

# Wire Fraud Prevention: Protecting Life's Largest Investment

**April Gentry &  
Michele Blanco**

 Closinglock





**Cybersecurity  
Statistics**



**Impact on the Real  
Estate Industry**



**Inbound & Outbound  
Wire Fraud**



**Mortgage  
Payoff Fraud**



**Identity  
Fraud**



**Insurance**

# Policy Types



## Fidelity / Crime

- Direct loss of Funds



## Cyber Liability

- Liability for a System Breach

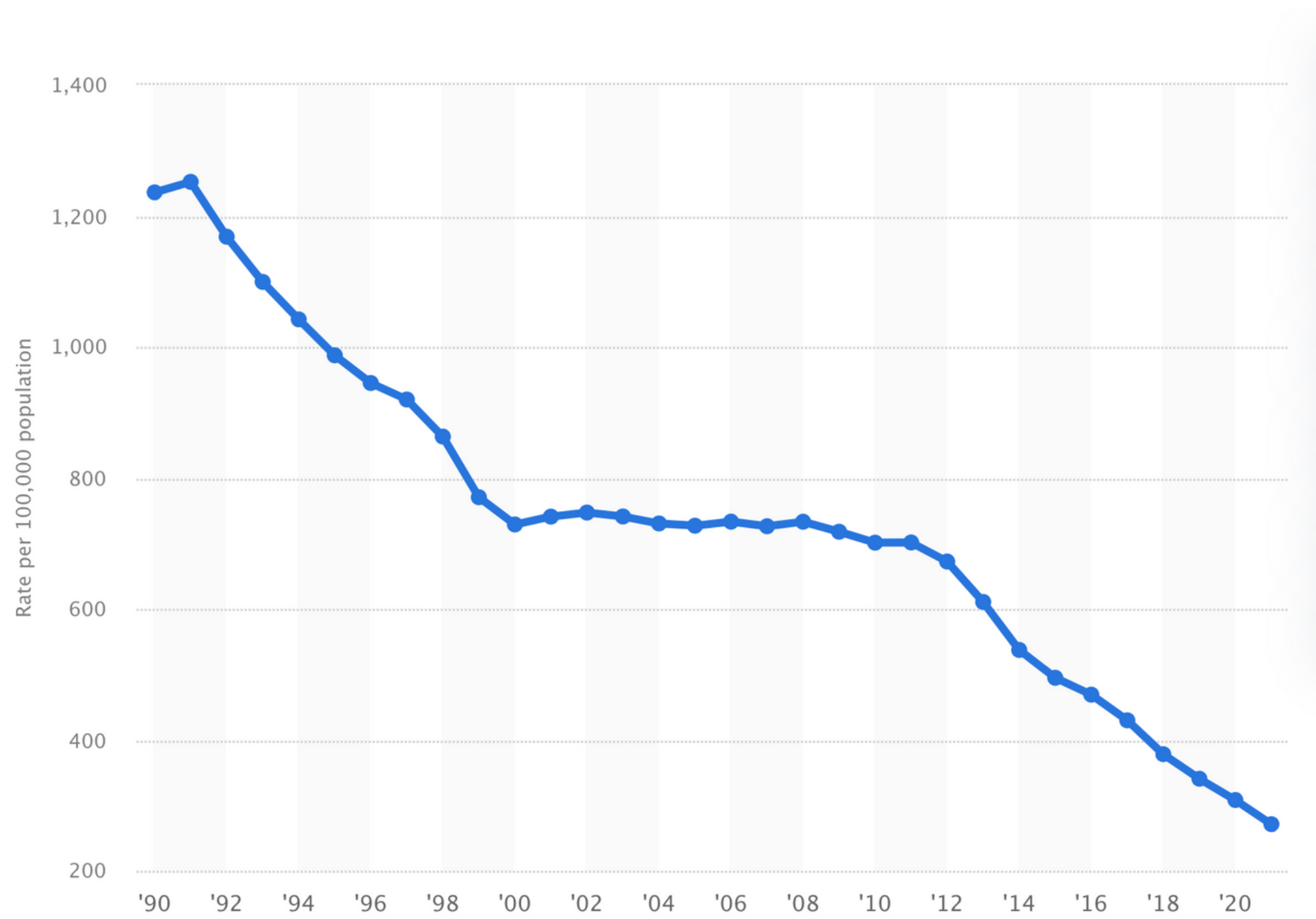


## Errors & Omissions

- Generally will not cover Cyber losses

I think the premise of what you want to know is:  
Where is the coverage for loss of money due to **wire fraud???**

