From:	Michael Hedemark
To:	Comments
Cc:	Megan L. Harmon; Fraud; Karen Smith
Subject:	[EXTERNAL MESSAGE] June 20, 2025-Request for Information On Potential Actions To Address Payments Fraud; Comment Request (RIN 3064-ZA49)
Date:	Wednesday, September 17, 2025 9:48:23 AM
Attachments:	image002.png image003.png image004.png image005.png image006.png

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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, Mr. McDonough, and Mr. Gould:

I am the Fraud Officer of The Eastern Colorado Bank, a $650M community bank located in Colorado. I am writing to respond to the Office of the Comptroller of the Currency (OCC)'s, Board of Governors of the Federal Reserve System (Board)'s, and Federal Deposit Insurance Corporation (FDIC)'s request for information (RFI) on payments fraud.

The Eastern Colorado Bank, a family owned, community-focused financial institution with eight branches across eastern Colorado, has a proud legacy of serving its local communities since its founding in 1944. Committed to fostering economic stability in our rural communities, the Bank plays a critical role as a lender to small businesses and consumers, offering tailored financing solutions, including competitive loans and credit products, to support entrepreneurship, farmers, homeownership, and personal financial goals.

I applaud the agencies for issuing this RFI and seeking input on ways that the OCC, the Federal Reserve System (FRS), and the FDIC could take actions to help consumers, businesses, and financial institutions mitigate payments fraud. Community banks continue to be challenged by a rise in fraud and scams across payment types, so agency action is much needed.

Specifically, the Bank has been affected by payments fraud in the following ways:

Check Fraud: Over the past three years, our institution has experienced a significant uptick in check fraud. Fraudsters are targeting mailboxes to steal checks and customer statements. Additionally, we have seen increased compromise of online banking credentials, enabling bad actors to access check images and replicate them to commit fraud.

- Elder Abuse: We have observed a drastic rise in elder financial exploitation, particularly through impersonation scams. Fraudsters are contacting elderly customers by phone, email, or text while posing as banks, federal authorities, or law enforcement. These tactics have proven effective in manipulating victims resulting in significant financial losses to the victims.
- Scams: Our bank has seen a substantial increase in scam activity, including romance scams, investment fraud, and impersonation schemes. The growing accessibility of artificial intelligence tools has further enabled fraudsters to create more convincing and targeted attacks, making it increasingly difficult to protect customers in a small community bank setting.
- P2P Fraud: Peer-to-peer payment platforms such as Venmo and Cash App continue to pose significant fraud risks. These services lack robust KYC/CIP controls and offer limited protections when customers are defrauded. We have seen a sharp increase in customer complaints related to P2P fraud, where funds are unrecoverable after scams occur.

Actions the OCC, Board/FRS, and FDIC could take to address these issues include the following:

Consumer, Business, and Industry Education:

- Community banks serve elderly customers, as well as consumers and small businesses in rural and agricultural areas, so educational materials tailored to these groups would be valuable. Some community banks are in areas that do not have widespread, reliable Internet access, so web-based resources are not always accessible to customers. Educating the general public on scams is the best way to fight back against the bad actors.

Regulation and Supervision:

- Check fraud, in particular, remains a significant issue. Community banks are concerned that some large financial institutions are not exercising sufficient CIP/KYC processes and opening accounts that are being leveraged by fraudsters. Similarly, community banks have had significant difficulty resolving interbank disputes regarding fraudulent checks. We have worked with three large financial institutions this year on check fraud and all of them did not openly provide information on how to submit claims. The larger banks also do not work claims in enough time. Of the three large financial institutions, two of them took over two weeks to respond to claims, which by the time they respond, the funds are gone. Larger financial institutions much react swiftly to these claims to prevent

losses.

- Changes to Regulation CC could help community banks prevent and mitigate check fraud. For example, the return deadline related to fraud could be extended, the "reasonable cause to doubt collectability" exception could be clarified, and relevant definitions could be revised (e.g., "altered" and "alteration"). However, hold times should not be shortened; they are an essential tool for banks to detect and prevent check fraud. Financial institutions should have flexibility to extend hold times under appropriate circumstances.

Reserve Banks' Operator Tools and Services:

- There are a variety of specific products and services that could benefit community banks, including, for example, a fraud contact directory, a fraud information sharing repository, an interbank check fraud breach of warranty claim mechanism, a check image analysis and verification tool, an atypical payment monitoring service, and confirmation of payee service.

Thank you for the opportunity to provide comments on this RFI. The Bank looks forward to continuing to work with the OCC, FRS, and FDIC, and other stakeholders to protect our customers and communities from the growing threat of payments fraud.

Michael Hedemark

Fraud Officer
The Eastern Colorado Bank
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Work: [redacted]

Branch: [redacted]
https://www.yourfriendlybank.com/