

United States Senate

WASHINGTON, DC 20510

July 31, 2019

The Honorable Jerome Powell
Chairman
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

Dear Chairman Powell:

We write to you concerning the increasing problem of wire fraud through business e-mail compromise (BEC) and e-mail account compromise (EAC) in the U.S. This method of fraud poses great risks to our constituents, specifically homebuyers. Confidence in our payment system's ability to safely transfer large sums of money is an incredibly important part of the home buying process.

We are concerned that the Federal Reserve's policies on wire fraud lack the urgency of the problem. The Federal Reserve's report last fall, "*Changes in U.S. Payments Fraud from 2012 to 2016: Evidence from the Federal Reserve Payments Study*," does not even mention the issue of wire fraud. While other countries, like the United Kingdom, have taken proactive roles in preventing wire fraud, especially for real estate transactions, the Fed's only other substantive effort to date appears to be the Secure Payments Task Force's announcement to create and publish "recommended fraud definitions."

Last summer, the Federal Bureau of Investigation (FBI) released a public service announcement titled, "Business E-mail Compromise the 12 Billion Dollar Scam." The FBI reported that from 2015 to 2017 there was an 1100% increase in the number of real estate related e-mail compromise scams reported to the FBI. Of these scams, the amount of funds lost increased nearly 2200%.¹ In fiscal year 2017 alone, the FBI reported that \$969 million was "diverted or attempted to be diverted" from real estate purchases to "criminally controlled" accounts,² an incredible increase from \$19 million in 2016.

The Federal Trade Commission (FTC) and Consumer Financial Protection Bureau (CFPB) have also taken steps to raise awareness of this issue, issuing warnings to consumers on the dangers of wire fraud while urging consumers to "*Protect Your Mortgage Closing from Scammers*"³ and "*Watch out for Mortgage Closing Scams*."⁴

¹ "Business E-mail Compromise the 12 Billion Dollar Scam," Federal Bureau of Investigation, Public Service Announcement, July 12, 2018. <https://www.ic3.gov/media/2018/180712.aspx>

² "FBI: Hackers scam homebuyers out of millions — and it's getting worse," the Chicago Tribune, October 31, 2017. <https://www.chicagotribune.com/g00/classified/realstate/ct-re-1105-kenneth-harney-20171030-story.html?i10c.ua=1&i10c.encReferrer=&i10c.dv=22>

³ "Protect your mortgage closing from scammers," Federal Trade Commission, Consumer Information, June 27, 2017. <https://www.consumer.ftc.gov/blog/2017/06/protect-your-mortgage-closing-scammers>

⁴ "Buying a home? Watch out for mortgage closing scams," Consumer Financial Protection Bureau, June 7, 2017. <https://www.consumerfinance.gov/about-us/blog/buying-home-watch-out-mortgage-closing-scams/>

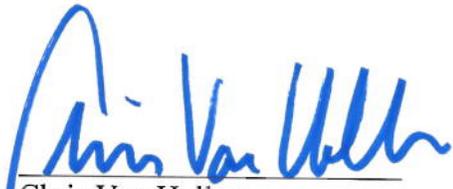
Given the rapidly increasing seriousness of the issue, we are interested in what efforts the Federal Reserve has underway to limit fraud and verify payee matching on wire payments.

We would appreciate your response to the following:

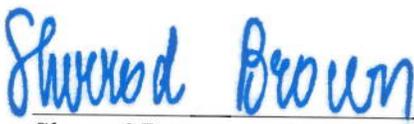
1. What is the Federal Reserve doing to address criminal exploitation of weaknesses in the U.S. wire system to trick unsuspecting consumers into sending payments to the wrong financial account?
2. Is the Federal Reserve coordinating with federal agencies on addressing wire fraud?
3. How is the Federal Reserve working with financial institutions to decrease this type of wire fraud?
4. Has the Federal Reserve considered payee matching requirements when a wire transfer is initiated?
5. Does the Federal Reserve have sufficient authority to institute these protections for the U.S. wire system and the Federal Reserve's Fed Wire system? If not, what authorities are needed to institute these protections?
6. Can the wire system's current technology accommodate payee verification? If not, is there a reason payee verification was not included in the Federal Reserve's evaluation of the future of the payments system?

Respectfully,


Jerry Moran
United States Senator


Chris Van Hollen
United States Senator


M. Michael Rounds
United States Senator


Sherrod Brown
United States Senator


Catherine Cortez Masto
United States Senator


Tom Cotton
United States Senator



Doug Jones
United States Senator



Thom Tillis
United States Senator



John Kennedy
United States Senator



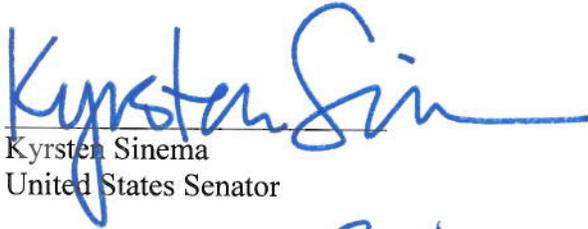
Jack Reed
United States Senator



David A. Perdue
United States Senator



Martha McSally
United States Senator



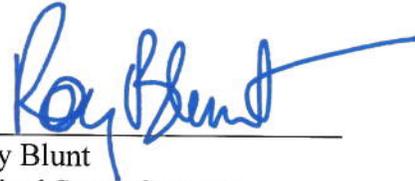
Kyrsten Sinema
United States Senator



Kevin Cramer
United States Senator



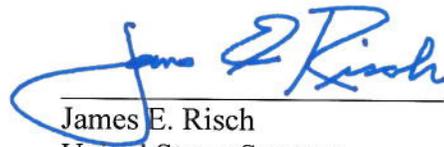
Tina Smith
United States Senator



Roy Blunt
United States Senator



Bill Cassidy, M.D.
United States Senator



James E. Risch
United States Senator



Amy Klobuchar
United States Senator



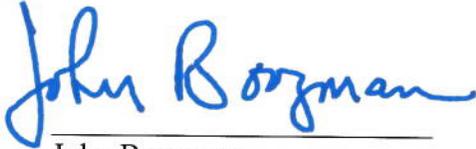
Ron Johnson
United States Senator



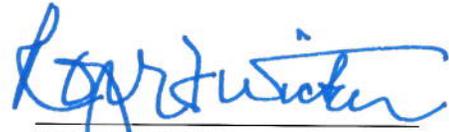
Ted Cruz
United States Senator



Steve Daines
United States Senator



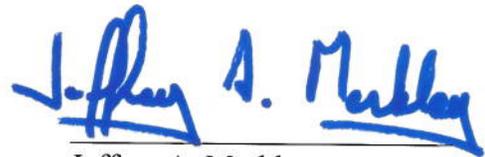
John Boozman
United States Senator



Roger F. Wicker
United States Senator



Jeanne Shaheen
United States Senator



Jeffrey A. Merkley
United States Senator



Shelley Moore Capito
United States Senator



John Hoeven
United States Senator



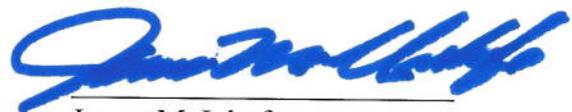
Debbie Stabenow
United States Senator



James Lankford
United States Senator



Deb Fischer
United States Senator



James M. Inhofe
United States Senator



Mike Braun
United States Senator