# Ripped from the headlines!



SECURITY RISK



# Cybersecurity Statistics





# Cybersecurity Statistics

## **\$10.3 billion cybercrime losses**

In 2022, a cybercrime was reported every 37 seconds  
Malware led to losses of more than \$34.3 million

## **Email is the primary conduit**

26% of cybercrime losses as a result of Business Email Compromise  
Phishing is the top cybercrime in the last five years

## **\$2,700,000,000+**

Lost in US to Business Email Compromise from Jan 2019 to Dec 2022



# Wire Fraud Impact on Real Estate





# Wire Fraud Impact

**\$2.7B**

**21K BEC Complaints  
with Reported Losses**

**\$396M**

**Reported Lost From  
Consumers in Real Estate**

**15%**

**FBI Estimate of Losses  
that are Reported**

FBI ESTIMATES 10-15% OF LOSSES ARE REPORTED.

# Real estate is the perfect target for wire fraud



## High Value Transactions

Real estate transactions typically involve large sums of money, attracting sophisticated fraud attempts



## Multiple Parties

Transactions require extensive communication between buyers, sellers, lenders, real estate agents, and title companies



## Unsuspecting Consumers

While you can train employees to take measures to avoid wire fraud, end consumers will always be more vulnerable



# Wire Fraud Is Not Just a Number

SCAM

## Single mom loses nearly \$40,000 in wire fraud after falling victim to a 'suspicious email'

By Shelley Childers

Friday, March 11, 2022



EMBED <> MORE VIDEOS ▶

Triumph Lending was able to salvage their client's home loan, but she is still out nearly \$40,000.

HOUSTON, Texas (KTRK) -- A Houston lending agency is warning potential home buyers after saying a client was scammed out of nearly \$40,000 while trying to close on her new home.

"They stole all of my mother's savings," said Aramatzi Matias. "It was difficult to comprehend what was going through their mind when they're doing it."

I-TEAM

## Real estate wire fraud scams cost victims tens of thousands in house down payment money

By Samantha Chatman

Monday, March 21, 2022



EMBED <> MORE VIDEOS ▶

House down payment wire instructions fraud scams cost victims tens of thousands of dollars as they prepare to buy their first home.

CHICAGO (WLS) -- Imagine saving for years for a new home and then having your down payment disappear in the blink of an eye.

Real estate wire fraud is now among the fastest growing scams in the U.S. It has cost its victims tens of thousands of dollars, and a lot of therapy.

# Real estate transactions are complex and risky.

## Fragmented Communications

The real estate industry still relies on email, phone, mail, and fax for exchanging transaction documents and payment information

