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From: Tara Montgomery <[redacted]>
Sent: Thursday, August 28, 2025 4:31 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, Mr. McDonough, and Mr. Gould:

I am the Fraud Specialist of The Exchange Bank of Alabama, a $380 million dollar community bank located in Etowah County, Alabama. 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 the FDIC's request for information (RFI) on payments fraud.

The Exchange Bank story is a testimony to what it means to be a corporate citizen, and how supporting your community impacts your customers and their families. We began as The First State Bank of Altoona in 1909, and in 1959 Mr. Jack Ray and Mr. James Allen purchased controlling stock of the holding company of First State Bank, The Gadsden Corporation. As the bank continued to thrive, several branches were opened and Mr. Ray's sons joined the family business. In 1990, The First State Bank of Altoona and The Exchange Bank of Attalla merged to become The Exchange Bank of Alabama (EXBA). Mr. Ray's sons still lead us and the bank continues to be a family owned financial institution. We proudly serve Etowah County and are heavily involved in our community. EXBA encourages our employees to volunteer and give back to the communities who have helped support us all these years. We know our customers, lend to small businesses and consumers alike, and strive to protect all from fraudulent activity and scams.

I applaud the agencies for issuing this RFI and seeking input on ways that the OCC, FRS, and 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:

- We had a tremendous amount of debit card disputes which led to losses for both our customers and the bank itself. Check fraud was at an all time high last year as well, and the bank has created a Fraud Department in the effort to combat the schemes and scams that plague society today.
- We have had little to no cooperation from some of the bigger banks when it comes to attempting to mitigate losses. Of course legal time constraints have to be abided, however, collaboration and cooperation with other financial institutions would be a tremendous help to all involved in the fraud world.
- One of the largest areas of concern with payments fraud we see involves the use of payment apps such as Cash App, PayPal, Venmo, etc. These forms of payment are advertised as secure but are easily hacked and have caused us thousands of dollars in disputes. One customer in particular had a scammer take over their phone, open a Cash App in their name, and proceeded to help themselves to over $6,000.00 through Cash App and Crypto Sites. Our debit card provider did in fact reach out to this customer with suspected fraud, however, the scammer replied back that the charges were legit so they were allowed to post.
- We have especially been affected by our elderly customers falling for Romance and Sweepstakes Scams.

Here are some suggestions the OCC, Board/FRS, and FDIC could take:

- **External Collaboration**: The Bank supports collaborative stakeholder efforts to address payments fraud. Fraud and scams persist across state boarders, so national stakeholder collaboration is necessary to combat the problem. However, national efforts must recognize the resource constraints individual community banks face when deciding whether to participate. Local and regional collaboration across community banks, federal and state regulators, law enforcement, community organizations, and other stakeholders can be an effective way to build connections and share information at the community level. Cooperation from the "big" banks and Credit Unions are essential as well.
- **Consumer, Business, and Industry Education**: Community Banks thrive, in part, because of their close customer relationships. Face-to-face engagement is one of the most effective tools to reach community bank customers. In-branch material and messaging is especially valuable to community banks. Our Fraud Department has started "Fraud Friday". Each week I research a fraud topic and write an email to all our employees. That email is turned into a Facebook post by our marketing department in an effort to further educate our customers on the latest schemes. We also serve many elderly customers and participate with agencies such as the Council on Aging and the United Way to provide materials and educational opportunities for them. More in-house educational materials geared toward Elder fraud is most definitely needed in all financial

institutions, not only community banks. Also, some community banks are in areas without reliable internet access, so web based training opportunities and resources are not always the best or most reliable way to get information to customers.

- **Regulation and Supervision**: Payments fraud regulation and examiner expectations need to be appropriately tailored to community banks with tiered compliance requirements and deadlines. There are multiple opportunities to enhance supervisory guidance around appropriate controls, suitable technology, reporting and incident response, but it is important to avoid imposing new burdens on community banks. Check fraud in particular remains a significant issue. Community banks are concerned that some of the larger financial institutions are not exercising sufficient CIP/KYC processes. That makes it easier for fraudsters to open accounts. Community banks do not always get the cooperation from the larger banks regarding larger checks. We have had several checks that customers came back to say were fraudulent within a 60 day period but over the 24-48 hour time constraints for returning. Our customers do not expect to be held liable for these checks and without cooperation from larger banks, community banks stand to take substantial losses. We need different rules on time frames, we need regulations in place to force the larger banks into assisting with check fraud, and we need changes to Reg CC. 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. However, the hold times should NOT be shortened. Those times are essential tools for banks to detect and prevent check fraud. Large dollar hold release amounts should not be raised either. Giving a customer access to so much money from a potentially fraudulent check is just plain irresponsible. Financial institutions should have the flexibility to extend hold times where we deem appropriate.

Our bank has been the most impacted by Romance and Sweepstakes Scams, Check Fraud, and debit card fraud. Criminals contact our customers via email or text, sometimes phone calls or over the internet. Some receive letters about prizes they have won in the mail with instructions to purchase gift cards or send money through the mail. At this particular time, I am working on 3 cases of elder financial exploitation regarding romance and sweepstakes scams. As I previously stated, EXBA created a fraud department last year and my entire focus is on all things fraud related. We also partnered with a company and are now using fraud detection software daily. This software started out only for checks, but now it monitors debit cards and accounts for our customers over 60. It also monitors the dark web and has found several checks and some customer information out there as well. Since the creation of our fraud department, I closely monitor debit card disputes and potential fraud cases as well as watch for check fraud and try to educate our employees and customers alike. We also began using Positive Pay for our business customers and are looking into using ACH positive pay in the near future. Since the creation of the fraud department, we have been able to combat payments fraud more efficiently. Once case even made the local news as I discovered someone stealing from a non-profit organization and alerted other account holders to the activity. With that information, the perpetrator was able to be caught and held accountable for her actions. In another instance, we were able to stop a money mule ring and had one of the mules arrested.

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

Sincerely,

Tara Montgomery
Exchange Bank of Alabama
Fraud Specialist
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