



## **Appealing to Federal Regulators for Assistance in Reimbursements for Fraudulently Altered Return Checks (Fraud Returns)**

Community Bankers Association of Illinois (CBAI) members have been experiencing a pernicious and growing problem with reimbursements for fraudulently altered return checks drawn on their customers' accounts. This problem is certainly being exacerbated by the nation's largest banks and credit unions, which is harming community banks and its customers and is undermining the public's confidence in the nation's banking and financial system.

CBAI's Legislation and Regulation Committee directed the Government Relations staff to compile guidelines by which members could escalate complaints against banks that have been unresponsive to requests or have rejected reasonable requests for reimbursements. That initiative began with the polling of members which confirmed the serious nature and widespread extent of the problem.

In subsequent letters, CBAI urged the federal banking regulators to get involved to assure these reimbursement requests are addressed in a prompt and reasonable manner. CBAI recommended the regulators initiate Joint Supervisory Guidance to set a standard for how these requests will be handled by the large banks. We also urged the regulators to investigate these banks' apparent shortfalls with CDD and CIP compliance, which allows for the opening of fraudulent accounts and accepting fraudulently altered checks for deposit. These large banks need to be held accountable for their failures and must stop harming community banks.

If CBAI members are encountering problems in getting reimbursed for Fraud Returns, please consider drafting a letter to the following individual at the offending banks' prudential regulator. The overwhelming majority of CBAI-member complaints have been against national banks which are supervised by the Office of the Comptroller of the Currency (OCC). However, the prudential regulator for several of these large banks is either the Federal Reserve or the Federal Deposit Insurance Corporation (FDIC). If you have questions regarding which federal regulator to direct your complaint you can either use the links below [\\*/\\*\\*/\\*\\*](#) or CBAI would be happy to assist you. **To protect the privacy of your customers, we recommend that you end your letters and any supporting information by**

secure/encrypted email to the senior regulators at the OCC and the FDIC. See the separate instructions for the Federal Reserve.

Greg Coleman  
Senior Deputy Comptroller for Large Bank Supervision  
Office of the Comptroller of the Currency  
400 7th Street SW  
Washington, D.C. 20219

**The OCC has established a dedicated email address for you to send complaints against the largest national banks. That dedicated [email address](#).**

\*Here is the [link](#) to the 25 large national banks supervised by the OCC. Scroll down to "Large Bank Locations."

**Doreen R. Eberley**  
Director, Division of Risk Management Supervision  
Federal Deposit Insurance Corporation  
550 17th Street, N.W.  
Washington, D.C. 20429

**The FDIC has also established a dedicated email address for you to send complaints against the largest FDIC regulated banks. That dedicated [email address](#) (note the underscore between check and fraud.)**

\*\* Here is the [link](#) for all FDIC insured institutions to ascertain a bank's primary federal regulator. (Complete the "Search for Institutions" section.

**Michael S. Gibson**  
Director, Division of Banking  
Board of Governors of the Federal Reserve System  
20th Street and Constitution Ave, N.W.  
Washington, D.C. 20551

#### **Website**

**The Federal Reserve has asked that you use their "Contact Us" website to send complaints against the largest Federal Reserve regulated banks. In the section titled "Select a Subject", please check "Other", and then state "Reimbursement for Fraudulently Altered Return Checks." In the "Comment" section at the bottom, please describe your reimbursement request as you would do in the letters to the other regulators - with one exception. Please redact any Personally Identifiable Information (PII) and ask that someone from the Federal Reserve call you to obtain that information.**

\*\*\* See the above FDIC link to determine if the Federal Reserve is a bank's primary regulator.

***Your letter may begin as follows:***

Date

Name and address of the regulator

Regarding: Complaint against \_\_\_\_\_ (insert the offending bank name and location)

Dear Federal Banking Regulator:

In the body of your letter, you should provide all the specific information for the regulators to be able to identify the offending bank, the specifics of the item for which you are seeking reimbursement, the transaction history, and copies of any additional paperwork that you have, including your communications with the large banks and the response you received or state a lack thereof.

Your letter should briefly explain your efforts to be reimbursed and why you are left with no reasonable alternative but to file this complaint and appeal to the bank's regulator for assistance, and the imperative for them to intervene. The failure of these banks to effectively manage Fraud Return reimbursements harms your community bank's liquidity, earnings, and capital and wastes your management's time and efforts which can be better utilized to serve your customers and communities. In addition, check fraud harms your community bank's reputation and that of the entire banking system, and communities at large.

We believe it is important for you to consider raising concerns in your letter about how these fraudulent accounts were opened (i.e., potential CDD and CIP shortfalls) and how the fraudulent items were allowed to be accepted for deposit into these fraudulent accounts. Apparently, these are compliance management lapses at the large banks which need to be addressed. Also, consider stating in your letter that you are escalating this matter to the regulators to help deter fraud that is being committed against your customers and your bank and undermining the banking system.

You are not asking the regulators (under normal circumstances) to pick winners and losers, but you are asking for the regulators' assistance in getting a prompt and reasonable resolution to your reimbursement requests because you have diligently pursued other resolution options.

The clear expectation that CBAI has communicated to all the regulators for handling these complaints is as follows: acknowledge their receipt of the community bank complaint and ensure that the complaints are delivered to the appropriate senior executives at the applicable large banks. Further, these large banks should respond to community banks acknowledging their receipt of the complaint, provide a point of contact to the community bank, and commit to a reasonable time-frame for bringing the fraud returns reimbursement request to prompt and reasonable closure. In addition, we would expect that the regulators' safety and soundness and compliance examiners be made aware of these complaints and review the way they are being resolved by the large banks, with particular attention being paid to CDD and CIP compliance so that fraudulent accounts, through which the fraudulent checks are being deposited, cannot be opened.

As you conclude your letter, please be sure to ask the regulator to acknowledge their receipt of your complaint and ensure that your complaint is delivered to and addressed by the senior executives at these large banks who are responsible for bringing fraud returns reimbursement requests to prompt and reasonable closure.

You may want to consider copying your banks' regulators (or keep a file of your complaints) to prove that you are being proactive in seeking reimbursements that are impacting your profitability and wasting your time.

CBAI will be communicating with all the regulators and other interested parties about the impact of your complaints and what else needs to be done to address the problems of Fraud Returns.

Please follow up with CBAI's Senior Vice President of Federal Government Relations, [David Schroeder](#), to inform us about how helpful your complaints are to your banks getting a more timely and reasonable resolution to reimbursements for Fraudulent Returns.

If you are having a problem with Fraud Returns with a credit union, based on the information contained on their website, your letter should be addressed as follows, contain the same information about the item and experience as your letters to the federal banking regulators, and delivered via secure/encrypted email to the following.

**Scott Hunt**

Director, National Examination and Supervision

National Credit Union Administration

1775 Duke Street

Alexandria, VA 22314

[Email](#)

Thank you for engaging CBAI in your struggle with this serious problem which needs to be addressed by the largest banks and the banking regulators that supervise them for safety and soundness and consumer compliance.

July 12, 2023