

[REDACTED]

From: Shawn Dutton <[REDACTED]>
Sent: Wednesday, August 27, 2025 12:38 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]

Jonathan Gould

Comptroller of the Currency, Office of the Comptroller of the Currency

Docket ID OCC-2025-0009

Benjamin W. McDonough

Deputy Secretary, Board of Governors of the Federal Reserve System

Docket No. OP-1866

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 First Security Bank of Roundup, an \$85 million community bank located in Roundup, MT. 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.

First Security Bank of Roundup was chartered in 1971 to serve the Community of Roundup MT and has done that for the last 54 years. We have no branches, and there are no other Banks in Musselshell County. It is 50 miles or more to another bank no matter what direction you go. Due to this we are the only option for our commercial customers as driving 100 miles to deposit the day's receipts is not an option. We also provide services for our County and the neighboring County, the local Hospital, 3 school districts and 2 towns. We are the definition of a Community Bank

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

- We have seen numerous fraudulent mobile deposits, marketplace sales, and other deceptive practices asking the consumer to send back gift cards and relying on the slow NSF return times of larger financial institutions.
- Our debit card program has seen an explosion of fraud. In all of 2015 we had 4 fraudulent transactions and last year we had 97 fraudulent transactions.

- We have seen nearly all of the online schemes in one form or another and our small town is only 1800 people.

External Collaboration

The Bank supports collaborative stakeholder efforts to address payments fraud. Fraud and scams persist across state borders, so national stakeholder collaboration is necessary to effectively combat the problem. However, national efforts must recognize the resource constraints individual community banks face when deciding whether to participate. National efforts also must recognize the constraints on large regional banks due to the large volumes of transactions they handle.

- Most regional banks in our area will no longer verify funds on a check over the phone which greatly increases the risks in accepting paper checks. In all of this timely cooperation is the key to combating most of the fraudulent cases we see.
- 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. I would suggest some kind of Central Information and Reporting clearinghouse that we all can access to verify transactions.

Consumer, Business, and Industry Education

- Community banks thrive, in part, because of their 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.
- 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.

Regulation and Supervision

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.

- 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. This bank has had two occurrences where it took over 4 months to resolve a fraudulent check claim with a large bank that just kept asking for more information and handing it off to another department. We had to file a complaint with their regulator to finally get them to address our claim. It was not much money for them, but the \$4,500 meant a lot to us and our customer
- 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.

Payments Fraud Data Collection and Information Sharing

- While centralized data reporting would be valuable for the ecosystem, agencies should avoid imposing additional data collection requirements on community banks. Appropriate safe harbors would improve banks’ ability and willingness to share fraud data.
- Community banks would benefit from automated data collection, analysis, and reporting tools that are integrated with services they already use and do not come with additional costs. Maybe the SAR reporting could be leveraged as a way to collect the data.

Reserve Banks' Operator Tools and Services

- 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.

General Questions

The dollars lost annually in this country to fraud is staggering. There has to be some way to counter this that is profitable from the financial community side. This bank would be happy to contribute to a system that saves more dollars than the cost of the system, whatever it may be.

It seems that there are systems and procedures in place but there is never any follow through as far as arrest and prosecution unless the criminal is dealing with substantial dollars. A transaction of thousands is significant to this bank and our customers, but it seems it takes hundreds of thousands to get any agency interested in pursuing a fraudster. Until something changes that mindset we can put all the systems in the world in place to track fraud, but it will not slow down as the fraudsters understand the thresholds better than I do

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.

Sincerely,

/s/

Shawn W Dutton

CEO

First Security Bank of Roundup

Roundup, MT