

**From:** [Troy O. Richards](#)  
**To:** [Comments](#)  
**Subject:** [EXTERNAL MESSAGE] June 20, 2025 Request for Information On Potential: Actions To Address Payments Fraud  
Comment Request (RIN 3064-ZA49)  
**Date:** Tuesday, August 19, 2025 5:51:22 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 President of Guaranty Bank & Trust Co. of Delhi, a \$450 million dollar community bank located in Delhi, Louisiana. 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.

Our bank was formed in October of 1966 with one location in Delhi Louisiana and has grown to 9 locations in northeast Louisiana serving four different parishes. We are proud of the fact that we are a CDFI institution assisting consumers and small businesses with all of their financial needs. Our customer base is relatively stable and maturing. The lending that we have done in our local communities has helped our local economies survive during these difficult times.

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, we have seen a substantial increase in the amount of payments fraud over just the past couple of years, especially in the area of check fraud which has been a

considerable expense not only for the bank, but also for our customers as well. We firmly believe that changes need to be made to help mitigate the amount of fraud losses being experienced by community banks and that a re-balancing of loss allocation rules associated with the fraud is necessary and long overdue.

I have included my responses to correspond with the layout of the RFI.

## **EXTERNAL COLLABORATION**

1. What actions could increase collaboration among stakeholders to address payments fraud?

Collaboration is good. 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.

For example, in the area of check fraud, one area of collaboration that would be beneficial would be for institutions who issue cashier's checks to verify whether or not a cashier's check received for deposit is valid. Currently, banks will receive a cashier's check for deposit and will attempt to contact the paying bank to determine its authenticity, only to be told that they cannot verify their own cashier's check. This is causing both delays in availability of funds for some customers unnecessarily, and also losses in cases where the item is not valid.

2. What types of collaboration, including standard setting, could be most effective in addressing payments fraud? What are some of the biggest obstacles to these types of collaboration?

Some of the regulations and laws involved haven't changed for decades, even though the process of check clearing has undergone dramatic changes during that time. It is time to re-visit some of these regulations (standards) in light of the massive increase in check fraud. The biggest obstacle seems to be the time it takes to get anything changed.

3. Which organizations outside of the payments or banking industry might provide additional insights related to payments fraud and be effective collaborators in detecting, preventing, and mitigating payments fraud?

The US Postal system could do a great deal in mitigating check fraud. The majority of the check fraud that community banks are encountering involve mail theft. It is a real problem in this country.

4. Could increased collaboration among Federal and State agencies help detect, prevent, and mitigate payments fraud? If so, how?

Obviously, increased collaboration from all parties would be beneficial in combating payments fraud. It would depend on what federal and state agencies are in question.

## **CONSUMER, BUSINESS AND INDUSTRY EDUCATION**

5. In general, what types of payments fraud education are most effective, and why?  
Would different audiences benefit from different types of payments fraud education?

Obviously, there is a part of payments fraud that involves customers that end up being the victim in various schemes such as romance scams, work from home scams, etc. In some of these cases, the customer loses money, in other cases it is the institution. In many cases, however, the customer's check is stolen from the mail and either counterfeited or altered. Those fraudulent items are then being mobile deposited into larger institutions into fraudulent accounts that were opened at that institution. The fraudulent checks then clear the victim's account at the drawee bank. Perhaps the best educational opportunity would be with the banks of first deposit that are accepting these fraudulent items for deposit. They need to be educated on how their lack of due care is contributing to the fraudulent check problem.

6. Would additional education informing consumers and business about safe payment practices be helpful to reduce payments fraud and promote access to safe, secure payment options?

Part of the recipe for the success of community banking lies in the close relationships we have with our customers, so face-to-face engagement is one of the most effective tools we have to reach out customers. In-branch material and messaging can be especially valuable for community banks.

7. Which approaches could make existing payments fraud education more effective?

I do think targeting education to specific groups could be beneficial. For example, education targeted to seniors would be helpful as they are often in more vulnerable situations than younger customers.

8. Are current online resources effective in providing education on payments fraud? If not, how could they be improved?

These need to be directed to channels that would get the most views. Placing

educational materials on bank websites is not all that effective. Information needs to be put on social media platforms such as facebook and tiktok to get the most impact.

## **REGULATION AND SUPERVISION**

9. What potential changes to regulations (apart from the Board's Regulation CC, discussed separately below) could address payments fraud and mitigate the harms from payments fraud to consumers, businesses, and supervised institutions?

