

**Opening Statement of Chairman Sherrod Brown**  
**Hearing on “Examining Scams and Fraud in the Banking System and Their Impact on**  
**Consumers.”**  
**February 1, 2024**

The Banking, Housing, and Urban Affairs Committee will come to order.

When consumers send money through an app or send a check in the mail, they are supposed to be able to trust that financial companies are protecting their money and will help them if something goes wrong.

Yet that’s not what we see.

Scammers and fraudsters have ramped up their efforts to take people’s money. Banks and payment apps have stood on the sidelines while the problem has only gotten worse.

Pretty much everyone has either been scammed, or knows someone who has been scammed, when trying to use a financial service.

Today one of the most popular ways people send money is through so-called peer-to-peer apps like PayPal, Venmo, Cash App, and Zelle.

These apps are now part of most Americans' day-to-day lives. Seventy-five percent of adults have used at least one of them. Forty percent of Americans report using them at least once a month.

Where consumers see convenience and accessibility, scammers see an opportunity.

In 2022, one major payment app had more than \$100 million in "unauthorized transactions." Another had almost \$60 million.

Of course, it's not just new technology or payment methods that scammers target. Check fraud is as old as our banking system.

They'll steal a check from the mail, use chemicals to wash off the key details, then fill it in with the details they want and deposit it.

You might think that more people using apps would make checks less of a target, but it's the opposite – check fraud is getting worse too.

Last year, the Financial Crimes Enforcement Network noticed a rise in check fraud so drastic that they issued a public alert.

My colleagues and I wrote to the American Bankers Association expressing our concerns on the issue, and they created an information directory providing contact information for banks to resolve check fraud claims.

By the end of 2022, depository institutions had reported more than 500,000 incidents of check fraud – more than double the year before. Scammers broke their record again in 2023.

The same goes for wire transfers. Scammers target wire transfers because they can steal a larger portion of consumers' savings through wire transfers.

Americans will often use wire transfers when they want to send large amounts of money, like when buying a house.

Imagine a family in the process of trying to buy a home, juggling all the details of the process, along with the excitement of reaching a major life milestone.

On top of everything else they have to worry about, they have to defend against scammers posing as a real estate agent or title company targeting the family's downpayment.

In 2023, consumers lost at least \$270 million to wire fraud.

And now we're faced with the possibility that artificial intelligence will make these problems worse.

As just one example, scammers can now use AI to clone a person's voice to bypass voice authentication procedures.

Banks, payment apps, and other financial institutions are not doing nearly enough to prepare for the threat AI poses in increasing the scale and impact of scams.

All of these problems with scams are rampant.

In Dublin, Ohio, a retired FBI agent, wrote a check for less than \$200.

Someone stole that check from a mailbox right in front of a post office, changed the number to \$8,590 and cashed in.

In another case, a 17-year-old student in Ohio received an acceptance letter from her dream college.

Someone posing as another admitted student reached out and scammed her out of almost \$3,000 of her own money through Zelle.

That \$3,000 was three quarters of her college money she saved up working at a discount drugstore.

None of this mattered to the bank. As far as the bank was concerned, this young woman was responsible for the money and additional fees for depositing bad checks.

In the end, she got her money back, but only after the efforts of her tenacious mother, who tracked down the local executive of the bank.

No one should have to go to those lengths because banks, payment apps, and other financial institutions can't get their act together to protect their customers.

When these incidents happen, people lose their hard-earned money.

And they're often made to feel ashamed and embarrassed.

No one ever tells a victim of a hold-up that they were stupid or should have known better than to be robbed. But that's exactly what consumers who are scammed hear.

Let's be clear, being scammed has nothing to do with intelligence, savviness, or education.

Just last year, a retired White House scientist was scammed out of \$655,000 of her retirement savings.

Those scammers were organized. They sent her a pop-up message on her computer, rerouted a phone call she meant for her bank, and kept her on the phone for days on end.

She still wonders about what she could have done differently. But no one should have to think about that question.

And to be clear: the answer to these types of stories isn't to warn people to be better prepared or put millions of consumers through a so-called "financial education" course.

Americans do not have time for that. They have jobs and kids and bills to worry about. It's not on them – it's on the companies. People should be able to have an expectation their money is safe when they have a reputable bank.

People lose their money because payment apps and banks don't put enough measures in place to protect their customers.

For example, among the peer-to-peer companies, Cash App refunded just 16 percent of unauthorized transactions in 2022.

Zelle claims they reimburse consumers who have been victims of imposter scams. But their website states that since the consumer, "authorized the payment, you may not be able to get your money back." It is unclear whether Zelle will actually reimburse victims of imposter scams. They need to clarify their reimbursement policy.

These companies need to step up, and they apparently need rules to make them do it. These banks, payment apps, and other financial services companies have shown us they need, shall we say, encouragement.

The Consumer Financial Protection Bureau has a proposed rule that is one strong first step. It would help ensure that companies like Venmo, Cash App, and Zelle follow federal consumer protection laws.

This is what the CFPB does – protect consumers and their hard-earned money. When the CFPB is empowered, it ensures that the financial system works for consumers, not just corporations.

With millions of users, it only makes sense that these companies do more to protect consumers' money.

Because, as we've seen in previous hearings, frauds and scams are not unique in consumer finance, they are also common within cryptocurrency. We will keep pushing to make our financial system safer – whether its stopping rampant frauds and scams in cryptocurrency or in apps and check fraud.

I hope we can discuss more today about how banks, payment apps and other financial service companies can step up for their consumers and earn their trust back.