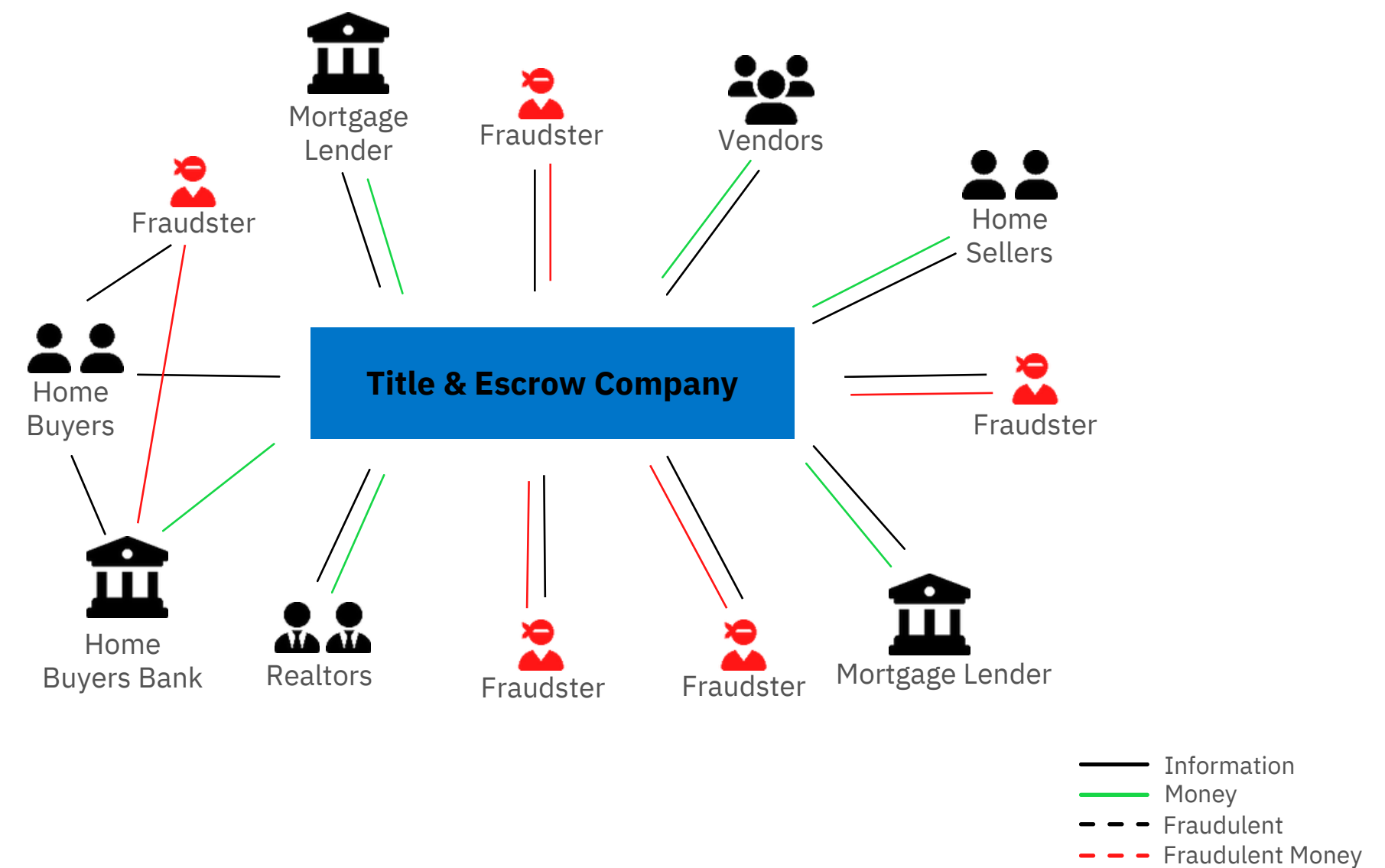
## Complicated Flow of Funds

Each real estate transaction requires multiple incoming and outgoing payments, with different parties on every transaction

