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Fed Signals Fraud a Top Priority in Special Compliance Outlook Issue

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The Federal Reserve (Fed) has devoted its entire Second Issue 2025 of Consumer Compliance Outlook (Outlook) to fraud – a rare, single-topic focus that underscores regulators' and industry's heightened concern for addressing financial fraud.

The Outlook's special fraud issue was published amid sharply rising fraud and scam losses. US consumers reported $12.5 billion lost to fraud in 2024, a 25% jump from 2023. Banks are feeling the strain too – fraud-related suspicious activity reports almost doubled from 2020 to 2024.[1] Certain populations are particularly hard-hit, as losses for military consumers increased 22% from 2023.

By dedicating an entire Outlook issue to fraud, the Fed is sending a message that combating fraud is a priority that warrants industrywide attention and resolve.

Key topics covered in the fraud issue

This issue serves as a central resource for banks as they work to understand and prevent fraud and scams, and contains several articles examining different aspects of the problem and potential solutions.

Surge in check fraud and mail scams

In the first article, the Fed notes that even in the digital age, and as total check volume has decreased over time, check payments remain the most fraud-prone payment method. Recognizing the surge in fraud, President Donald Trump issued a March 2025 executive order directing the secretary of the Treasury Department to cease issuing checks (with limited exceptions) for federal disbursements and providing for payments to the federal government to be processed electronically wherever possible. The Fed notes that banks must tighten controls and increase customer education to combat it, and outlines risk mitigants, such as using Regulation CC exception holds on suspect checks, adopting positive pay systems and educating customers about fake check scams.

'Confidence' scams and customer protection

Another piece explores scams in which fraudsters exploit victims' trust, such as romance scams, fake tech support and government imposters. The article highlights the crucial role that banks can play in detecting and interrupting scams before victims lose funds, and urges banks to be proactive in addressing fraud, such as by training frontline staff to spot red flags. The Fed also suggests educating customers (especially seniors) about common scam tactics and encouraging rapid reporting of suspected fraud to law enforcement.

Regulatory call to action – RFI on check and payments fraud

The Outlook discusses the recent joint request for information (RFI) issued by the Fed, Federal Deposit Insurance Corporation (FDIC) and Office of the Comptroller of the Currency (OCC) that seeks public input on how to curb payments fraud. Key areas of inquiry include improving collaboration among banks, law enforcement and others to fight fraud; enhancing consumer and business education on fraud prevention; possible regulatory or supervisory changes (for example, tweaks to Regulatory CC's check hold rules); improving fraud data collection and information sharing; and new fraud-fighting tools in the Fed's payments systems. Comments on the RFI are due by September 18, 2025.

Cybersecurity resources for community banks

This section compiles cybersecurity and fraud prevention resources tailored for community banks, highlighting tools and guidance from the Federal Financial Institutions Examination Council (FFIEC), Cybersecurity and Infrastructure Security Agency (CISA) and other agencies to help smaller institutions bolster their cyber defenses. The resource list is a reminder that many fraud schemes (from phishing to cyber extortion) are cyber-enabled, and community banks should leverage free resources from the FFIEC, Treasury Department and CISA to strengthen their cybersecurity and fraud resilience.

Industry implications and looking ahead

The Fed's fraud-focused Outlook issue carries a clear message: Fraud risk is escalating on all fronts, and regulators expect financial institutions to actively respond and partner with them to seek solutions. As a result, we expect to see increased supervisory scrutiny of how institutions are managing fraud risk.

By understanding the trends and guidance summarized in this Outlook issue, banks and other financial institutions can position themselves to combat fraud. In the near term, assessing fraud prevention and detection measures, raising fraud awareness, including through employee training and customer education programs, and engaging with regulators can put institutions and their customers in a stronger position to withstand fraud schemes and shape how industry can respond to fraud issues.

Notes

1. See the custom report created by Consumer Compliance Outlook.

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