

**From:** [Scott McQueen](#)  
**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, September 16, 2025 11:32:29 AM

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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:

I am the 1<sup>st</sup> Vice President of Risk Management at Southern Michigan Bank & Trust, a \$1.5 billion asset community bank located in Coldwater, Michigan. I am writing to respond to the FDIC's request for information on payments fraud.

Southern Michigan Bank & Trust was established in 1872 and is the 2<sup>nd</sup> oldest charter in the State of Michigan. The bank has a long history of servicing the local communities it serves and plays a critical role as a trusted financial partner to consumers and small businesses throughout Southern Michigan's footprint.

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

- Consumer and Business stolen mail that results in fraudulent check activity
- Business email compromise resulting in fraudulent customer transactions
- Consumers being caught in phishing and vishing scams that results in them losing money
- Elder Financial Abuse resulting in consumer loss
- Additional operational costs related to identifying and remediating fraudulent activity

We believe education of our consumers and businesses continues to be one of the most important efforts to help reduce the fraud. 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 are 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.

Regulation and Supervision may help in the following ways:

- 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. Examples include large financial institutions often delay or deny check fraud claims or fail to respond timely even when they have the liability in an effort to avoid reimbursing community banks. Their stated policy has even included “we don’t investigate anything under \$25,000”.
- Changes to Regulation CC could help community banks prevent and mitigate check fraud. For example, the return deadline related to fraud could be extended to 3 or 4 days to allow for returned checks, 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.


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.

Thank you,

Scott McQueen

1<sup>st</sup> Vice President – Risk Management

Southern Michigan Bank & Trust



Scott McQueen  
1st VP Risk Management Officer  
Southern Michigan Bank and Trust