## Growing Fraud Risk

\$396M+ in reported annual real estate wire fraud losses

## Flow of Funds in Real Estate Transactions



# Common Types of Fraud







# INBOUND WIRE FRAUD Risk to Home Buyers

**6.9M**

Home Buyers  
Each Year

**34%**

First Time Buyers

**75%**

Believe Bank or Title  
Company Can Recover  
Wired Funds

# Insufficient Methods to Protect Home Buyers



**Encrypted Email  
Prevents Fake  
Instructions**



**Warning in  
Email Signature**



**Phone Number  
in Email / Wire  
Instructions**



**Logo in Wire  
Instructions**





## INBOUND WIRE FRAUD

# Tips to Protect Buyers



**Education**



**Protect Email**



**Agreements/Waivers**

# Outbound WIRE FRAUD

## Common Sources of Outbound Wire Fraud



Instructions changes



Bank name changes



Changes of contact information





## OUTBOUND WIRE FRAUD

# Tips to Protect Agents and Attorneys/Claim prevention



**Education**



**Protect Email**



**Info. in Person**



**Phone Call**



**Verify Bank Account**



**Insurance Policy**

# Best Practices for the office



Never allow one employee to conduct a wire transaction start to finish



The reconciling employee should NOT be a signer on any accounts



The reconciling employee should not be able to process wires



## PAYOFF FRAUD

### ⚠️ Problem

#### What

Fraudster tricks escrow company into wiring mortgage payoff funds

#### How

- Request payoff quote
- Insert fraudster's account number
- Send encrypted email and secure fax to escrow company
- Send follow up from Realtor
- Profit



### 💡 Solutions

#### Call bank every time

- Use verified number

#### Maintain a list of valid payoffs

- Lock it down!
- Handle dynamic accounts
- Use verified number

#### Use a payoff verification service



## IDENTITY FRAUD

### Problem

#### What

Fraudster steals the identity of stakeholders to commit wire fraud.

#### How

- Email phishing, identity theft
- Contact a realtor to sell “their” property
- Utilize a fake identification as the property owner
- Access sensitive identity credentials
- Receive wired funds into fraudulent account

### Solutions

- **Integrate identity check into any workflow**
- **Eliminate repeated requests for sensitive information**
- **Require multiple forms of identification**



# Policy Types



## Fidelity / Crime

- Direct loss of Funds



## Cyber Liability

- Liability for a System Breach



## Errors & Omissions

- Generally will not cover Cyber losses

I think the premise of what you want to know is:  
Where is the coverage for loss of money due to **wire fraud???**

# Other types of office fraud



**employee dishonesty:** when an employee steals



**forgery or alternation:** your checks have been forged by others



**computer crime:** a crook manipulates your banking directions, such a payroll, and the funds don't do where they are meant to.

# Ransomware & Extortion



Ransomware has continued to be a problem and claims have increased by 20% in just the past year.



The crooks are threatening to release the data they are holding if the ransom is not paid.



Increased financial demand if the ransom is not paid. Your back up might not be able to cover you.

# Social Engineering



The coverage for loss of money is usually found under a crime/fidelity policy. IF it has Social Engineering or Fraud Induced Transfer coverage.



If there is social engineering included in a cyber policy, there may be conditions that limit coverage.



It is imperative that you read the conditions in the policy, to see if a Call Back process is required to verify wire instructions.



Most Cyber policies that have social engineering coverage DO require a call to verify wire instructions.



# Cyber Liability



You need this policy to protect after your computer systems have been hacked.



When you have been breached, and during an active threat, that is the time to contact to policy for a claim and immediate support.



If your system becomes inoperable and you can't work, you may need to use the Business Interruption coverage. This coverage will reimburse you for the loss of income that happens during an extortion or ransom event as well.

*\*\*\*\* Check your policy to see if it has Cyber Risk Management support tools, when you get your policy.*

**Where do you look for coverage when money have been lost?**



- Crime policy or Fidelity policy: First Party, YOUR direct loss.
- Maybe the Cyber.. but most Cyber policies do NOT protect you theft of funds.
- Maybe e&o



# Prevention Tips for Cybercrime





# Cybersecurity Tips

**People are the weakest link.  
Security tips that apply to business  
and personal:**

- Protect your connection
- Update, update, update
- Password managers
- Multi-factor authentication



# Protect Your Connection



PROBLEM

**Public WiFi is shared**  
**Viruses / malware are communicable**



SOLUTIONS

**VPN**

**Tethering**



COST

**\$6 per month for VPN**  
**Free for tethering\***

# Protect Your Connection



## PROBLEM

**Software is developed  
by people**



## SOLUTIONS

**Patch / update  
regularly**



## COST

**Free**

# Password Managers



## PROBLEM

**Same password**  
**Shared passwords**  
**Weak passwords**



## SOLUTIONS

**Password manager**  
**Unique passwords on every site**  
**Allows family sharing**



## COST

**Free - \$5/month**

LastPass...

