In these divisive times, it should come as no surprise that the staff at American University's Kogod School of Business is taking sides.

And in the world of personal finance, it may not get more personal than this.

Chris Vockrodt is in the camp that sits down once a month with a stack of bills and a checkbook. He pays his rent, his utilities and his credit card bill by writing out a check, a ritual that the 25-year-old graduate assistant is reluctant to give up. His paper checks may have a map of the world printed on them, but when it comes to paying his bills, Vockrodt isn't venturing far from home -- and certainly not into cyberspace.

"I like to be able to see what's in my account," Vockrodt said.

Kellie A. Foy, a career counselor at the business school, used to be a check writer, too. But then, she said, she saw the light, and it was coming from her computer screen. Foy, 31, found out she could pay her bills with a keystrokes: She'd pick a bill to pay, go online, type in the necessary information and hit "send."

"Paying my bills is so much easier now," she said. "I don't even think about it at all."

This is not a debate about the essence of money. That contest is mostly settled anyway. Cash, check or charge? "Charge" is clearly winning.

Besides, Vockrodt may be clinging to his checkbook to pay his monthly bills, but he buys merchandise online. He doesn't write a check at the Gap. Or when he goes out for dinner.

This is something else, something both simple and large. This is about a ritual gasping for air, refusing to go quietly even as the technology gap becomes less of a canyon. This is about control, or the feeling of control, over the most personal of personal finances, our monthly bills.

Kellie Foy's father is the chief financial officer of a limousine company
based in Princeton, N.J. He is an accountant. He does not pay his bills using the Internet.

"I like to have complete control," said Frank Foy, who estimated that he writes 40 to 50 checks a month. "I control my financial destiny."

Foy said he knows his daughter uses a computer to pay her bills, knows that "all my kids are into this New Age thing."

Kellie Foy just laughs.

"It's a trust issue," she said. "My parents want to see where their money is going. I feel like I have more control over my finances than I've ever had."

We have become a society divided between check writers and e-payers.

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Paper's Gradual Decline

Thirty-seven years ago today, George W. Mitchell, a member of the Federal Reserve Board, made a bold prediction to a House subcommittee that paper checks were on their way out.

In the near future, in a foreseeable future, Mitchell declared on Feb. 9, 1966, the check would be found "only in research libraries for historical evaluation."

Of course, he also said that a universal credit card would eliminate the need "to explain to your wife the complexities of various credit plans."

But the point for the Check Payment Systems Association is that Mitchell was wrong about checks. So wrong, in fact, that the group, the check's chief lobbyist in Washington, pulls out the Wall Street Journal account of his remarks "to amuse ourselves," said Wade Delk, executive director of the association, which represents check printers and ink manufacturers.

To be fair, the group doesn't single Mitchell out. Donald L. Koch, vice president and director of research for the Federal Reserve Bank of Atlanta, predicted in 1983 that check writing would be in a deep decline by the end of that decade. And that gets them laughing, too, all the way to the bank. In 2000, 42.5 billion checks passed through the Federal Reserve, up from 32.7 billion in 1979.

It turns out that Mitchell wasn't completely wrong. He was just off by about three decades. By the time he died in 1997, the decline of check writing was beginning.

In recognition of this, the Federal Reserve said Thursday that it will stop processing checks at 13 of its 45 sites around the country. A total of 1,300 employees at the 13 sites will be laid off or reassigned to nine other locations. The Fed estimated that it will save about $300 million over the next five years by reducing its check services.

What's harder to estimate, as Mitchell discovered, is how long it will take for check writing to
disappear. Common sense says that people will probably not be writing checks in the next century. But how many will continue to write them in this century? And for how long?

Checks still account for nearly 60 percent of all retail non-cash payments, according to Federal Reserve data. By comparison, electronic payments made up 7.9 percent of the pie in 2000.

The Fed, which actually does not process the majority of checks written, now believes that check writing has peaked, for real. In an August 2002 report, the Fed said it appears that the number of checks written began to decline sometime in the mid-1990s after a high of 49.5 billion in 1995.

A key point: Electronic payments are growing, at a rate of 18 percent from 1979 to 2000, compared with a growth rate of 1.2 percent for checks in the same period.

One reason is the growing number of companies and banks that accept electronic payments.

Consumers can pay their bills online a couple of ways.

Most major credit card companies, for example, allow customers to create online accounts through the cards' Web sites. These accounts enable customers to see their statements online and to pay a portion or all of their bill over the Internet. Customers must give the credit card company the name of their bank and their bank account number. And then each month, or even more frequently, they can go to the card's Web site and choose an amount to pay. The payment is electronically deducted from the customer's bank account.

Banks themselves are also setting up online payment services for their customers. Some banks charge fees for the service; others offer it free.
The services typically allow someone to set up automatic deductions to pay a cable television or telephone bill, for example. The bank then takes care of sending out the payment. If a merchant is not set up to accept electronic fund transfers directly, then the bank cuts a check and mails it on behalf of the customer. For consumers who aren't comfortable with automatic deductions, most online banking services allow people to go to the Web site every month and manually decide when to pay and how much.

Michael Herd, a spokesman for the Electronic Payments Association, said most people -- by a ratio of almost 2 to 1 -- go to an individual merchant's Web site to pay their bills rather than go through a bank.

He said a growing number of people also are using personal finance software to manage and pay their bills electronically.

"It's becoming clear in the last couple of years that we are moving to a society of electronic payment," he said. "And it is across demographics."

**Slow to Abandon the 'Float'**

Dori Pearson, product manager of Internet banking for Allfirst Bank, the largest bank headquartered in the Washington-Baltimore region, said she has noticed a pattern among customers who sign up for the online bill-paying service.

