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June 29, 2018

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

Dear Chairman Powell:

It has come to my attention that wire fraud is a rapidly growing problem in the United States. This fraud is of great concern to me given the risks posed to my constituents, especially as it relates to real estate transactions. In fact, wire fraud risk may be the largest threat to confidence for completing real estate transactions.

To my knowledge, wire fraud has not been identified by the Federal Reserve as an area of particular concern. On September 6, 2017, the Board of Governors of the Federal Reserve System published a paper, "Federal Reserve Next Steps in the Payments Improvement Journey."<sup>1</sup> The paper followed on the Federal Reserve's call to action issued in the paper "Strategies for Improving the U.S. Payment System," which raised the issue of fraud.<sup>2</sup> However, despite this initiative, I have concerns that current Federal Reserve policies on wire fraud may not be adequate. Evidence suggests that the Federal Reserve should consider taking a more proactive role in preventing wire fraud, especially as it relates to real estate transactions. For example, the United Kingdom's Payment Systems Regulator has identified payee matching as a possible solution to address the growing issue of wire fraud in their jurisdiction.

On November 1, 2017 the House Committee on Financial Services heard testimony about the growing risk of wire fraud as it relates to real estate transactions. According to testimony from Mr. Daniel D. Mennenoh, then President of the American Land Title Association ("ALTA"), the Federal Bureau of Investigation in 2017 reported a 480 percent increase in criminals attempting to steal consumers' closing funds. At the time of the report, the overall cost to Americans of these scams was \$5.3 billion, with an average wire fraud loss of \$129,427. Homebuyers were the most common target. According to his testimony, it is not uncommon for a fraud to be discovered until weeks after a transaction, making it nearly impossible to recover the stolen funds. Clearly, a financial loss of this magnitude would amount to a financial disaster for most families, particularly for first-time homebuyers. Consequently, Mr. Mennenoh recommended policymakers focus on encouraging financial institutions to match not only the account number of the beneficiary but also the payee's name when initiating a wire transfer to reduce

<sup>1</sup> Federal Reserve System: Strategies for Improving the U.S. Payment System (September 6, 2017).  
<https://fedpaymentsimprovement.org/wp-content/uploads/next-step-payments-journey.pdf>

<sup>2</sup> Federal Reserve System: Strategies for Improving the U.S. Payment System (January 26, 2015).  
<https://fedpaymentsimprovement.org/wp-content/uploads/strategies-improving-us-payment-system.pdf>

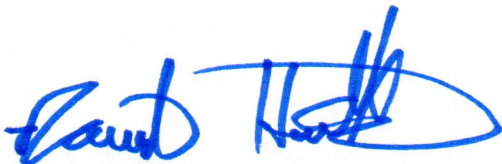
wire fraud. However, payee matching is not mandatory under current regulations, and is not used by all financial institutions.

I would appreciate your response to the following questions:

1. What awareness do you have about wire fraud as it relates to real estate transactions? Do you believe the issue is growing?
2. How is the Federal Reserve addressing the issue of wire fraud?
3. Has the Federal Reserve considered requiring financial institutions to apply payee matching when initiating a wire transfer?
4. Does the Federal Reserve have the requisite statutory authority to address wire fraud issues?
5. Has the Federal Reserve determined if the current wire transfer systems 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?

I would value your response to these questions by July 18, 2018.

Very Respectfully,



Randy Hultgren  
Member of Congress