



**America's  
Credit Unions**

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The Honorable Richard Blumenthal  
Chairman  
Committee on Homeland Security  
& Governmental Affairs  
Permanent Subcommittee  
on Investigations  
United States Senate  
Washington, DC 20510

The Honorable Ron Johnson  
Ranking Member  
Committee on Homeland Security  
& Governmental Affairs  
Permanent Subcommittee  
on Investigations  
United States Senate  
Washington, DC 20510

**Re: Today's Hearing: "Fraud Alert!: Shedding Light on Zelle"**

Dear Chairman Blumenthal and Ranking Member Johnson:

On behalf of America's Credit Unions, I am writing to share our thoughts regarding today's Subcommittee hearing on payments fraud. America's Credit Unions is the voice of consumers' best option for financial services: credit unions. We advocate for policies that allow the industry to effectively meet the needs of their nearly 141 million members nationwide.

Credit unions, community banks, and minority depository institutions comprise over 95 percent of the 2,100 financial institutions that participate in the Zelle Network. Consumer demand for modern, fast, and frictionless payments grows every year and Zelle helps credit unions meet that demand by offering a secure peer-to-peer (P2P) platform that is trusted by millions of consumers.<sup>1</sup> For credit unions that do not have the resources of larger financial institutions, Zelle levels the playing field with respect to customer payment choices.

The vast majority of transfers enabled by Zelle's network are processed without issue. Accordingly, what regulators and law enforcement observe is that consumer vulnerability to fraud is most often the result of sophisticated social engineering; scams that exploit weaknesses in human judgment as opposed to the secure foundation of payments processing infrastructure.<sup>2</sup> Scams that prey on the fallibility of consumers can leverage any channel for monetary gain—not just Zelle.

Credit unions continuously invest in payments security and fraud mitigation technologies to protect their members from scams.<sup>3</sup> Credit unions have specifically warned their members about scams that employ P2P services, such as utility bill and romance scams, and many have adopted systems to alert consumers about suspicious transactions linked to their credit union accounts. However, the credit union industry's capacity to absorb fraud losses is not without limit. Credit unions are significantly smaller than banks and are particularly sensitive to new regulatory

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<sup>1</sup> See Federal Reserve Financial Services, 2024 Findings from the Diary of Consumer Payments Choice, 6 (2024).

<sup>2</sup> See Federal Trade Commission, Press Release: "As Nationwide Fraud Losses Top \$10 Billion in 2023, FTC Steps Up Efforts to Protect the Public," (February 9, 2024), available at <https://www.ftc.gov/news-events/news/press-releases/2024/02/nationwide-fraud-losses-top-10-billion-2023-ftc-steps-efforts-protect-public>.

<sup>3</sup> See Cornerstone Advisors, The True Impact of Interchange Regulation, 26 (June 2023).

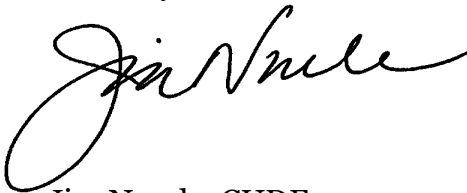
expectations that alter financial institution liability under the Electronic Fund Transfer Act (EFTA) and Regulation E. Furthermore, a large share of fraud originates outside of the financial sector with criminals targeting online marketplaces, cryptocurrency investments, and other forms of nonregulated exchange—all domains of commerce that credit unions do not control. Accordingly, legislative proposals to expand financial institution liability under EFTA to further encompass fraudulently induced transfers initiated by a consumer are deeply concerning for our members.

A framework of laws and regulations exists to protect consumers from fraudulent transactions and improper charges. These laws include EFTA and its implementing regulation, Regulation E. Zelle itself does not hold consumer accounts; instead, financial institution participants in the Zelle network transfer funds and these transfers are governed by EFTA. EFTA was designed to strike a balance between the financial institution's role in preventing *unauthorized* transactions and the individual's responsibility to exercise sound financial judgment over *authorized* transactions. To effectively combat fraud while providing members with convenient and affordable payment options, credit unions must have confidence that longstanding limits on financial institution liability will not suddenly change when conduct outside the industry's control evokes political concern.

A financial institution does not evade responsibility when it recognizes a lawful distinction between what is authorized versus unauthorized. Furthermore, Zelle participants currently go beyond what is required by the plain text of EFTA and Regulation E by providing special reimbursement to consumers. In 2023, Zelle adopted a new policy requiring participant financial institutions to reimburse claims arising from transactions involving imposters claiming to be from a government agency, bank, or existing service provider.<sup>4</sup>

America's Credit Unions appreciates efforts to promote consumer and industry resilience to fraud but asks that the Subcommittee explore solutions that adhere to legally sound interpretations of EFTA. Ideally, such solutions should aim to prevent fraud before it occurs and should include bolstering the resources of law enforcement, educating consumers about fraud and scam risks, and creating a level playing field between insured depository institutions and underregulated companies.

Sincerely,



Jim Nussle, CUDE  
President & CEO

cc: Members of the Permanent Subcommittee on Investigations

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<sup>4</sup> See CBS MoneyWatch, "Zelle customers to get refunds for money lost in impostor scams, report says," (November 13, 2023), available at <https://www.cbsnews.com/news/zelle-refunds-impostor-scam-banks/>.