**The regulations are outdated.** Check clearing has changed dramatically over the past several decades. In years past, we would receive the actual physical item. Checks were manually filed and signatures were compared with the signature card. It was easier to detect forged signatures or counterfeit checks in general by this process. That is no longer the way checks clear. It is an automated process with little or no human intervention. The bank of first deposit is oftentimes the only institution in the clearing process that has the opportunity to physically examine the actual check. They obviously would not have reason to suspect a forged signature, but they should know who they are banking and what their customers are depositing. Laws and/or regulations need to have language that requires banks of first deposit to act in a commercially reasonable manner and to comply with other applicable laws/regulations including AML and KYC laws.

**The process of physically reviewing clearing items above a threshold amount is no longer effective.** Paying banks have historically set up a parameter in their system for inclearing items whereby checks over a certain threshold amount would be manually inspected. The amounts would of course vary from a low of \$2,500 to a high of \$10,000. The larger the institution, the higher that threshold amount would likely be. The problem now is that counterfeit and altered items are clearing in much lower amounts, often less than \$1,000.00.

**The definitions of an alteration and counterfeit need to be expanded.** Currently, the definition of an alteration is limited to a physical item being changed in some way on the actual face of the item such as the payee, the amount, etc. This altered item is then negotiated. There are cases, however, when one physical item is used to produce one duplicate item through the use of technology and certain details are changed. This new item is then the one that is negotiated and the original item is destroyed. This is, at its core, more of an alteration than a counterfeit.

**There need to be loss allocation rules that address checks being deposited through a bank's mobile deposit platform.** Regulations should specify greater liability for a bank of first deposit accepting items for deposit through their mobile deposit platform.

The bank of first deposit in this case is not actually receiving an original item. The depositing customer retains that. There should, therefore, be greater scrutiny placed on the offering of that service. Community banks generally have a sensible threshold limit on the check amount that can be accepted through mobile deposit – generally \$2,500 to \$5,000. If an item comes in over the threshold amount, the system rejects the item until it can be further analyzed. Larger institutions seem to be accepting checks through mobile deposit in much greater amounts -- \$50,000 or even \$100,000 with no apparent restrictions. Much of the fraud loss volume taking place today involves this very situation. If any institution is going to accept a large check through mobile deposit, they should also accept full responsibility if the item is altered OR a counterfeit. Perhaps something could be included in the “exercise of ordinary due care” language.

**The liability for altered cashier’s checks needs to be re-evaluated.** When a cashier’s check is altered, current law states that the paying bank is liable, not the bank of first deposit, which is different than what is the case for regular checks. Oftentimes, however, a bank will use a cashier check processor who receives check info from the issuer that only includes check number, date, and amount, but NOT the payee information. Again, checks clear electronically and the issuing bank does not receive information from its processor as to the payee listed on the checks that are presented. Laws and/or regulations should specify that a bank of first deposit is responsible for alterations on all forms of checks, including cashier’s checks.

10. The Board, FDIC, and OCC have issued supervisory guidance on numerous topics that relate to payments fraud detection, prevention, and mitigation. Is existing supervisory guidance related to payments fraud sufficient and clear? If not, what new or revised supervisory guidance should the Board, FDIC, and OCC consider issuing on this topic within the respective authorities?

Current guidance is not sufficient and regulators are not sufficiently trained on the issues involving payments fraud detection, prevention, and mitigation.

11. How might new or revised supervisory guidance assist small community banks in detecting, preventing, and mitigating payments fraud?

There is no guidance that could be issued that would stop a criminal from being a criminal. They will seek out the weakest link in the process to carry out their illegal activities. Updating supervisory guidance would hopefully seek to shore up weaknesses in the clearing process that most often occurs initially with larger institutions. The main contributor to fraudulent check losses can be found in weaknesses that the larger institutions have in their account opening process (Know Your Customer), mobile deposit (weak or no deposit limits), and ineffective responses to check warranty claims

sent in by community banks.

12. What is the experience of consumers and businesses when supervised institutions place holds on depositors' funds because of suspected payments fraud? (Regulation CC's "reasonable cause to doubt collectability" exception is discussed separately below.)

