



Peoples Bank
OF THE SOUTH

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 and CEO of Peoples Bank of the South, a \$225,000,000 bank located in LaFollette, Tennessee. 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.

Peoples Bank of the South is over 100 years old, with 3 locations, and has been a part of this community since inception. Our recent problems are from counterfeit checks. We have found a commonality with a lot of counterfeit check problems. The checks are being deposited with larger banks that do not have a personal relationship with their customers, as do community banks. It appears that most of these accounts are new accounts that are opened online without enough due diligence to justify opening the account. The regulations need to be strengthened to not allow mass deposit gathering remotely without sufficient knowledge of their new customer. The community banks have the ability to better know their customers and the larger banks need to be better regulated to prevent this disaster from continuing.

The latest incident was a stolen check from within the post office, which is a huge problem within itself. This theft allowed the fraudster to use the same account number, check number and signature while changing the payee on the check who was able to deposit the check fraudulently into their account. In our opinion, this should have been deemed an altered check versus a counterfeit, which would have required the bank of deposit to be more cautious with the items they were negotiating. We only had until midnight the following night to return the check as counterfeit, which is an unrealistic time frame. The fact that the bank must give credit so quickly to the customer does not allow adequate time for the bank to be notified of a potential problem. The post office and the larger banks are the majority of the problems, however, improved regulation to make the larger banks operate safely and securely, like the smaller banks, would be beneficial.

We pride ourselves in taking care of our customers, our community and our shareholders. Not only are the large banks too big to fail but are too big to be secure. The community banks are, again, disadvantaged.

Sincerely,

A solid black rectangular box used to redact the signature of David Reynolds.

David Reynolds, President & CEO