

Congress of the United States
Washington, DC 20515

June 6, 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:

It has come to our attention that wire fraud through business e-mail compromise (BEC) and e-mail account compromise (EAC) is a rapidly growing problem in the United States. This fraud poses tremendous risks to our constituents, especially homebuyers, and their confidence in our payment system's ability to safely transfer large amounts of money as part of the homebuying process.

On October 16, 2018 the Federal Reserve published a report, "Changes in U.S. Payments Fraud from 2012 to 2016: Evidence from the Federal Reserve Payments Study," which does not appear to mention the issue of wire fraud. To our knowledge, the most substantive effort by the Federal Reserve to address this issue has been the announcement last year, by its Secure Payments Task Force to create and publish "recommended fraud definitions." Despite this initiative, we are concerned that Federal Reserve policies on wire fraud may not convey the urgency of the problem.

The United Kingdom has taken a more proactive role in preventing wire fraud, especially involving real estate transactions. In July of this year, Pay.UK, the United Kingdom's national payments system service provider, will oversee the nationwide implementation of a new "confirmation of payee" mechanism to address the growing issue of wire fraud in their jurisdiction.

On July 12, 2018 the Federal Bureau of Investigation (FBI) released a public service announcement titled, "Business E-mail Compromise the 12 Billion Dollar Scam." In this announcement, the FBI reported that between 2015 and 2017 there was an 1100% increase in the number of real estate related e-mail compromise scams taking place. Of those scams, there was a nearly 2200% increase in the amount of money lost.¹ The FBI has also reported that in fiscal year 2017 alone \$969 million was "diverted or attempted to be diverted" from real estate purchases

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>

and sent to “criminally controlled” accounts.² This was a significant 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. In early 2016 and again in 2017, the FTC issued warnings to consumers on the dangers of wire fraud, urging them to “Protect Your Mortgage Closing from Scammers.”³ On July 7, 2017 the CFPB issued its own warning, instructing homebuyers to “Watch out for Mortgage Closing Scams.”⁴

Given the scope of this issue, and the progress being made in the United Kingdom to address it, we are interested in determining whether the United States can implement similar protocols to limit fraud – effectively verifying the payee’s name on a wire payment. As you are aware, verifying that a wire payment is made to the intended recipient is not required under current regulations or used by all financial institutions.

We would appreciate your response to the following questions:

1. How is the Federal Reserve addressing criminal exploitation of weaknesses in the U.S. wire system to trick unsuspecting consumers to send their money to the wrong financial account?
2. Which federal agencies has the Federal Reserve coordinated with on addressing the issue of wire fraud?
3. Has the Federal Reserve investigated putting in place payee matching requirements when a wire transfer is initiated?
4. Do you believe the Federal Reserve has sufficient authority to institute these protections for the U.S. wire system, or at least for wire transfers that run through the Federal Reserve’s Fed Wire system? If not, what authorities would the Federal Reserve need to institute these protections?
5. Has the Federal Reserve determined if the current wire transfer system’s technology will allow for payee verification? If not, why was payee verification not included in the Federal Reserve’s evaluation of the future of the payments system?

Respectfully,

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/realestate/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>

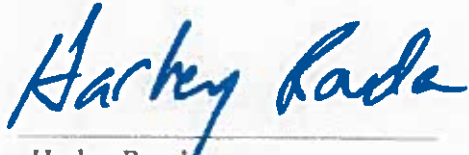
⁴ “Buying a home? Watch out for mortgage closing scams,” Consumer Financial Protection Bureau, June 7, 2017. <https://www.consumerfinance.gov/about-us/blog/buying-home-watch-out-mortgage-closing-scams/>



Brad Sherman
Member of Congress



David Kustoff
Member of Congress



Harley Rouda
Member of Congress



Vicky Hartzler
Member of Congress



Bill Foster
Member of Congress



Sean Duffy
Member of Congress



Stephen Lynch
Member of Congress



Andy Barr
Member of Congress



Vicente Gonzalez
Member of Congress



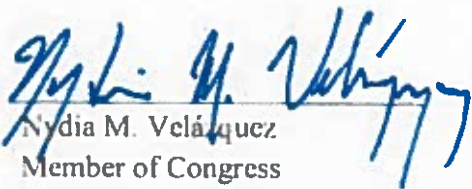
Ted Budd
Member of Congress



Carolyn Maloney
Member of Congress



French Hill
Member of Congress



Nydia M. Velázquez
Member of Congress



Doug LaMalfa
Member of Congress

Katie Porter

Katie Porter
Member of Congress

Scott Perry

Scott Perry
Member of Congress

Jim Himes

Jim Himes
Member of Congress

John W. Rose

John Rose
Member of Congress

Sylvia Garcia

Sylvia Garcia
Member of Congress

Scott Tipton

Scott Tipton
Member of Congress

Ben McAdams

Ben McAdams
Member of Congress

Roger Williams

Roger Williams
Member of Congress

Joyce Beatty

Joyce Beatty
Member of Congress

Lance Gooden

Lance Gooden
Member of Congress

Cindy Axne

Cindy Axne
Member of Congress

Steve Watkins


Steve Watkins
Member of Congress


Tulsi Gabbard

Tulsi Gabbard
Member of Congress

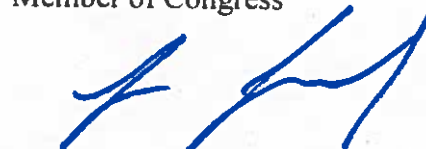
Ken Buck


Ken Buck
Member of Congress



Al Lawson
Member of Congress


Russ Fulcher
Member of Congress



Denny Heck
Member of Congress



Lee Zeldin
Member of Congress



Madeleine Dean
Member of Congress



Brian Babin
Member of Congress



Anthony Gonzalez
Member of Congress

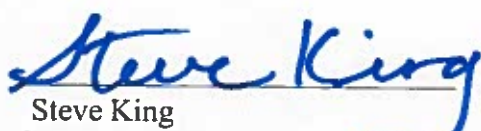

Kelly Armstrong
Member of Congress



Chris Collins
Member of Congress


Ross Spano
Member of Congress


Guy Reschenthaler
Member of Congress


Bradley Byrne
Member of Congress


Steve King
Member of Congress


Don Bacon
Member of Congress



Christopher H. Smith
Member of Congress