From: Jason Petrusic
To: Comments
Subject: [EXTERNAL MESSAGE] RIN 3064-ZA49
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Attachments: 6-16-25 Check Fraud Comment - InFirst Bank.docx

[redacted]

Good morning,

Attached are comments regarding the Request for Information on Potential Actions to Address Payments Fraud.

Regards,

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Request for Information on Potential Actions to Address Payments Fraud

External Collaboration

1) What actions could increase collaboration among stakeholders to address payments fraud?
- More collaboration and/or transparency regarding P2P payments and with gambling websites.

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?
- Direct contact with law enforcement associated with where the fraud came from / was sent to.
- Obstacle would be maintaining customer confidentiality.
- Obstacle would be the amount of such instances and law enforcement determining what should be investigated further.
- Obstacle would be the legal system and need for acquiring such documents as subpoenas.
- Lack thereof, or timing of, responses from larger institutions.

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?
- Federal Bureau of Investigation (FBI)
- Department of Homeland Security (DHS)
- United States Postal Service (USPS)
- Association of Certified Fraud Examiners (ACFE)

4) Could increased collaboration among Federal and State agencies help detect, prevent, and mitigate payments fraud? If so, how?
- Potentially. FinCEN providing feedback from submitted SARs and whether anything comes out of them, like arrests, etc.
- Notification from such agencies regarding patterns seen in market areas. More check fraud, elder exploitation, etc.

Consumer, Business, and Industry Education

5) In general, what types of payments fraud education are most effective, and why? Would different audiences (for example, industry and consumers) benefit from different types of payments fraud education?
- Self-paced learning with videos and examples. People can absorb the information at their own pace at a time during the day that is most beneficial to them.
- Live training can also be beneficial so long as it isn't overly long and tailored specifically for the audience. Having someone speaking about a topic directly in front of someone can be powerful.
- Yes. Shorter videos (no more than 10-15 minutes), highlighting actual instances of known fraud either around their age range or physically close to where they live.

- The industry as a whole could use additional guidance in how they assist educating the customers.

6) Would additional education informing consumers and businesses about safe payment practices be helpful to reduce payments fraud and promote access to safe, secure payment options?
- Yes; however, even with educational materials and training, people are going to believe what they want to. For instance, someone is going to believe the "person" they are talking to is actually going to send them their money back, get them that unheard of investment that's too good to be true, visit them some day and take care of them, be their romantic partner, etc. We've seen numerous situations where front line staff are appropriate trained to spot such instances, ask necessary questions, and the customers still don't want to believe what they are being told. Why trust the bank employee who sees fraud on a daily basis?!

7) Which approaches could make existing payments fraud education more effective? For example, would targeting outreach to particular audiences or conducting additional education in collaboration with other key stakeholders be effective?
- Based on the way society is going today, have fraud education on more social media platforms and/or have "influencers" talk about it. Even something during major sporting events where viewership is higher than normal to reach a larger audience… which then could lead to more discussion on social media outlets.
- Have those who have been victims give actual testimonies. Problem with this approach is most fraud goes unreported, and in those rare circumstances it is, people probably wouldn't want to go on record saying they were de-frauded, giving others the opinion they are incompetent.
- Getting education into high schools and colleges can educate students before they start their financial journey. Getting information into senior centers for mature audiences can help that vulnerable population.
- Another potential approach would be to give statistics; however, most people see those and think… that would never be me.

8) Are current online resources effective in providing education on payments fraud? If not, how could they be improved?
- Between groups such as CFPB, ABA, ACFE, PACB, ICBA, and other organizations, online resources are available; however, asking if they are effective… with a continued increase in fraud, the answer would have to be "no."

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?
- Be able to place holds on "government" instruments as those can also be fraudulently created.
- Stronger criminal penalties.

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?
- It is; however, it seems like the general public is either still not aware of them, or they refuse to believe they are being scammed.

11) How might new or revised supervisory guidance assist small community banks in detecting, preventing, and mitigating payments fraud?
- It probably won't as this is mostly dependent on the monitoring software as well as the associates responsible for reviewing it on a daily basis.

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.)
- 75% of customers are understanding and have no issues when it is explained it is to not only protect the bank, but to protect them as well. The other 25% become irate and/or those are the individuals who are trying to perpetrate fraudulent transactions. A lot of times, customers will end up thanking us for putting the hold on when a check they've deposited turns out to not be legitimate.

12a) For instance, how frequently are consumers and businesses affected by holds, delays, or account freezes, and how responsive are supervised institutions to inquiries from consumers and businesses regarding these issues?
- Infrequently as they are made aware of any hold at the time of deposit. We try to explain the best we can it is for their protection.

12b) Do current disclosure requirements effectively address consumer and business concerns when supervised institutions hold customer funds due to suspected payments fraud? For example, should changes be considered with respect to permissible customer communications under SAR confidentiality rules?
- We believe they do effectively address concerns. No, SAR confidentiality should remain in place.

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? Do these types of interbank disputes arise more frequently in connection with certain types of checks or parties? What actions could the Board, FDIC, and OCC consider, including potential amendments by the Board to Regulation CC, that could improve supervised institutions' ability to resolve interbank disputes over liability for allegedly fraudulent checks?

- Experience is horrible, especially when dealing with larger banks. Often times, it's impossible to contact a live person to verify funds, and even when a live person is reached, most times they won't confirm or deny whether the check presented at our bank is legitimate. Hold larger banks more accountable to respond to inquiries regarding instruments presented from them.

