From: Randi Ybarra
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 7:10:57 PM

[redacted]

Ms. Jennifer M. Jones
Deputy Executive Secretary
Attention: Comments—RIN 3064-ZA49
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

Dear Mr. Gould, Mr. McDonough, and Ms. Jones:

I am the Executive Vice President and Chief Financial Officer of Western Bank, a $315 million asset community bank headquartered in Lordsburg, New Mexico.

Western Bank has proudly served the communities of southwest New Mexico and southeast Arizona for over a century. We operate four full-service branches located in Lordsburg and Silver City, NM, and Willcox and Bisbee, AZ. Our customer base includes individual consumers, municipalities, small businesses, and agricultural producers; each of whom play a vital role in the economic health of our region. These customers entrust us to safeguard the funds they have worked hard to earn, and we take that responsibility seriously.

Western Bank and our customers have experienced increasing and various forms of payments fraud, including:

Check Fraud via Mail Theft
These incidents result in significant resource expenditure, losses to our customers or the bank, legal costs, employee time dedicated to identifying the bank of first deposits (BOFD) contact information, and persistent follow-up with larger institutions to reach a resolution.

Scams Targeting Vulnerable Customers
We have witnessed multiple instances in which customers, including elderly or vulnerable customers, were deceived into transferring funds via wire, check, or cash withdrawals subsequently deposited into Bitcoin ATMs. These cases not only result in financial losses for customers but also require enhanced due diligence on the bank's part, increasing both labor and software costs.

Debit Card BIN Attacks
Over the past two years, Western Bank has been the target of three separate debit card BIN attacks. These automated attacks aim to identify valid card numbers for use in unauthorized transactions. The consequences include customer inconvenience, increased card reissuance costs, greater regulatory compliance burdens under Regulation E, and higher expenditures on fraud detection systems.

We support action to effect change through the Agencies effort. These include:

Regulation and Supervision

Compliance Expectations
UCC changes are needed and liability should be imposed on banks of first deposit. When a financial institution's customer facilitates a fraudulent transaction, that institution should bear responsibility for the resulting loss. As the front line of defense, financial institutions are best positioned to know their customers, detect, and prevent fraud before it occurs, and, if necessary, pursue recovery from the actual perpetrators. This will take the back and forth out of shifting liability due to “Altered” or “Counterfeit” items.

The UCC if not another reg. should codify standardized fraud response times, forms, and procedures.

Check Fraud and Interbank Resolution
Large financial institutions are not implementing adequate Customer Identification Program (CIP) and Know Your Customer (KYC) procedures, resulting in the opening of accounts that are subsequently exploited by fraudsters. In addition, we have frequently encountered difficulties in resolving interbank disputes related to fraudulent checks, often facing delays and a lack of cooperation. *Imposing more stringent bank of first deposit liability standards, may shore up large financial institution’s due diligence gaps.*

Recommended Revisions to Regulation CC

Consider updates to Regulation CC:

- Extending return deadlines in fraud-related cases

Current hold times <u>should not</u> be shortened, as they provide critical fraud detection windows. Banks must retain discretion to extend holds when warranted.

Payments Fraud Data Collection and Information Sharing

We would welcome the following tools and services:

- A national fraud contact directory
- Centralized fraud data repository
- Interbank check fraud warranty claim portal
- Automated check image verification tools
- Anomalous payment monitoring services
- Confirmation of Payee capabilities

The contact directory, fraud repository, and fraud warranty claim portal would allow claims to be filed in a timely and uniform fashion, provide transparency for banking fraud contacts, and provide structure to what has historically been a long and chaotic process that differs by institution.

Thank you for the opportunity to provide input on this critical issue.

Sincerely,

Randi Ybarra,
EVP and CFO
Western Bank
[redacted]

I love deadlines. I like the whooshing sound they make as they fly by. --Douglas Adams

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