

NEW TWIST ON WIRE FRAUD



Over the past few years, First American Title has communicated with its settlement professionals that they are targets for fraudsters due to the large sums of money they are responsible for disbursing in the course of closing real estate transactions. These fraudulent schemes to divert funds continue, and losses to the parties involved are often devastating.

In the classic scheme, the closing professional receives an email that provides disbursement instructions regarding the seller proceeds or loan payoffs. These emails appear to come from a party in the transaction, but are actually from fraudsters who have hacked into the email traffic associated with the transaction. Most settlement professionals now employ call-back procedures to confirm any instructions received via email, but mistakes are sometimes made and funds are lost.

THE NEW TWIST

The latest evolution in this theft epidemic occurs after a closing professional has already wired funds to a fraudster's account having relied upon fraudulent wire instructions.

The fraudster then initiates contact with the closing professional and poses as the receiving bank for the wired funds, often using a spoofed caller identification to increase the appearance of legitimacy. The fraudster communicates that the funds were sent to an account flagged as being suspicious - and assures the settlement professional that the funds will be returned within a few days. This assurance tricks the closer into not contacting the true receiving bank to freeze the funds, and provides the fraudster sufficient time to move the funds beyond the reach of the parties.

AS TO THE NEW TWIST

Upon any indication that funds have or might have been misdirected, settlement professionals should initiate immediate, direct, outgoing contact with both the wiring and the receiving bank. Never rely on an incoming call to provide confirmation of contact.

WHAT CAN WE DO?

Settlement professionals should institute and unwaveringly follow protocols that require verification of all disbursement instructions.

- Most settlement professionals require at the very least outgoing call-back procedures utilizing a known, safe telephone number to confirm any instruction received via email.
- Incoming telephone calls are not a substitute, due to the known risk of call spoofing.
- Closing professionals should also take care to confirm *direct* contact with the funds recipient where possible. Funds have been lost when a closer relies on a call-back made to counsel for a recipient, but the confirming contact between the recipient and his/her counsel was via compromised email.
- Many settlement professionals now require in-person, wet signature disbursement instructions from parties who have presented valid identification.

BE CAREFUL OUT THERE!

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