

From: [Carrie Heaton](#)
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 4:50:01 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 VP, Risk Management & Bank Security Officer of Kitsap Bank, a \$1.6 billion community bank headquartered in Port Orchard, WA. I am writing to respond to the joint agency request by the Office of the Comptroller of the Currency (OCC)'s, Board of Governors of the Federal Reserve System (Board)'s, and the Federal Deposit Insurance Corporation (FDIC)'s request for information (RFI) on payments fraud.

Kitsap Bank has served our local community since 1908. We strengthen our communities through lending to small businesses, providing donations to local non-profits, and our employee's volunteering their time. Our commitment to improving our region has stayed strong for 117 years.

Fraud continues to impact community banks at an increasing rate each year. The cost of combatting that fraud is also increasing, so, I applaud the agencies for issuing this RFI and seeking input on ways that they could take action 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 welcomed.

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

- We have seen a 500% increase in breach of warranty claims due to check fraud in 2025. This is due to washed, altered, and counterfeit items that have been processed by mostly large financial institutions. At this time, there is no regulatory timeframe for depositing institutions to respond to these claims. **We propose this timeframe be changed to no more than 60-days for response by the depositing institution for a breach of warranty.** These large financial institutions seem to have less oversight on the accounts that are opened, which is actively being leveraged by fraudsters. The lack of a set timeframe creates a pattern of on-going follow-up and monitoring in order to attempt to recoup funds for clients by employees.
- The on-going targeting of the bank's elderly customers, consumers, and small businesses continues daily. **We propose providing community banks with targeted educational materials and printed handouts,** which is vital to our elderly clients and those who don't actively use or are less

comfortable with technology. In December 2024 this group issued a joint statement to financial institutions outlining strategies for preventing elder financial exploitation. Despite on-going education and monitoring, this is a problem community banks and all financial institutions are at the forefront of. Kitsap Bank's clientele is aging and we have seen losses to both the bank and our clients soar this year. Community banks need help in combatting payment fraud and protecting clients and our elderly population.

- Kitsap Bank has seen a 289% increase in debit card losses through Reg E claims between 2021 and 2024. Absorbing these losses for a community bank has been increasingly challenging, as the bank is deemed liable even when the client is proven to have been negligent. We have also experienced an increase in bill payment fraud processed as ACH payments. To combat the ever evolving fraud landscape, there are new AI based programs that can provide early intervention in a fraudulent online banking session, which typically results in payment fraud and losses. However, these tools are cost prohibitive and well outside the budget of most community banks. These costs are in addition to the other regulatorily required monitoring programs, such as BSA/AML/CFT, CRA and a comprehensive Compliance Management System. **We propose a national fund be created, or some type of grant opportunities, to support community banks with the cost of enhanced monitoring tools that can significantly help combat payment fraud.**

We appreciate the opportunity to provide comments on this RFI, and the Bank looks forward to continuing to work with the OCC, FRS, and FDIC, along with other stakeholders to protect our customers from the growing threat of payments fraud.

Sincerely,



Carrie Heaton
VP, Risk Management & Security Officer
Digital Ambassador

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