14) Regulation CC seeks to balance prompt funds availability with the risk of checks being 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?
- Declassifying cashier's checks as next day items as these can be easily duplicated.
- Reg CC guidelines work in most cases. Unfortunately, when fraud is involved, it can take longer to get the fraudulent item back, resulting in a loss to the bank and/or customer.

14a) Have technological advancements in check processing reduced the time it takes for depository institutions to learn of nonpayment or fraud such that funds availability requirements for local checks and nonproprietary ATMs should be shortened?
- Not really because the fraudsters are obtaining the same technological advancements that banks and check-printing companies possess. Funds availability should not be shortened. Otherwise, we would see a massive increase in fraudulent instruments.
- It can be quite costly to a small institution.
- Some of the available programs require other banks to "opt in" to share the data, so the total available information may be sparse.

14b) What effects would shortening funds availability requirements have on payments fraud, consumers who rely on timely access to funds, and depository institutions?
- Fraud would increase. More staff / time would be need to research and handle such increase, thus resulting in larger losses or unproductive time that could be spent on other items.

14c) Are there any changes the Board should consider to the expeditious return requirement to better balance providing expeditious notice to the receiving depository institution with ensuring adequate time for the paying depository institution to investigate potentially fraudulent checks?
- Banks, no matter the size, must reply within two banking days.

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 in allowing depository institutions to mitigate check fraud while also allowing timely access to funds? Would depository institutions benefit from further clarification on when it may be appropriate to invoke this exception? What are the experiences of businesses and consumers when depository institutions invoke this exception in order to delay the availability of depositors' funds?
- The exception is effective. Yes, banks would benefit from further clarification. The experience is usually not a pleasant one as the person doesn't want to believe the presented instrument could be fraudulent.

Payments Fraud Data Collection and Information Sharing

16) Broadly, how could payments fraud data collection and information sharing be improved?
- Penalize banks that do not adhere to 314(b) in a timely manner. Or even completely remove 314(b) where banks can freely communicate with each other regarding payment fraud.

17) What barriers limit the collection and sharing of payments fraud data between industry stakeholders, and how could these barriers be alleviated? For example, have specific barriers limited development of solutions or participation in bilaterial or multilateral payments fraud data collection and information sharing? What changes would address these barriers?
- Unknown as to whether you are actually speaking with another legitimate bank/source. Create a secure platform where only certified users can exchange information.

18) What role should the FRS, FDIC, or OCC take in supporting further standardization of payments fraud data? For instance, can the FRS better leverage or improve the FraudClassifierSM and ScamClassifierSM models?
- Not even sure what these two models are, so maybe start there and send out more information regarding those.

19) What types of payments fraud data, if available, would have the largest impact on addressing payments fraud? If these data are not currently being collected or shared, what entities are best positioned to collect and share such data?
- Percentage and/or dollar amount of lost money on an annual basis compared to prior years. Processors handling such payment avenues.

20) Is there a need for centralized databases or repositories for the sharing of payments fraud data across entities? What legal, privacy, or practical risks and challenges could such a centralized database or repository pose? Which entities are best positioned to develop and participate in a centralized database or repository?
- We believe so. It would be a prime target for hackers. Anyone able to secure such a database.

Reserve Banks' 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? For example, should the Reserve Banks consider requiring fraud reporting for payment rails (as they already do for the FedNow® Service) or adopting any particular payments fraud standards?
- Don't hold banks so accountable for the unpredictability of customers, especially those are careless with their information/money. Yes.

22) Are there risk management tools or services that the Reserve Banks should consider offering or expanding, such as a) developing a payments fraud contact directory for financial institutions,

b) offering tools that can provide notification of atypical payment activity, or c) introducing confirmation of payee services to help mitigate fraudulent payment origination?
- A directory would be helpful. Atypical payments could be helpful, but those are after the funds have already left, so it's after the fact.

General Fraud

23) What types of payments fraud have most impacted your organization and its stakeholders? What tactics have criminals employed when perpetrating these types of payments fraud?
- Stolen checks. Washing them or flat out taking a legitimate check (routing / account numbers) and creating fake checks somewhere else in the country. Mail theft has increased significantly where we're telling customers to not only not put checks into their mailboxes with the flags up, but to not put checks into the blue USPS boxes as criminals are just taking items directly out of there.

24) What measures, including technological solutions or services, have been most effective in identifying, preventing, and mitigating payments fraud at your institution? Are there actions that consumers can take that help institutions? For example, do financial institutions find it helpful when consumers alert the institution in advance when making large purchases, transferring large amounts of money, and traveling abroad?
- Fraud monitoring software has been helpful, but again, that is after the fact. Placing holds on any suspicious check. Most important though is educating front line staff to be aware of current schemes and to prepare them to have meaningful conversations with customers when they ask to do something out of the ordinary. Consumers can get educated the same as bank personnel. Those examples help, but happen probably 2% of the time. Most times customers don't wany anyone else knowing their business, and will verbally tell our staff that.

25) To the extent not already addressed here, are there other actions that would support stakeholders in identifying, preventing, and mitigating payments fraud?
- Similar to cash, come up with a standard check format.

26) Are there specific actions that commenters believe could encourage the use of payment methods with strong security features?
- None we can think of.