

[REDACTED]

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**From:** [REDACTED]  
**Sent:** Wednesday, August 27, 2025 12:49 PM  
**To:** Comments  
**Subject:** [EXTERNAL MESSAGE] June 20, 2025-Request for Information On Potential Actions To Address Payments Fraud; Comment Request (RIN 3064-ZA49)

[REDACTED]

Ms. Jennifer M. Jones  
Deputy Executive Secretary  
Attention: Comments—RIN 3064-ZA49  
Federal Deposit Insurance Corporation  
550 17th Street NW  
Washington, DC 20429

Dear Ms. Jones:

I am the president of Cleveland State Bank of Cleveland, Mississippi. We are a \$330,000,000 asset bank serving both Bolivar and Grenada counties in west central Mississippi. I am writing to share our story and as a response to the OCC's, FRS's and FDIC's request for information on payments fraud.

Again, our bank is a local community bank that is headquartered in Cleveland (the only one) and also serves the greater Grenada community. Having been founded in 1908, we take great pride in our continuous commitment to the 2 local communities we serve. We feel that we are a very key cog to the local economic engine whereby our local area has a higher than average poverty percentage as well as a larger percentage of low to moderate income citizens. A high percentage of our loans are to small businesses and consumers. We also, very largely and purposely, support many local non-profit organizations with an emphasis on schools, students and child-age organizations. I very often use the phrase "for the kids" and that is the truth. At heart, they are our future.

I thank you for the opportunity to share our "fraud" story and for your agency seeking input regarding such. It is my hope and desire that this letter serves to assist you and your agency in developing policy and actions that will not just benefit the community banks but also bring assurance and confidence to consumers and small businesses who have been victims of check fraud and payments fraud.

Our bank and our customers have both been victims of check fraud and debit card fraud. In August, 2023, I was emotionally informed by one of our small business customers that 3 checks that they had mailed on the same day via the United States Post Office in July, 2023 had not been received by the intended receiver; that they were now "marked" as past due with those vendors. Their quick review of their online account with us verified that the checks had "cleared" their account. Their visit to our bank

revealed that these checks had each been altered with a new payee; deposited and processed through JP Morgan Chase Bank and “paid” against their CSB account balance. Upon our review, we determined that this was, indeed, a clear depiction of what had occurred and after they executed the appropriate affidavits of altered checks, we restored/reimbursed our customer for the total amount, over \$780,000. This was a staggering amount for a bank our size! We immediately contacted local law enforcement, legal counsel and our insurance company. Within the next 6 weeks, several other check/mail fraud instances also occurred. Our operations/payments employee immediately researched the correct process via the Federal Reserve Bank and our correspondent bank, First National Bankers’ Bank, Baton Rouge, Louisiana. Upon following FRB procedures, we submitted fraud claims to the various banks of first deposit on the altered checks. Quickly, our claims were denied on the larger denomination checks, yet we were reimbursed on the smaller size checks. We then sought professional guidance via our correspondent, FNBB, and were connected with a law firm in Houston, Texas who already had experience in check fraud liability and recovery. They filed suit on our behalf after multiple denials of responsibility by the banks of first deposit. Internally, we quickly developed manual processes to review daily incoming checks/payments as to prevent additional loss. Noteworthy, we, quickly, almost immediately, restored credit to our customers’ accounts after the altered check status was determined. Regardless of regulations/legality, we felt a responsibility to make whole our customers and support the livelihood of their small businesses had we not, some of them could have been gravely harmed. We eventually, almost 1 year later, became forced to file an insurance claim as there was minimal progress occurring with litigation and the expiration date to file a claim was closing in. We feel fortunate to have had insurance coverage for such activity, albeit, a \$75,000 deductible. In the end, our bank had a loss of the aforementioned deductible and several thousand dollars of legal expense. We have now purchased “positive pay” software as a method to risk mitigate this continued risk.

My ask and desire is this: For the combined regulatory authorities, FFIEC, to have and execute enforcement authority over the already written regulations regarding this type of fraud. Research reveals that the regulatory agencies describe the differences in “counterfeit checks” and “altered checks”. Maybe (due to technology) more specific definitions are needed as well as enforcement procedures with the FRS holding complete authority to reverse payments with proof of alteration. The large money center banks need a burden of responsibility of “knowing your customer” upon opening these “fake” accounts remotely with false identities. We learned of these details and that our items were all deposited via remote mobile deposit into newly opened accounts that were opened remotely via the bank’s website, avoiding human interaction and detection.

The above narrative was focused on check fraud; however, we have had multiple customers who have also experienced debit card fraud, telephone fraud and mail solicitation fraud. Many of these victims are elderly and/or can not afford the loss of funds and the associated economic security.

Again, I thank you for this opportunity to “share our story” and for your agency’s interest in modernizing the regulations and processes to combat modern-day payments fraud.

I welcome your calls or replies and if any additional information is needed from our bank. My telephone number is [REDACTED].

Respectfully Submitted,

Daniel F. Whalen

President & CEO

Cleveland State Bank

Cleveland, Mississippi