

Congress of the United States

Washington, DC 20515

January 12, 2024

The Honorable Charles E. Schumer
Majority Leader
United States Senate
Washington, D.C. 20510

The Honorable Mike Johnson
Speaker of the House
United States House of Representatives
Washington, D.C. 20510

The Honorable Mitch McConnell
Minority Leader
United States Senate
Washington, D.C. 20510

The Honorable Hakeem Jeffries
Minority Leader
United States House of Representatives
Washington, D.C. 20510

Dear Congressional Leaders:

We write in support of the “financial fraud” language included within the Senate Appropriations Committee’s FY24 Financial Services and General Government bill report.^[1] The language directs the Treasury Department to lead a multisectoral whole-of-society effort to counter the increasing threats associated with financial fraud. This public-private partnership will encourage information sharing between government and private sector participants, develop best practices for relevant stakeholders, and encourage innovations in counter-fraud technologies, data-analytics, and approaches. Considering the persistent rise of scams and fraud reported to the Federal Trade Commission (FTC),^[2] we urge Congress to respond in scale through this enhanced paradigm for counter-fraud collaboration among relevant stakeholders.

Earlier this year, the FTC reported on what it described as “disturbing trends” reflected in its annual report, the Consumer Sentinel Network Databook.^[3] Last year, Americans filed over 2.3 million fraud reports to various government agencies amounting to \$8.8 billion in losses, a 30 percent increase over already elevated numbers.^[4] In 2021, correlating with American consumers’ increasing use of online and digital platforms during the height of the COVID-19 pandemic, fraud reports increased by an astronomical 70 percent.^[5] Additionally, financial losses connected to imposter scams – where fraudsters imitate well-known business entities or government agencies – skyrocketed to \$2.6 billion, making imposter scams the leading cause of fraud reports. Unfortunately, the true financial impact of fraud likely exceeds these numbers as many fraud attacks are unreported by consumers or are reported to entities that do not contribute data to the FTC.

Governments, law enforcement, and the private sector often work vigorously to prevent fraud and make victims financially whole, even at their respective expenses. For example, the Bank Policy Institutes Technology Policy Division, BITS, created by the largest banks provides an executive-level forum to discuss efforts to reduce fraud and improve cybersecurity. BITS often convenes its members, regulators, government agencies and technology firms to advance

collaboration. Additionally, various government agencies have specific fraud prevention programs like the DOJ's Elder Fraud Initiative, which coordinates law enforcement efforts, the Secret Service's Cyber Fraud Task Forces, and others on both the federal and state levels.

Nonetheless, we are unaware of any umbrella body, seated at the federal government, which coordinates all our society's efforts to prevent the proliferation of financial fraud. This is the case despite fraudsters and scammers employing similar techniques across financial and government systems alike to trick Americans out of their money. Although consumers are sometimes "made whole" by the Federal Government or the private sector, the full scope of financial harm can be, nonetheless, devastating for vulnerable victims as they "must then spend days or weeks proving they were defrauded so they can get money they had counted on for rent, groceries, and other bills."^[6] The shame associated with being defrauded often leads to underreporting as many victims feel "embarrassed, guilty, or believe there is nothing police can do," according to the AARP.^[7] This consumer dynamic only contributes to further erosion of public trust in government and the financial marketplace.

Congress has done critical legwork on these issues, exploring the contours of fraud that compromise aspects of our pandemic programs and financial markets. In a hearing before the House Oversight Committee, for example, an official from the U.S. Secret Service stated that a "small team at a particular OIG office or an auditor at a financial institution should not be expected to detect and combat sophisticated fraud schemes alone. Collaboration between law enforcement agencies, both domestic and international, and with the private sector, is essential for combating modern crimes."^[8] We view the Senate Appropriations Committee's fraud language as a critical step towards the type of collaboration needed to adequately prevent fraud and scams on the front end.

In conclusion, we acknowledge your continued efforts to negotiate a deal to fund our federal government despite the difficult political environment. We believe that encouraging an official public-private sector response to our nation's increased incidences of fraud and scams is a bipartisan and bicameral policy proposal that should remain within any final appropriations agreement.

Sincerely,

[[SIGNATURES]]

^[1] Financial Services and General Government Appropriations Bill, S. Report 118-61, at 10 (2023).

² Federal Trade Commission, *New FTC Data Show Consumers Reported Losing Nearly \$8.8 Billion to Scams in 2022*, Feb. 23, 2023.

³ Id.

⁴ Id.

⁵ Federal Trade Commission, *New Data Shows FTC Received 2.8 Million Fraud Reports from Consumers in 2021*, Feb. 22, 2022.

⁶ Federal Trade Commission, *supra* note 2.

⁷ AARP, *Americans Are Aware of Fraud's Pervasiveness but Remain Vulnerable*, May 17, 2023.

⁸ Testimony of David Smith, Assistant Director, Office of Investigations United States Secret Service available here https://www.secretservice.gov/sites/default/files/reports/2023-02/usss_smith_written-statement_pandemic_fraud.pdf