks associated with a confusing, vulnerable, and risky payment asset.

iv. Lock-in, concentration and privacy risks.

Many large technology companies – like Amazon, Google, and Meta – have plans to issue their own cryptocurrencies.[40] For decades, there has been a strict separation between banking and commerce in the United States.[41] In addition to the financial stability concerns of introducing the risks of businesses' success or failure to the banking system, the separation of banking and commerce brings fundamental fairness to consumers. If tech firms are allowed to issue their own currencies, consumers may be subject to exorbitant transaction fees to convert their stablecoins into those issued by marketplaces like Amazon and Facebook. Requiring payments in their own stablecoins allows tech companies to bind customers to

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[37] Ibid.

[38] "Celacare Technologies v. Circle Internet Financial." Memorandum and Order. United States District Court for the District of Massachusetts, February 12, 2025. https://www.courthousenews.com/wp-content/uploads/2025/02/cyrpto-lost-to-typo.pdf.

[39] Levitin, Adam. "Not Your Keys, Not Your Coins: Unpriced Credit Risk in Cryptocurrency." *Texas Laws Review* 101 (May 18, 2022). https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4107019.

[40] Tepedino, Christopher. "Big Tech Companies like X Considering Stablecoin Adoption." *CoinTelegraph*, June 6, 2025. https://cointelegraph.com/news/big-tech-considers-adopting-stablecoins-as-genius-act-debate-continues.

[41] Wilmarth, Arthur, and Mickey Marshall. "Preserving the Separation: The Case for Keeping Banks and Big Business Apart | American Banker." *American Banker*, May 9, 2025. https://www.americanbanker.com/opinion/preserving-the-separation-the-case-for-keeping-banks-and-big-business-apart.

their products and services, allows them to track their customers' transactions in any crypto asset, obtain additional economic power over national markets and compete on an uneven playing field with banks.

It's not only tech firms that would benefit from this crack in the firmament of financial regulation. For years, retailers like Walmart and Rakuten have angled to charter Industrial Loan Companies that similarly undermine the separation of banking and commerce. Regulators, academics, and even the banking industry have raised alarms about these kinds of arrangements.[42] It's no surprise that Walmart, having had its application for an ILC denied for nearly 20 years, has announced plans to issue its own stablecoin as well.[43] Forcing adoption of stablecoins via government payments would give large corporations even more influence over consumers and the broader economy.

Conclusion

Thank you for the opportunity to comment on this important topic.

In seeking to migrate more payments to electronic formats, Treasury must pursue a careful approach. On the one hand, efforts to reduce the theft of checks could enhance the safety and security of many government transactions. However, it must not do away with checks entirely. Many individuals and small businesses would be challenged to shift to digital payments. The Treasury must have the ability to pay all people and small businesses in the United States. Eliminating checks would make this an impossibility. For these reasons, Treasury must continue to offer the option for people to send and receive payments in check form. Rather than mandate the use of electronic payments, Treasury should take steps to make it more attractive to have a bank account.

According to a Pew Research Survey from the end of 2024, 63% of Americans don't trust cryptocurrency, a number that rises to 82% for those that have actually interacted with crypto assets.[44] Given that most Americans don't want to interact with crypto assets and the Treasury is on track to minimize paper checks, it would make no sense to force the public to use this technology. Further, many Americans are deeply concerned about the President's conflicts of interest related to crypto, including the issuance of his own stablecoin.

Additionally, Treasury's approval of private stablecoins creates at least an appearance of the government's acting to further the private interests of private stablecoin issuers, including President Trump and his family. . It would be damaging to both consumers and the broader economy to foist stablecoins onto working Americans purely for the benefit of large corporations, the President, and his family. Consumers, Social Security recipients, veterans, taxpayers and every other American not only deserve a choice in how they receive their rightful government payments – even in the form of checks – they deserve the safety and security of a payment system that relies real currency that is issued and fully backed by the full faith

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[42] PYMNTS. "Battle Lines Drawn as FDIC Examines Industrial Loan Companies," October 9, 2024. https://www.pymnts.com/bank-regulation/2024/battle-lines-being-drawn-as-fdic-examines-industrial-loan-companies/.

[43] Heeb, Gina, and Anna Marie Andriotis. "Walmart and Amazon Are Exploring Issuing Their Own Stablecoins." *Wall Street Journal*. June 13, 2025. https://www.wsj.com/finance/banking/walmart-amazon-stablecoin-07de2fdd.

[44] Faviero, Michelle, Wyatt Dawson, and Olivia Sidoti. "On Cryptocurrency, 63% of US Adults Not Confident It's Safe, Reliable Pew Research Center," October 24, 2024. https://www.pewresearch.org/short-reads/2024/10/24/majority-of-americans-arent-confident-in-the-safety-and-reliability-of-cryptocurrency/.

and credit of the United States. We urge the Treasury to maintain progress on existing plans to minimize costs and other challenges related to paper checks.

Treasury's approval of private stablecoins may allow the federal government to further the business interests of private stablecoin issuers, including President Trump and his family.

Please contact Adam Rust, director of financial services, on questions related to paper checks (arust@consumerfed.org) or Corey Frayer, director of investor protections, on questions related to stablecoins and other digital assets (cfrayer@consumerfed.org).

Sincerely,

Consumer Federation of America
Americans for Financial Reform
Consumer Action
Consumer Reports
National Consumer Law Center, on behalf of its low-income clients
National Consumers League