When a hold is placed on depositors' funds, we have experienced no adverse issues regarding such except in cases where a case-by-case hold is placed and the check is returned to us after the hold comes off of the account. The two-day max hold for case-by-case is not effective in preventing losses in many cases. What is a real issue are cases when we are presented with a cashier's check and we are unable to get the issuing bank to verify its authenticity. According to regulators, this is not considered "reasonable cause to doubt collectability" and we are left with giving preferential availability simply because it has the words "cashier's check" written on the face of the item. Banks are required to give next day availability on the first \$5,525 of a deposited cashier's check (soon to be \$6,725). Counterfeit cashier's checks are increasing at an alarming rate. There is no good reason to afford cashier's checks quicker availability given that fact. Criminals know that banks are precluded from placing a hold on the first \$5,525 which is why they will often type "cashier's check" on a counterfeit check. Banks are either risking a Reg CC violation for placing a hold, or risking a financial loss by making the funds available next day. Cashier's checks should be treated the same as any other check.

13. The Board, FDIC, and OCC have received complaints from supervised institutions regarding challenges in resolving disputes about liability for allegedly fraudulent checks. What is the experience of supervised institutions when trying to resolve these types of interbank disputes regarding allegedly fraudulent checks?

The experience of trying to collect on a warranty claim is a frustrating one to say the least. Our bank has often had to work for 6 months or longer trying to collect from a bank of first deposit. In each of these cases, we are dealing with some of the largest institutions in the country. Community banks are suffering losses due to ineffective controls that are in place at these institutions.

**There presumption of alteration as per Reg CC is not being adhered to.** It seems as though that in most cases, a dispute arises between the bank of first deposit and the paying bank as to whether an item is a counterfeit or an altered item. Reg CC clarified this in 2019 to say that if there is a dispute as to whether the item is counterfeit or altered, the presumption is that the check is altered. Banks of first deposit will usually want to always argue that the item is counterfeit to shift liability to the paying bank. And

the opposite is true. Paying banks will usually want to argue alteration to shift the liability to banks of first deposit. It seems as though that most of the cases community banks are dealing with currently involve larger institutions as bank of first deposit and community banks as paying bank. When we make demand for the bank of first deposit to produce the original item for inspection as per Reg CC, they refuse to do so.

**Laws and/or regulations should impose on a bank of first deposit a duty of good faith participation in loss recovery.** Regardless of whether a check is altered or counterfeit, the laws and/or regulations should require that a bank of first deposit cooperate in recovering funds including prompt response to written demands, disclosure of account activity (to the extent that allows funds to be traced). Further, there should be a requirement to freeze funds promptly upon written notice of fraud for a minimum amount of time to allow an investigation. The laws and/or regulations should mandate a uniform timeline to respond to claims (e.g. within 15 business days) or the claim is presumed to be valid, with exceptions for good cause.

**A bank of first deposit should not impose unreasonable standards on paying banks, or standards that are not in regulation, in an effort to avoid liability.** Some banks of first deposit refuse to pay warranty claims if the customer at the paying bank was either 1) not offered positive pay services, or 2) was offered positive pay services and didn't sign up for that service. There is nothing in current regulation that allows banks of first deposit an excuse not to pay a claim based on that. Regulations should include language that prohibits the imposition of undue burdens of this nature on a paying bank. Banks have many small commercial customers that are not sophisticated enough to deploy and properly maintain positive pay systems.

**The laws and/or regulations should have more requirements for the return of funds to a paying bank that has suffered a loss if funds are present at the bank of first deposit.** Currently, some banks of first deposit are requiring Hold Harmless agreements in cases where funds are present in the depositor's account. There are even some that are requiring such in the case of an alteration when the bank of first deposit is actually responsible. Some banks however, refuse to return funds even if the funds are available and don't even offer a hold harmless agreement. There is too much variation from bank to bank in how this is handled. The law and/or regulations should specify what the requirements are for the return of funds if funds are available including the requirement that the bank of first deposit place a hold on any available funds if there is notice given that a warranty claim is being filed by the paying bank.

returned unpaid for reasons that include fraud. What potential amendments to Regulation CC would support timely access to funds from check deposits while providing depository institutions with sufficient time to identify suspected payments fraud?

**The UCC midnight return deadline (which Reg CC references) needs to be extended.** Paying banks are required to return fraudulent items by midnight of the day following the day of presentment. The problem is that the discovery of an alteration or a counterfeit is not often happening until the customer receives their bank statement which could be up to 30 days after it is presented for payment. Paying banks are then left with presentment warranties which are problematic for the paying bank if the item is counterfeit due to the liability established by UCC. If the item is an altered item, the paying bank can go through the presentment warranty process against the bank of first deposit which the law prescribes, but the process is often long and difficult. It is understood that the liability window for the bank of first deposit will increase, but the bank of first deposit is in the best position to stop a fraudulent item at the point at which that item is entered into the payment stream. They have the physical item in hand (except in the case of a mobile deposit) and they are supposed to know their customer. Paying banks are losing a great deal of money because they are unable to return a fraudulent item after the midnight deadline.