She said most customers who sign up don't make a payment for at least 30 days. Then they'll usually try one transaction to make sure it works.

"Sometimes they'll make a payment to themselves, just a dollar," she said. "Once they see it works, they go full bore."

Getting consumers to make that first leap, however, isn't all that easy, experts said.
Amar Gupta, co-director of the Productivity From Information Technology Initiative at the Massachusetts Institute of Technology, said people are comfortable with checks, particularly when something goes wrong.

"If there's ever a problem, people feel much more comfortable if they have a check," said Gupta, who is leading a research project on how to make the electronic payment system more efficient. "In cases where there's a problem with an e-payment, it's a nightmare to solve it."

Gupta said consumers also like the "float" that comes with a check, the time between when they write the check and when the amount gets deducted from their bank balance.

ESP Consulting, a Salisbury, Md., firm that specializes in payment systems, estimated that 55 percent of all U.S. households paid at least one bill online last year. That was up from 52 percent in 2001. It also estimated that 74 percent of bill payments are still made by paper check.

Leon Majors, president of ESP, said e-paying is not yet the rage.

"It's evolving," he said. "People want to hype it, that there is a revolution. It's not a revolution. It's an evolution. There hasn't been a pop yet."

One of the reasons, Majors said, is that most banks charge for their one-stop online bill-paying services.
Majors said consumers won't be sold on a service that is designed to save the financial services industry money, which e-payment does by cutting the cost of processing checks and the cost of floating money as the paper check moves through the banking system.

"The problem with online bill payment is that you're marketing to people who don't have a problem," Majors said. "It's going to be adopted. But it's going to be adopted slow."

The folks at the check payment association are counting on that slow pace.

"The check is so widely accepted, everyone knows what they are," Delk said. "The check is going to be around for at least another 50 years."

And what about Delk? Does the check's chief cheerleader and lobbyist pay his bills online? Come on now. The truth.

"I've bought things online," Delk acknowledged. "But no, I don't pay any bills online."

Circumventing Stamps

The thing about e-payers is that most of them started out as check writers.

Pat Lynch, a 47-year-old defense consultant from Odenton, Md., remembers his mother teaching him how to write a check.

"It was a milestone," he said. "Later, when I was on my own, I took great pride in taking care of my bills. I took it seriously."

During the lean years, when he was watching every penny, Lynch would split up his bills. He'd write checks for the first half and pay the rest later in the month. He kept a check register, and rounded up to the nearest dollar just to be safe.

But something happened on the way to the bank. Lynch got tired of licking stamps and
addressing envelopes. He stopped getting his canceled checks back.

"It just became more and more difficult," he said.

These days Lynch pays his bills online.

The other thing about e-payers is that it's not easy to predict who is one. At 25, it seems as if Vockrodt, who is studying for his master's in business administration at American, should be an e-payer. But, as we've seen, he's not.

Larry Robertson, a 46-year-old project manager for a government health care contractor in Silver Spring, pays all his bills online except his mortgage, and that's only because his mortgage company doesn't accept electronic payments.
David Young, a 33-year-old computer engineer, has been paying his bills online since 1996. And lest anyone think that his online banking has made him a lousy recordkeeper, Young checked. He knows for sure that it was 1996, May 15 to be exact.

The D.C. resident bought a computer so he could have Internet access for that very purpose. The last time he bought stamps, they cost 33 cents. Young had no idea that a stamp now costs 37 cents.

Banking on Resistance

Jennifer Barnum, 28, an account executive at a weekly newspaper in Richmond, absolutely won't consider giving up her checks.

"I feel a sense of accomplishment when I write the check, stick it in the envelope, put the stamp on it and put the envelope in the mailbox," she said.

Deluxe Corp., the world's largest check printer, knows something about check writers like Barnum, something it is counting on to keep the industry going for the foreseeable future.

"People are resistant to change," said Debi Cahall, executive director of marketing operations for Deluxe, which is based in St. Paul, Minn.

Also, Cahall points out, paper checks are "a way for them to express themselves."

According to Deluxe, women ages 25 to 35 make up the largest segment of check writers. And they love specialty checks, she said -- scenes of America, polka dots, children licking ice cream cones.

"Females see the check as a treat," Cahall said. "They prefer to have a choice and express themselves through that. This is typically a lower-income range. They can't go out and buy a BMW, but they can buy an interesting check package."
Through marketing studies, focus groups and "mall intercepts," the check companies have learned a lot about people who buy checks and what they like.

Linda Caldwell, marketing director for San Antonio-based Clarke American Checks Inc., another major printer, says check writers fall into two categories, one of which likes designs.

"These are the people who want their checks to represent who they are as a person or what they represent," she said.

Caldwell said Clarke American's research shows that men are more apt to use cartoon and sports-themed checks, while women like animals, children and floral designs.

"Men tend to complain when they have to write a check on roses or some other feminine designs," she said.

Geography also plays a role in the kind of checks people buy, according to the market studies. In the Southwest and West, it's animals or sports. In the Midwest, cartoons. In the Northeast, floral and basic designs. In the Southeast, religious.

Young people tend to pick cartoons. When they hit middle age, they go for scenic checks. By the time they're 55, they want religion.

But Cahall, of Deluxe, said even check companies can see the writing on the wall. Deluxe is preparing for a future where people are less dependent on checks, even if those checks are visually appealing.

"We see that as inevitable," Cahall said.

About three years ago, Deluxe began taking online orders for its checks. Cahall said the new system has grown rapidly.

And guess what: Customers who order online pay for their checks electronically.