



mechanisms like escrow management, and consumer education strategies tailored to real-world scenarios such as ADU construction.

We would welcome the opportunity to share our escrow and inspection model for further discussion, beginning with a pilot in California and expanding to other states. As a HUD-certified housing counseling agency and nonprofit fund controller, our efforts not only prevent fraud but also ensure that public and private dollars are used responsibly to serve underserved homeowners within our existing footprint.

## Understanding Payments Fraud: Key Questions and Answers

### 1. What regulatory and supervisory actions can mitigate payments fraud?

HPP CARES strongly supports regulatory actions that enforce **mandatory managed escrow systems** as part of any loan disbursement process involving residential construction. Over the past three years, managing more than **2,700 ADU projects across 52 California counties**, we have seen firsthand how unsupervised disbursements from fintech lenders have enabled contractors to **access funds fraudulently**, often without doing any work.

Regulations like **Regulation CC** should be amended to require escrow accounts for disbursed funds, **released only after third-party verified inspections**—a protocol HPP CARES already implements with a **24–48 hour turnaround**. This process protects the consumer and lender, reducing fraud exposure while ensuring fair contractor compensation. In addition, regulatory bodies should establish stricter **KYC (Know Your Customer)** protocols to validate that the borrower—not a third party—is initiating and confirming financing terms. Fraudulent acts such as contractors impersonating homeowners or submitting forged documents could be largely eliminated by enforcing this.

### 2. What barriers exist in payments fraud data collection and sharing?

In the field, we've observed a **lack of integration and oversight among fintech lenders**, many of whom rely solely on contractor-submitted documentation. In the cases of **Multitaskr, Anchor Tiny Homes, and Viridity**, we uncovered the submission of **false email accounts**, the **forgery of homeowner identities**, and the stacking of **7–10 unauthorized loans per household**—often unknown to the homeowner until 12 months after disbursement when payments became due.

A major barrier is the absence of a **centralized, real-time reporting system** that alerts lenders to prior financing activity on a given property. Moreover, fintechs currently do **not report to the same fraud databases** that depository institutions do, creating a gap in enforcement.

Standardized data-sharing frameworks and participation in a **shared fraud monitoring registry**—similar to the credit bureaus—are essential. Homeowners, particularly those in underserved communities, are frequently exploited because **there is no unified audit trail** across lenders.

### 3. How can stakeholder collaboration be improved to combat payments fraud?

Collaboration must extend **beyond banks and regulators** to include **nonprofit fund control administrators** like HPP CARES, **state housing agencies**, and **consumer advocacy groups**. In our role as a statewide administrator of California's \$100 million ADU program, we act as the **point of coordination between contractors, homeowners, lenders, and inspectors**.

We also recommend that fintechs be required to **report and verify all construction-related loan activity with a state or HUD-approved fund control entity**, much like title companies operate during real estate sales. This form of "soft regulatory partnership" can plug oversight gaps without slowing down innovation. Furthermore, agencies should **consult those who are on the ground** with clients—as we are—in shaping guidelines. Our findings could have stopped hundreds of cases of fraud had this collaboration occurred earlier.

### 4. What specific actions could enhance the resolution of interbank disputes regarding fraudulent checks?

While our work is not centered around interbank check fraud disputes, similar problems manifest in our ADU finance oversight work. Disputes often arise **not over whether a check is fraudulent, but whether it was issued before services were rendered**—mirroring the check fraud dynamics in interbank issues.



[Redacted email address]



[www.hppcares.org](http://www.hppcares.org)



By **embedding inspection-based milestones into fund release protocols**, HPP CARES has minimized disputes between banks, contractors, and clients. Adapting this model to interbank disputes—for instance, by requiring digital validation of work or service completion—could support **faster, evidence-based resolutions**.

#### 5. What role do technological advancements play in addressing payments fraud?

Technology can—and must—play a role in fraud prevention, but it **must be paired with human oversight**. The abuse of **solar financing platforms** like Mosaic, Service Finance, GoodLeap, and Dividend to fund unauthorized ADU projects shows how tech alone fails without inspection.

AI-powered fraud detection, secure identity verification, and **digital fund control dashboards** are useful, but should be complemented by **real-world inspection photos, geotagging, and homeowner confirmations**. Our model integrates such tools with **daily inspection logs and client confirmations**, providing a holistic shield against fraud.

#### 6. Are there specific organizations that could contribute to mitigating payments fraud?

Yes. Nonprofits like **HPP CARES**, HUD-certified housing counseling agencies, and organizations with **boots-on-the-ground experience in housing delivery and fund oversight** are indispensable allies in this space. In our role as both a counselor and administrator, we operate at the **intersection of consumer protection, contractor accountability, and funding integrity**.

Additionally, agencies such as **state treasuries, housing departments, licensing boards for contractors, and construction insurance providers** should be brought into the fold to triangulate fraud indicators and validate progress.

#### Conclusion

Payments fraud is no longer theoretical. It is a **systemic, ongoing threat** that has created a "black market" of misused financing, exploited particularly through **unchecked fintech activity** in underserved communities. HPP CARES has developed and implemented a **proven escrow and inspection protocol** that can dramatically reduce this fraud risk while preserving contractor viability and enhancing lender confidence.

We welcome the opportunity to **share our operational model** for wider implementation across California and eventually nationwide. As a **HUD housing counseling agency and nonprofit**, our ability to maintain trust, ensure funding integrity, and continue supporting low- and moderate-income clients is **sustained by the safeguards we recommend here**.

We are eager to contribute further to this regulatory dialogue and help shape a **national fraud prevention framework** rooted in transparency, accountability, and real-world success.



[Redacted email address]

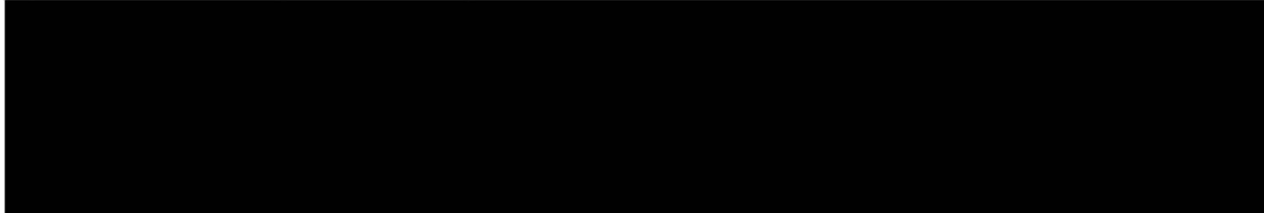


[www.hppcares.org](http://www.hppcares.org)



**From:** [Katherine Peoples](#)  
**To:** [Comments](#); [publiccomments@frb.gov](mailto:publiccomments@frb.gov)  
**Cc:** [Katherine Peoples](#); [Mpume Nyandu](#)  
**Subject:** [EXTERNAL MESSAGE] re: RIN 3064-ZA49  
**Date:** Wednesday, June 18, 2025 12:16:14 PM  
**Attachments:** [Escrow Management \(11\).pdf](#)  
[HPP Cares Response 06182025.pdf](#)

---






Please find our comments regarding the following:

- DEPARTMENT OF THE TREASURY, Office of the Comptroller of the Currency, [Docket ID OCC-2025-0009]
- FEDERAL RESERVE SYSTEM, [Docket No. OP-1866]
- FEDERAL DEPOSIT INSURANCE CORPORATION, RIN 3064-ZA49

**Katherine Peoples**  
HPP CARES

---

 [www.hppcares.org](http://www.hppcares.org)   


---