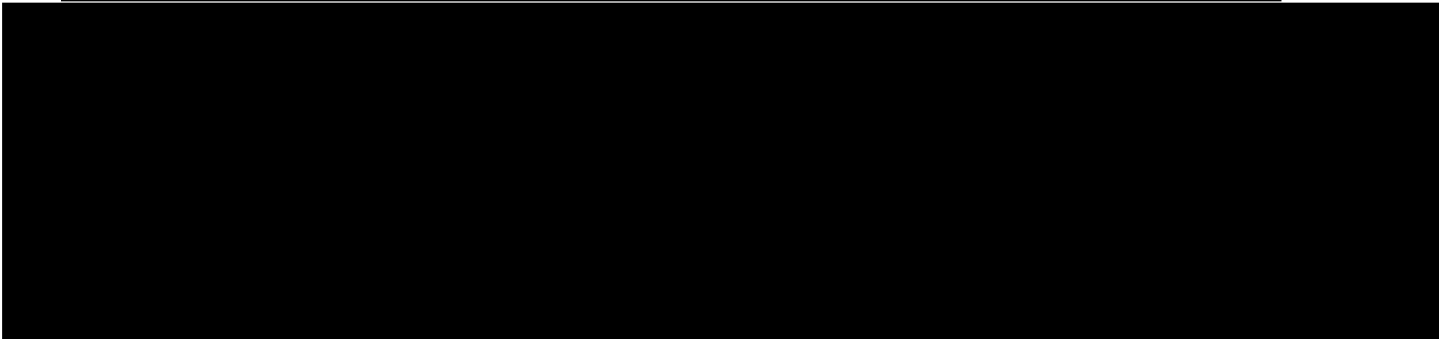



**From:** [Todd Zaun](#)  
**To:** [Comments](#)  
**Subject:** [EXTERNAL MESSAGE] June 20, 2025-Request for Information On Potential Actions To Address Payments Fraud; Comment Request (RIN 3064-ZA49)  
**Date:** Thursday, September 18, 2025 3:38:23 PM



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 CEO of Farmers & Merchants State Bank, a \$330-million community bank with locations in Pierz, Sauk Rapids and Eden Valley, Minnesota. I am writing to respond to the Office of the Comptroller of the Currency's, Board of Governors of the Federal Reserve System's, and Federal Deposit Insurance Corporation's request for information on payments fraud.

Farmers & Merchants State Bank has been helping farmers, families, and rural businesses and communities thrive since 1908. We offer a wide array of financial solutions, including lines of credit, personal and commercial checking accounts, home mortgages, savings accounts and IRAs. We pride ourselves on providing small community bank courtesy and service with the modern banking conveniences today's customers expect like mobile and online banking, mobile deposit, 24-hour phone banking, and more. Our mission is to help our customers find and finance their futures while helping sustain the vitality of the communities we call home.

We appreciate the agencies for seeking input on ways that they can 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 imperative.

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

- **Card Skimming.** This has had a large impact on our bank. In 90% percent of these fraud cases, the bank writes these off as the loss due to not having charge-back rights for those transactions.
- **Mobile Payment Fraud.** Mobile payment apps such as Apple Pay, Google Wallet, etc.

are another serious issue. In these cases, we again do not have charge-back rights which result in the bank often writing these fraudulent transactions off as a loss.

- **Check Fraud.** We have had many instances with individuals' checks being stolen in the mail. These stolen checks are then altered or washed.
- **Fake and Fictitious Checks.** We've seen a rise in this type of fraud. Usually, the customer is trying to sell or buy something online, and the seller or purchaser is a scammer.

As a community bank, Farmers & Merchants State Bank is suggesting the following actions to help us and other community banks address payments fraud.

- Community banks like ours thrive, in part, because of our close customer relationships, so face-to-face engagement is one of the most effective tools to reach community bank customers. In-branch material and messaging is especially valuable for community banks.
- Broadly speaking, payments fraud regulations and examiner expectations need to be appropriately tailored to community banks with tiered compliance requirements and deadlines. There are 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.
- We 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.
- Check fraud remains a significant issue. Community banks are concerned that some large financial institutions are not exercising sufficient customer verification processes and opening accounts that are being leveraged by fraudsters. Similarly, community banks have had significant difficulty resolving interbank disputes regarding fraudulent checks. We often encounter problems getting in touch with someone at a larger bank. The response time can stretch out for weeks, even months. The slow-moving investigations get frustrating for all involved. Additionally, we've had issues returning checks as altered.
- 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.
- Community banks would benefit from tools and services that integrate with third-party services they already use and pricing that is appropriate for their size and complexity.
- 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.

Farmers & Merchants State Bank has been most impacted by Check and Debit Card Fraud. We've implemented several initiatives to address this. Specifically, we:

- Have implemented Positive Pay;
- Have instituted a process of viewing all large payment amounts daily, inspecting check images to make sure they look legitimate;
- Review debit card fraud reports every day to prevent fraudulent transactions; and
- Use a program called SecureLock which controls and monitors debit card usage for fraud prevention.

Scammers are constantly advancing their technology, tools, and methods, making fraud more difficult to detect. Combating these threats requires a comprehensive, multi-pronged approach that combines technology, training, vigilance, and determination to protect the people we serve.

Thank you for the opportunity to provide comments. Farmers & Merchants State Bank looks forward to continuing to work with regulators and other stakeholders to protect our customers and communities from the growing threat of payments fraud.

Sincerely,

**Todd Zaun | CEO**

**Farmers & Merchants State Bank of Pierz**