1Password

# Multi-Factor Authentication (MFA)

**Passwords are weak. Multi-factor authentication (2+) allows:**

- Knowledge
- Possession
- Inherence







This portal provides a secure way to share wire instructions, bank information, eSignatures, documents, etc. between you and Demo Title. If you have any questions, please contact Demo Title using independently verified contact information. **Do not trust phone numbers in emails.**

## LOGIN

Your account requires multi-factor authentication.

Please select a delivery method for your passcode:

☒ Text (XXX) XXX-4778

☐ Call (XXX) XXX-4778

Get Code

Cancel

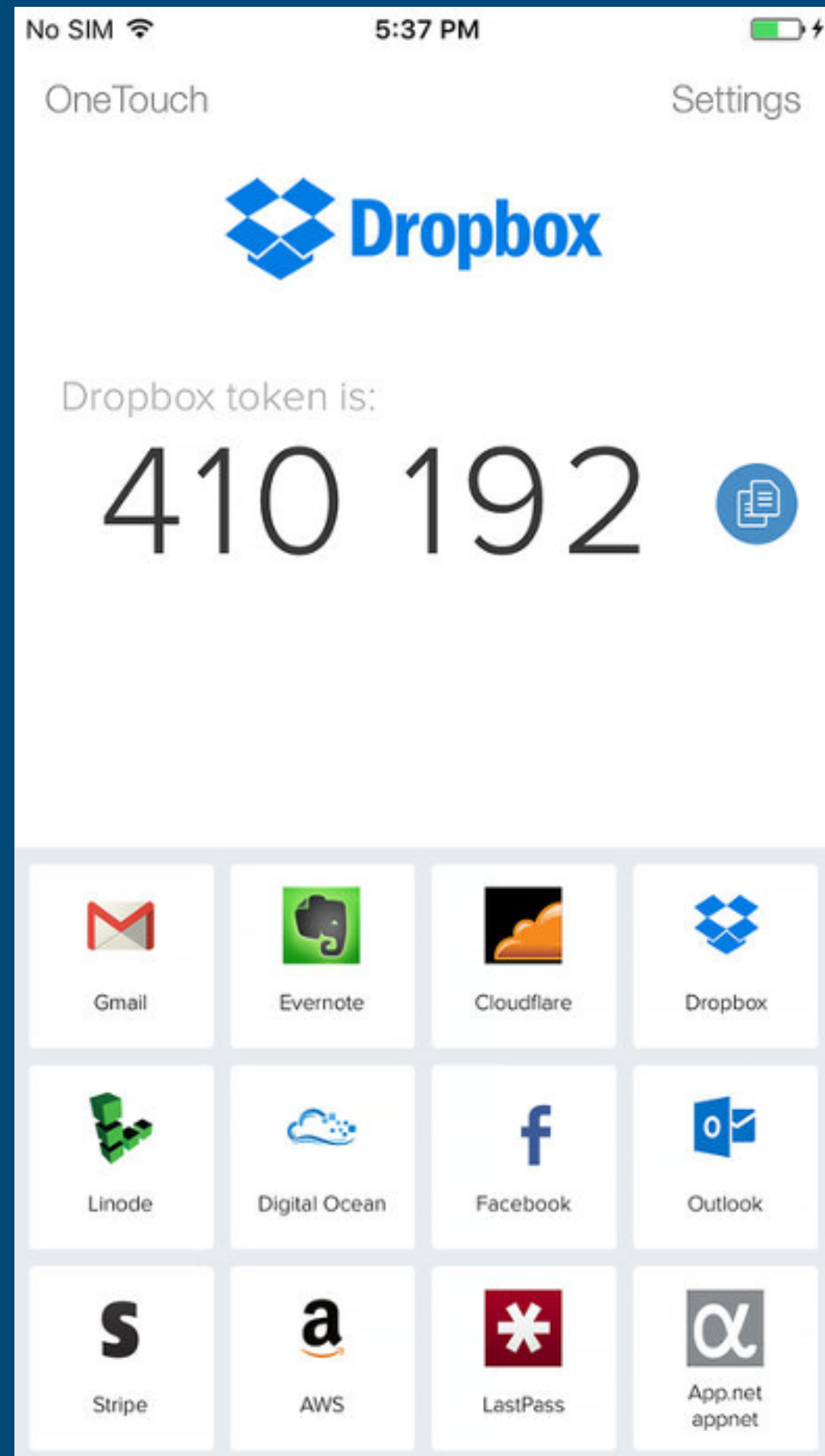
[Already have a passcode?](#)

