

**From:** [Bruggink, Lorilei](#)  
**To:** [Comments](#)  
**Subject:** [EXTERNAL MESSAGE] June 20, 2025-Request for Information On Potential Actions To Address Payments Fraud; Comment Request (RIN 3064-ZA49)

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/COO of State Bank Northwest a \$225 million community bank located in the Inland Northwest of Washington State. 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. Founded in Garfield, Washington, we serve the agricultural and business communities, providing full-service banking on a first name basis, since 1902. We take pride in the fact that we truly know our customers, a role that has become more critical with the significant increase in fraud.

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.

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

- Duping customers into sending out ACH payments to a known vendor only to find out that the actual recipient never received the payment.

- Business checks that are intercepted, washed, and deposited to a fraudsters account.
- External transfers coming from an account that was verified by a micro deposit only to be returned as unauthorized after several transfers have been made.

### **External Collaboration**

- Collaborative stakeholder efforts to address payments fraud, is typically strong between Community Banks. Fraud and scams persist across state borders, so national stakeholder collaboration is necessary to effectively combat the problem. Establish a national reporting center that holds all financial institutions, particularly the Mega Banks, accountable for updating Fraud contact information, and responding to requests for information in a timely manner – not months after the request when it is too late.
- We have a local security group, which meets monthly, that includes community banks, law enforcement, community organizations, and other stakeholders which has proven to be an effective way to build connections and share information at the community level. Regulators should encourage all communities to form a security group that can collectively work together to combat local fraud.

### **Consumer, Business, and Industry Education**

- 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. Widespread TV public service announcement would be helpful so that customers are hearing the same message from a variety of sources.
- The USPS has recently published a piece on Fraud. Again, it would be beneficial to see this turned into a TV public service announcement.
- Tax Preparers and Accountants should provide education to their clients on online tax filing and direct deposit of refund checks. This is especially important for senior citizens who we see still receiving tax refund checks.

### **Regulation and Supervision**

- Regulation should be expanded to hold the Bank of First Deposit more accountable. In many instances, they are in physical possession of the fraudulent item and have the resources to stop the fraud. Yet the bigger banks continue to ignore fraudulent items and process them. Then, they drag their feet in responding to our return request.
- Check fraud 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.

- In the past we have sent affidavits to large banks to collect on a check that was altered, the bank either does not respond or continues to ask for additional information, until they finally close the case with no response. We had one situation where the large bank responded that they had passed a credit to us but never responded when we provided documentation that they had also reversed the credit.
- A universal method for how to initiate an adjustment request would be beneficial and save time and resources. Some banks will only accept these adjustments by email, some by regular mail. However, getting the correct contact information can be incredibly hard.
- Changes to Regulation CC could help community banks prevent and mitigate check fraud. For example, the return deadline related to fraud could be extended, the “reasonable cause to doubt collectability” exception could be clarified, or another hold exception for “Fraud” could be added. The definitions for altered vs counterfeit need to be clarified. 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.

### **Reserve Banks’ Operator Tools and Services**

- A centralized Fraud Ombudsman could be established to escalate fraud cases and review return disputes among financial institutions.
- There are a variety of specific products and services that could benefit community banks, including, for example, a fraud contact directory, a fraud information sharing repository, an interbank check fraud breach of warranty claim mechanism, a check image analysis and verification tool, an atypical payment monitoring service, and confirmation of payee service.

### **General Questions**

- We have seen an increase in phishing scams that have been targeted to our business customers. The scammers will call pretending to be the bank and have been able to get the user to share their online banking credentials. Once in the online banking platform the scammers try to transfer money either by external transfer or ACH. We have been fortunate to date that no loss has occurred, mostly due to some of the tools that we have set up to verify this type of activity, and how well we know our customers.
- The bank has a system to verify all ACH files that are originated by our customers.

The customer must submit a signed authorization to verify the file that was sent. If a file is received that does not match the signed form, a verification call is placed to the customer.

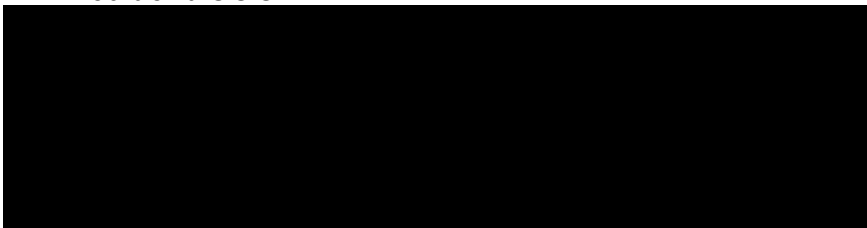
- Positive pay is currently being developed and will be rolled out to our business customers to aid in checks being intercepted and altered.
- FIDO keys are being used for business customers that originate ACH files, to add an extra layer of security.

Thank you for the opportunity to provide comments on this RFI. State Bank Northwest 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,

Lorilei Bruggink

State Bank Northwest  
President/COO



State Bank Northwest, originally founded in 1902 in Garfield Washington as The State National Bank of Garfield, is a privately held Community Bank headquartered in Spokane. The Bank offers business banking, consumer banking, agricultural banking, and residential and commercial mortgage services in the Spokane Valley, North Spokane, Garfield, Colfax, Palouse, and Rockford. With over \$225 million in assets, State Bank Northwest continues to create prosperity for clients, team members, shareholders, and communities with its focus on relationship banking and excellent customer service. **State Bank Northwest - "Full Service Banking ... on a First Name Basis".**

