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BLOG

Executive Order Brings Federal Disbursements Under Reg E

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On March 25, President Trump signed an Executive Order requiring federal agencies to stop issuing paper checks for most disbursements by September 30. Exec. Order No. 14,247, 90 Fed. Reg. 14001 (Mar. 25, 2025). To combat what the Executive Order describes as the "risks of fraud, lost payments, thefts, and inefficiencies" associated with paper checks, all executive departments and agencies will be required to transition to electronic funds transfer (EFT) methods, such as direct deposit or credit card payments. *Id.*

This move will bring the vast majority of federal disbursements under Reg E's purview, as Reg E governs most EFTs initiated to or from a consumer's personal accounts. *See* 12 C.F.R. § 1005.3(a). As depository institutions are required to process EFTs authorized for federal disbursements, they will need to ensure that they follow Reg E's requirements.

The departure from paper greatly reshapes the regulatory landscape related to Treasury checks. Paper Treasury check deposits have historically been regulated under the Federal Reserve's Regulation CC, under which depository institutions are required to give most Treasury check deposits next-day availability. 12 C.F.R. § 229.10(c)(1)(i). Regulation CC's time pressure, combined with the difficulties financial institutions have faced in verifying Treasury checks, has made paper Treasury checks ripe for fraudulent deposit schemes. The move toward EFT payments will hopefully streamline an area that has vexed depository institutions.

Regulation CC's Treasury check rules will not be wholly obsolete, however. The Executive Order makes exceptions from the EFT requirements for (1) unbanked individuals, (2) emergency payments, (3) certain national security– or law enforcement–related activities, and (4) other circumstances as determined by the Secretary of the Treasury. Exec. Order No. 14,247, 90 Fed. Reg. at 14002. Financial institutions will thus need to maintain their Regulation CC procedures for handling paper Treasury checks, while understanding that Reg E will be the predominant regulation governing most federal disbursements.

MIXED SIGNALS ON THE CFPB'S ROLE

Given the administration's efforts to halt and downsize the CFPB, it is noteworthy that the Executive Order brings a new class of banking transactions under the Bureau's jurisdiction.

The move is particularly interesting considering the Bureau's dismissal of its suit against Comerica Bank, which alleged Reg E violations related to federal benefits program disbursements. *See* Notice of Dismissal, *Consumer Fin. Prot. Bureau v. Comerica Bank*, No. 3:24-cv-3054 (N.D. Tex. Apr. 11, 2025).

The Executive Order and the dismissal of the Comerica suit send conflicting messages about the CFPB's future. While the Executive Order pulls federal disbursements into the Bureau's regulatory ambit, the dismissal suggests that the Bureau will not be emphasizing enforcement in this newly expanded area. Financial institutions should follow this space to try to identify the administration's priorities in the shifting consumer protection landscape.

2 Min Read

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