For assistance, please contact Demo Title.

# Two-Factor Authentication (2FA)

**Password + text message**

**Cost: FREE**



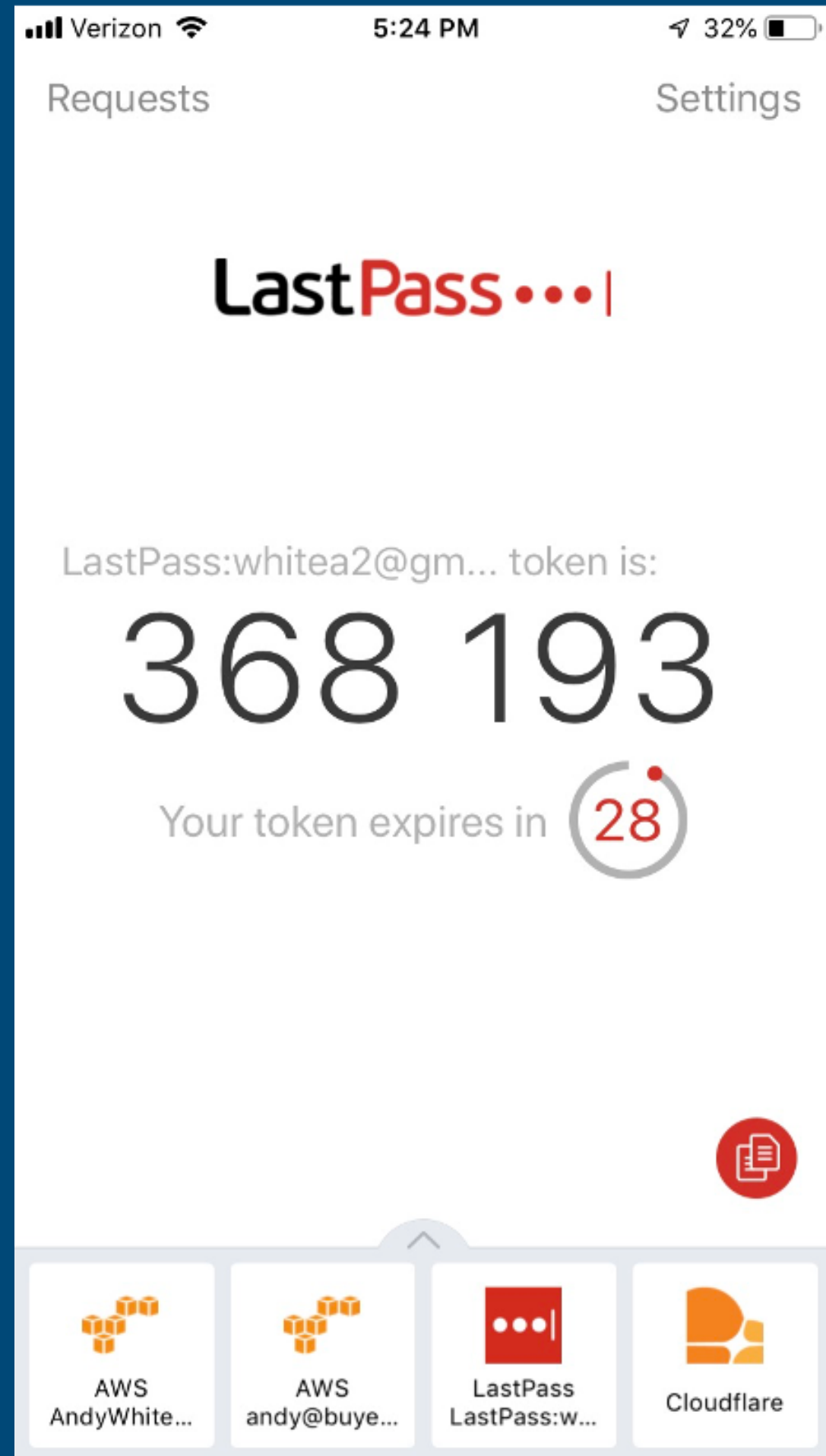
# Two-Factor Authentication (2FA)

