

September 18, 2025

Fraud: The Community Bank Perspective

The Independent Community Bankers of America (ICBA),¹ representing community banks across the nation with nearly 50,000 locations, appreciates the opportunity to provide this statement for the record for today's hearing: "Fraud in Focus: Exposing Financial Threats to American Families." Thank you for raising the profile of a critical threat to American consumers and for exercising strong oversight over the agencies whose cooperation is needed to meet this threat.

Americans continue to be challenged by a rise in fraud and scams across payment types. Community banks are on the front lines, witness the consumer impact firsthand, and are leading the response. ICBA and community banks have dedicated significant resources to detecting, preventing, and investigating payments fraud. But community banks cannot solve this problem alone. We need the active engagement of the financial agencies to develop and implement effective solutions. They must also understand that any regulatory response that imposes additional mandates on community banks would be counterproductive. More regulation on an already-burdened industry is not an effective solution. New or revised supervisory guidance that is particularly burdensome could impact community banks' abilities to effectively prevent, detect, or mitigate fraud by forcing resources to be redirected to compliance activities.

At the top of this statement, ICBA thanks Chairman Hill, Chairman Meuser, Rep. Foster, and the many members of this committee, for your letter of November 2024 to the financial agency heads clarifying the scope the check-fraud problem and emphasizing the need for a coordinated, cross-agency response to better allow financial institutions to protect American consumers and businesses. We expect that this oversight hearing will amplify and extend the request initiated in that letter.

This statement will focus on two types of fraud that have become increasingly prevalent and can have crippling effects on victims: check fraud and the financial abuse of American seniors. We outline current efforts to combat these frauds and present recommendations for further action.

Check Fraud

Check fraud has emerged over the past several years as a leading concern for consumers and community banks. Mail theft, increasingly sophisticated mechanisms for altering paper checks and check images, and coordination problems among financial institutions have led to consumer frustration and mounting losses for community banks.

In response, ICBA created a Fraud Task Force that brings together community banks and state associations from across the country to share information, build relationships with regulators, and collaboratively develop resources for their peers.

¹ The Independent Community Bankers of America® has one mission: to create and promote an environment where community banks flourish. We power the potential of the nation's community banks through effective advocacy, education, and innovation. As local and trusted sources of credit, America's community banks leverage their relationship-based business model and innovative offerings to channel deposits into the neighborhoods they serve, creating jobs, fostering economic prosperity, and fueling their customers' financial goals and dreams.

ICBA and community bank efforts have focused on the following areas.

Educating Community Banks and their Customers

ICBA's Fraud Task Force has released a series of resources that address check fraud, including a comprehensive guide to liability, a survey of detection mechanisms, and instructions for how to escalate interbank disputes to regulators. Our Task Force is an invaluable forum for sharing best practices among community banks.

ICBA delivers a broad range of educational content to help banks develop and implement their strategies to combat fraud and scams, including comprehensive coursework and topical webinars.

Acting in Partnership with the U.S. Postal Inspection Service

By far the biggest source of stolen checks is the United States Postal Service (USPS). Checks are stolen from consumer mailboxes as well as from USPS facilities. USPS became a rich source of checks for criminals, particularly government benefit checks distributed through the mail. Effective mail security is a critical, though not exclusive, part of the solution to the problem of check fraud. With better security, check fraud would be significantly reduced.

ICBA partnered with the US Postal Inspection Service to produce an in-branch handout for community bankers to share with customers and start a conversation about fraud and scams prevention. Hundreds of thousands of copies have been distributed to hundreds of banks across the country. We believe this is a model for targeted partnership with a government agency to produce tools and resources to help community banks combat fraud and scams.

Community banks thrive, in part, because of their close customer relationships, and face-to-face engagement is one of the most effective tools to reach community bank customers. In-branch material and messaging is especially valuable for community banks.

Broad Based Stakeholder Efforts

Collaborative stakeholder efforts play an important role in addressing payments fraud. Fraud and scams persist across state borders and involve stakeholders across economic sectors. National collaboration, including collaboration across federal agencies outside of the banking sector, is necessary to effectively combat the problem.

Support for Recent Administration Initiatives

ICBA is pleased to see the beginning of a coordinated federal effort to address the persistent threat of fraud and scams:

- **Executive order and request for information on phasing out paper Treasury checks.** In March 2025, the administration issued an executive order ordering the federal government to stop using paper checks for disbursements and receipts. In June 2025, the U.S. Department of the Treasury issued a request for information on the executive order. ICBA supports the administration's effort to combat the threat of check fraud² and submitted a comment letter in response to the request for information.³
- **Request for information on payments fraud.** In June 2025, the Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, and Federal Deposit Insurance Corporation issued a request for information seeking input on actions the agencies could take to help mitigate payments fraud. The request for information covered five potential areas for improvement and collaboration that could help mitigate payments fraud. ICBA submitted a comment letter, alongside a letter cosigned by its affiliated state and regional affiliates and many letters prepared by individual community banks. Some of our recommendations from that letter are discussed below.