15. Regulation CC provides six exceptions that allow depository institutions to extend deposit hold periods for certain types of deposits, including deposits for which the depository institution has reasonable cause to doubt the collectability of a check. Is this exception effective?

I wouldn't know if this exception is effective. I can't think of a time when we have ever used it. We are not allowed to use this exception for just having a bad feeling about a check. We can't even use it if we call the bank the check is supposedly drawn on, and the bank refuses to give us any information on the item. We actually have to have concrete, documented evidence that it might not be collectible. We simply don't know what this would be. It is a useless exception unless we were able to use it more broadly. Further clarification and expansion on its use would be helpful.

## **DATA COLLECTION AND INFORMATION SHARING**

16. Broadly, how could payments fraud data collection and information sharing be improved?

SAR data only tells part of the story. There is a lot of check fraud that goes under-reported. I'm afraid that data privacy concerns will prevent a lot of critical fraud information from being shared. There would be some obvious benefits from automated

data collection, analysis, and reporting tools that are integrated with services we already use and do not come with additional costs.

17. What barriers limit the collection and sharing of payments fraud data between industry stakeholders, and how could these barriers be alleviated?

While a centralized data reporting process would be valuable for the industry, agencies should avoid imposing additional data collection requirements on community banks. We already suffer under the heavy burden of a bloated data collection and reporting regime. From Call Reports, FRY Reports, BSA Reports, HMDA, and other reporting requirements, it seems as though we spend a lot of our time reporting to everyone what we do.

18. What role should the FRS, FDIC, or OCC take in supporting further standardization of payments fraud data?

In my opinion, one agency needs to take the role in standardizing fraud reporting.

19. What types of payments fraud data, if available, would have the largest impact on addressing payments fraud?

One thing that would help on the debit card fraud would be a repository where company id numbers of fraudulent merchants could be posted and then shared to all of the card processors to block those company id numbers from processing debit cards through other institutions.

20. Is there a need for centralized databases or repositories for the sharing of payments fraud data across entities?

I would say that if it is not centralized, it is of no value.

## **RESERVE BANK OPERATOR TOOLS AND SERVICES**

21. How can the Reserve Banks enhance their existing risk management tools and services, operations, rules, or procedures to better meet the needs of participating financial institutions in addressing payments fraud?

Changes are badly needed to Regulation CC to address how checks clear in the modern age. Return deadlines for fraudulent checks need to be extended. Requiring adherence to Reg CC 229.38 is crucial as it is not being adhered to today by the larger institutions.

22. Are there risk management tools or services that the Reserve Banks should consider offering or expanding?

A payments fraud contact directory would be a great start. Some of the banking associations have attempted to put some of this information together, but it is quite often not effective. We try contacting a bank of first deposit by phone, and we get the run-around, or no response at all. All of the items mentioned in the question would be helpful. We were going to sign up for the Check Corporate Payor Report, but not all of our inclearing items clear through the Fed. It would be great if the checks that clear through our correspondent bank would be included.

23. What types of payments fraud have most impacted your organization and its stakeholders?

Check fraud has had the most impact over the past couple of years. Debit card is also constant, but does not occur in the amounts that we are seeing with check fraud. In my opinion, criminals are perpetrating the fraud, but the larger institutions are facilitating the fraud. Criminals do not attempt to deposit checks into our institution, because we watch what comes in and we know our customers. Why should the larger institutions not be held to the same standard?

24. What measures, including technological solutions or services, have been most effective in identifying, preventing, and mitigating payments fraud at your institution?

We recently installed software that detects anomalies in incoming checks and produces an exception file for us to review daily. It has been extremely effective.

25. To the extent not already addressed here, are there other actions that would support stakeholders in identifying, preventing, and mitigating payments fraud?

I can't think of any.

26. Are there specific actions that commenters believe could encourage the use of payment methods with strong security features?

The action of holding those institutions financially responsible that do not exercise ordinary due care in the opening of new accounts, or the processing of mobile deposits would be a good start.

Thank you for the opportunity to provide comments on this RFI. Guaranty 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,

Troy Q. Richards

President

Guaranty Bank & Trust Co. of Delhi