## Password + software token

Make sure you have backup access!

**Cost: FREE**





# LAYERING

## PROBLEM

NO ONE-SIZE FITS ALL

SOLUTION

## SOLUTION

LAYER INDIVIDUAL SOLUTIONS

- **Secure your connection**
- **Update**
- **Password manager + 2FA**

COST

FREE



# Real Estate Fraud Response Plan

ALTA Rapid  
Response Plan for  
Wire Fraud  
Incidents -  
Response  
Worksheet

- ALTA Response Worksheet

Contact FBI's  
Internet Crime  
Complaint Center

- 10-15% is reported
- FBI's Financial Fraud Kill Chain, Recovery Assets Team  
82% success rate in 2020 ... of 11% of the losses = ???
- File Complaint

Ensure the  
documented plan is  
comprehensive

- Inbound
- Outbound
- Payoff
- Identity





## ALTA Rapid Response Plan for Wire Fraud Incidents

<https://www.alta.org/file.cfm?name=ALTA-Rapid-Response-Plan-for-Wire-Fraud-Incidents>

*Time is of the essence – every second and minute counts.*

*Organize your team and make a plan in advance.*

*Be ready to act simultaneously and accomplish all of these steps as quickly as possible.*



### Step 1: Alert company management and your internal wire fraud response team.

Contact your team according to a pre-arranged plan (group email; group text):

- Owner / Manager
- Accounting / Finance / Treasurer
- IT / IT Security
- Legal Counsel
- Underwriter(s)



### Step 2: Report Fraudulent Wire Transfers to the Sending and Receiving Banks.

- Contact the sending bank's fraud department and request that a recall of the wire be sent to the receiving bank because of fraud. Provide the details for the wire. Also request a recall or reversal and a Hold Harmless Letter or Letter of Indemnity.
- Ask the sending bank to initiate the [FBI's Financial Fraud Kill Chain](#).
- Also call the receiving bank's fraud department to notify them that you have requested a recall of the wire because of fraud. Provide the details for the wire and request that the account be frozen.
- If a client or consumer was a victim and your bank/accounts were not directly involved, your client or customer will need to contact the bank themselves but you may have helpful information to share, too. Coordinate quickly!



### Step 3: Inform the parties to the transaction (buyer, seller, real estate agents, broker, attorneys, underwriter, notary, etc.) using known, trusted, phone numbers for verbal verification.

If you're unsure about what to say, here's a sample: "There appears to have been [attempted] wire fraud associated with this transaction. We recommend that you review your email security and update passwords and take any other appropriate security measures immediately. For the remainder of this transaction, all communication will occur using known, trusted, telephone numbers."

An abstract graphic on the right side of the slide, consisting of a complex network of interconnected nodes and lines. The nodes are represented by circles of varying sizes, and the lines are thin, light gray, creating a web-like structure that suggests a global or interconnected system.

# **Eradicate fraud risk for every transaction**

## **Q&A**



April Gentry

**Closinglock**

[april@closinglock.com](mailto:april@closinglock.com)

917-771-5290



Michele Blanco

**Norman Spencer**

[micheleblanco@norman-spencer.com](mailto:micheleblanco@norman-spencer.com)

443-263-2822