ICBA looks forward to continuing to work closely with the administration and regulators to help community banks combat fraud and scams.

The Regulatory and Supervisory Response to Payments Fraud

There are opportunities to enhance supervisory guidance around appropriate controls, suitable technology, reporting, and incident response, but it is important to avoid imposing new burdens on community banks. Payments fraud regulations and examiner expectations need to be appropriately tailored to community banks with tiered compliance requirements and deadlines.

Changes to Regulation CC

Hold times

Federal Reserve Regulation CC governs the availability of funds, including hold times, and the collection and return of checks. Changes to Regulation CC could help community banks prevent and mitigate check fraud.

ICBA would not support shortening Regulation CC hold times across the board, as this would limit banks' ability to effectively detect and mitigate check fraud by reducing the amount of time banks have to review checks. However, Regulation CC should allow longer hold times for mobile check deposits or under other appropriate circumstances, including, for example, new accounts or accounts that display certain usage patterns. Providing additional flexibility to hold funds would provide significantly greater opportunity to identify suspected payments fraud.

² <https://www.icba.org/newsroom/news-and-articles/2025/03/26/icba-applauds-trump-administration-on-executive-order-combating-check-fraud>

³ [https://www.icba.org/docs/default-source/icba/advocacy-documents/letters-to-regulators/icba-response-to-modernizing-payments-executive-order-rfi-1-\(1\).pdf](https://www.icba.org/docs/default-source/icba/advocacy-documents/letters-to-regulators/icba-response-to-modernizing-payments-executive-order-rfi-1-(1).pdf)

“Reasonable cause to doubt”

Regulation CC allows depository institutions to extend deposit hold periods when the institution has a “reasonable cause to doubt the collectability of a check,” among other exceptions. ICBA believes the existing “reasonable cause” standard is vague and creates uncertainty for community banks. While this is a valuable exception, clearer guidance would help increase community banks’ confidence in invoking the exception. A safe harbor that would apply when certain conditions are met would also encourage community banks to invoke the exception.

Interbank dispute resolution process

Community banks report that large financial institutions often reject fraud claims even when they provide significant documentation. In addition, contacts are difficult to find (despite the existence of third-party directories), and communication timeframes are often long. As a result, community banks are often forced to absorb losses when they have legitimate claims.

An appropriately tailored resolution process could provide more standardized, timely, and effective resolution of interbank disputes. This would enable community banks to pursue check fraud claims much more efficiently, increasing certainty across the ecosystem.

Liability standards

Regulation CC should explicitly define liability allocation for specific fraud scenarios, particularly for altered checks and forged endorsements. Clear definitions would help level the playing field for community banks and large financial institutions that currently exploit ambiguous rules to shift losses to community banks.

Additional Recommendations

Payments Fraud Data Collection and Information Sharing. Centralized data reporting would be valuable for the ecosystem, but agencies should avoid imposing additional data collection requirements on community banks. Appropriate safe harbors would improve banks’ ability and willingness to share fraud data.

Community banks would benefit from automated data collection, analysis, and reporting tools that are integrated with services they already use and do not come with additional costs.

Reserve Banks’ Operator Tools and Services. Community banks would benefit from tools and services that integrate with third-party services they already use and pricing that is appropriate for their size and complexity.

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.

Combatting the Financial Abuse of American Seniors

The elderly population is uniquely vulnerable to fraud, and bad actors are increasingly exploiting this vulnerability. Community banks are committed to protecting older members of our community from exploitation and play a critical role in educating elderly customers about fraud and helping families set up safeguards for elderly family members.

Financial abuse of seniors includes forging checks and stealing benefits, as well as accessing credit cards, bank accounts, wills, life insurance policies, house titles and other personal documents without the older individual's consent.

Because community banks have such close relationships with their customers, they are ideally positioned to coach older customers and their families through available protections like transaction alerts, biometric and multifactor authentication, and other security permissions in apps and on their devices.

In addition, community banks partner with retirement homes, religious institutions, law enforcement agencies and other organizations to provide education and personal, one-on-one contact. It's about helping to build a network of trust.

As with community bank anti-fraud efforts, combating the financial abuse of seniors is an area in which a broad spectrum of stakeholders, including regulators, must come together to leverage resources.

Future Work

Community banks are uniquely positioned to prevent, detect, and mitigate fraud and scams and take this role very seriously. As relationship bankers, community banks know their customers in real and meaningful ways. These relationships promote access to services, prevent fraud on the front lines, and give customers a personal resource when they fall victim to fraud or scams.

ICBA continues to engage with its members to explore different mechanisms for collaborating to prevent, detect, and mitigate fraud. ICBA also appreciates the work by members of Congress and federal agencies to address this issue. We will continue to partner with these important stakeholders as we collectively work to reduce the burden of check fraud.

Thank you for convening today's hearing to highlight financial threats to American families. We appreciate the opportunity to provide community bank perspectives and hope to provide ongoing input as solutions are developed.