

Cyber Fraud Trends 2019



Why are real estate transactions being targeted?



\$\$ They are incredibly lucrative \$\$

Daily Home Sales Volume

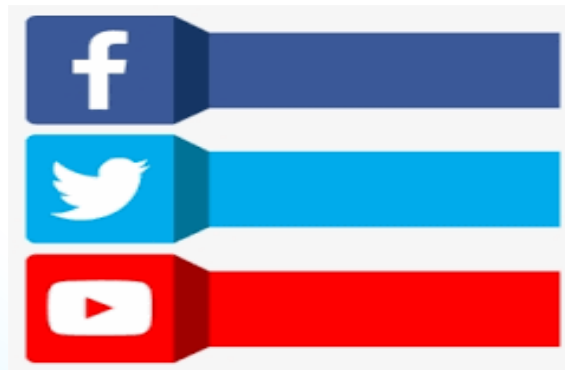
(2018 new and existing home sales)



TWICE the daily Department of Defense budget of \$1.88 Billion

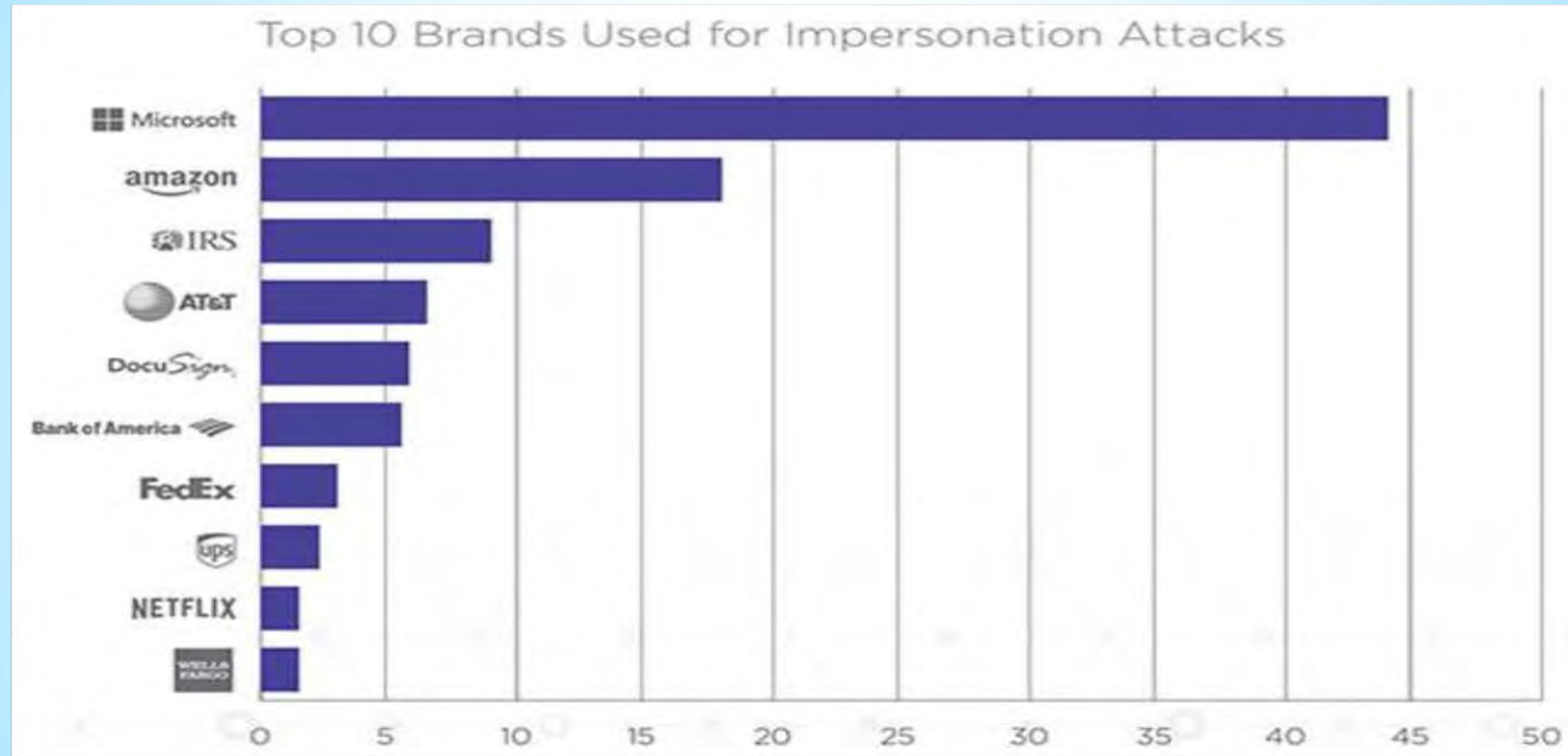


All the information to start a fraud is easily found online



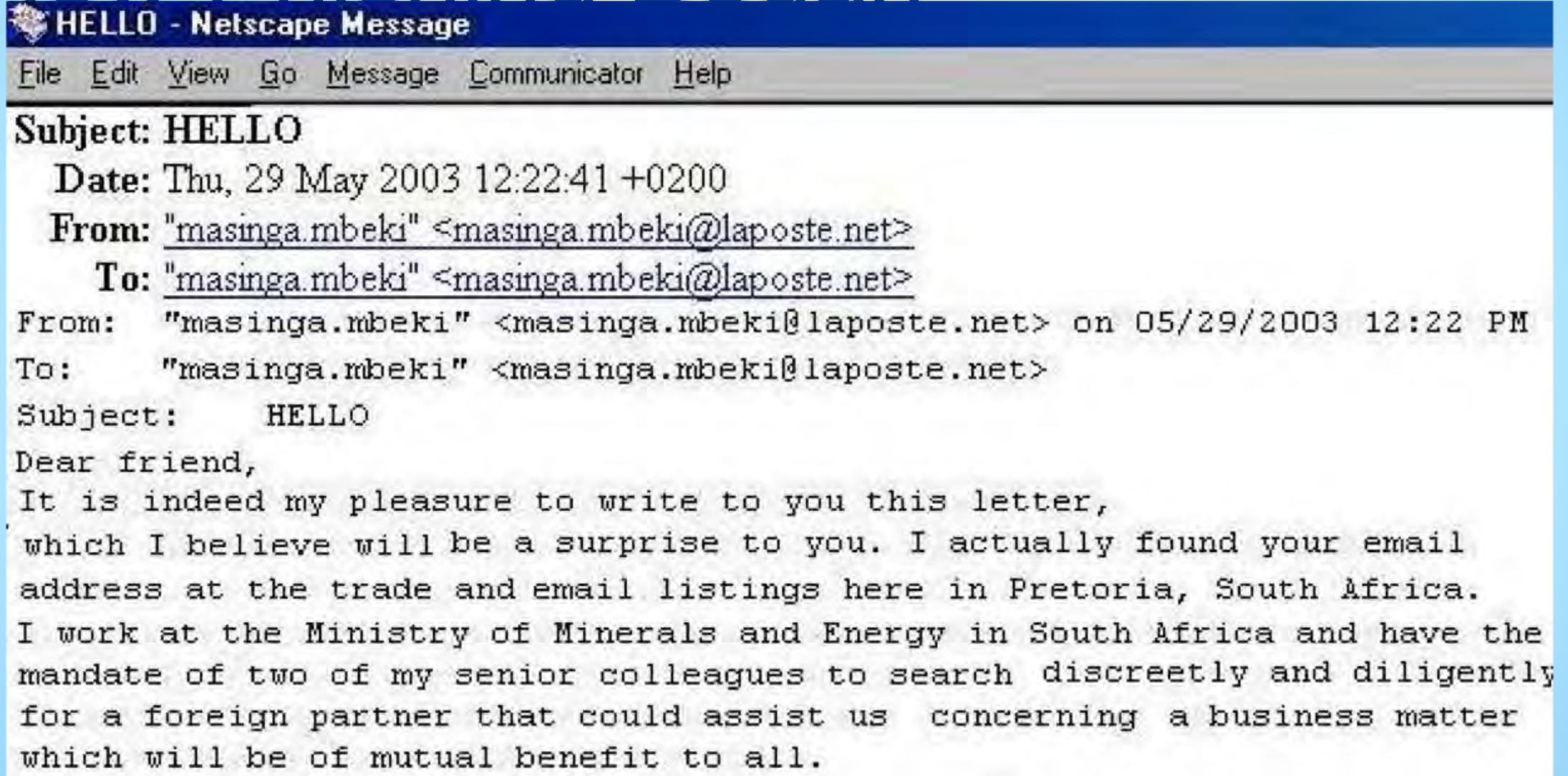


91% of cybercrime starts with phishing



Agari Research

How Phishing Began



Phishing in 2019

Email from the IT Dept

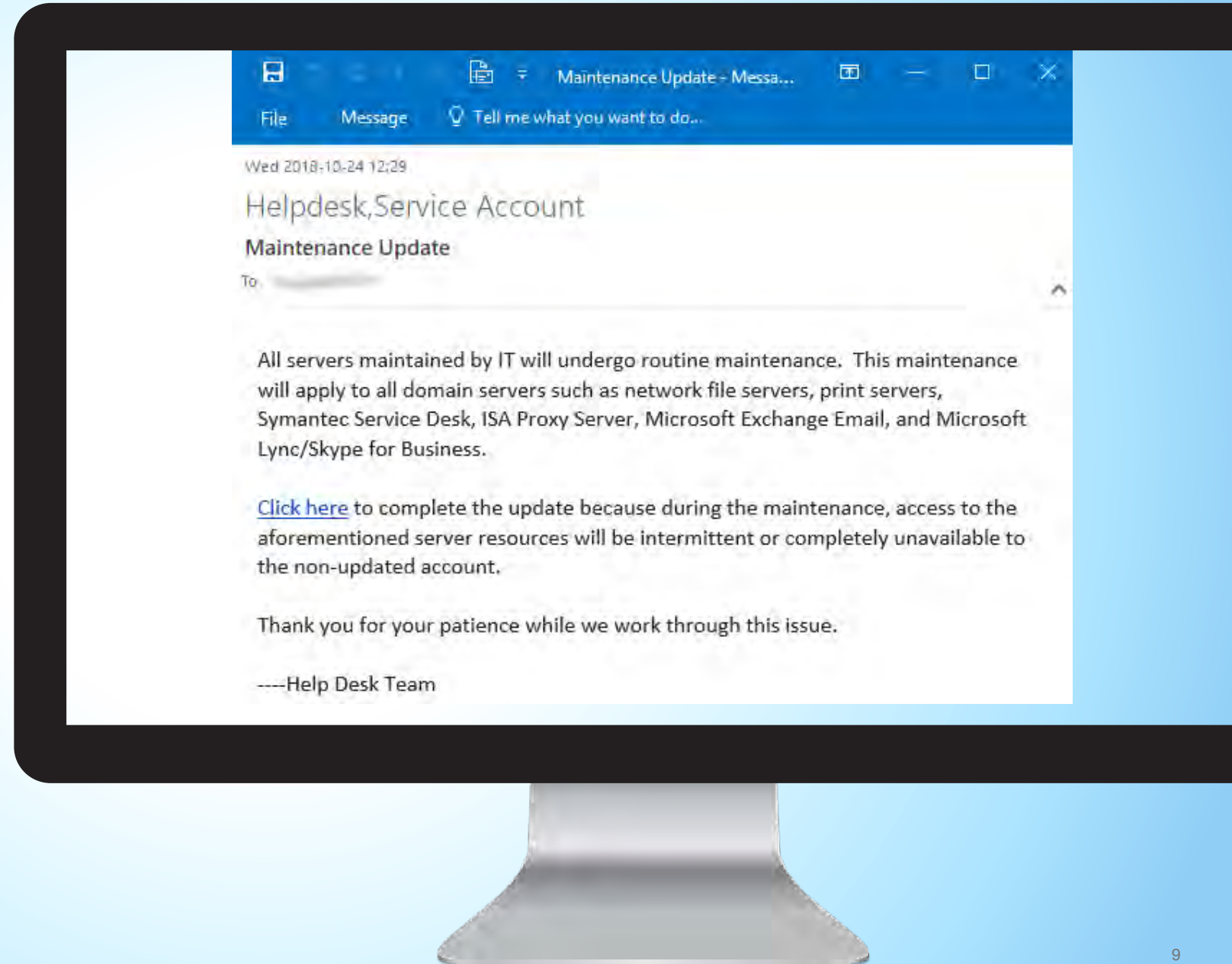
Target: Company

Objective: Obtain Credentials

Sophistication: Medium

Red Flags:

- Your IT department should never ask for your participation in maintenance
- “Help Desk Team” – this should come from an individual
- Scaring users with access restrictions



Invoices

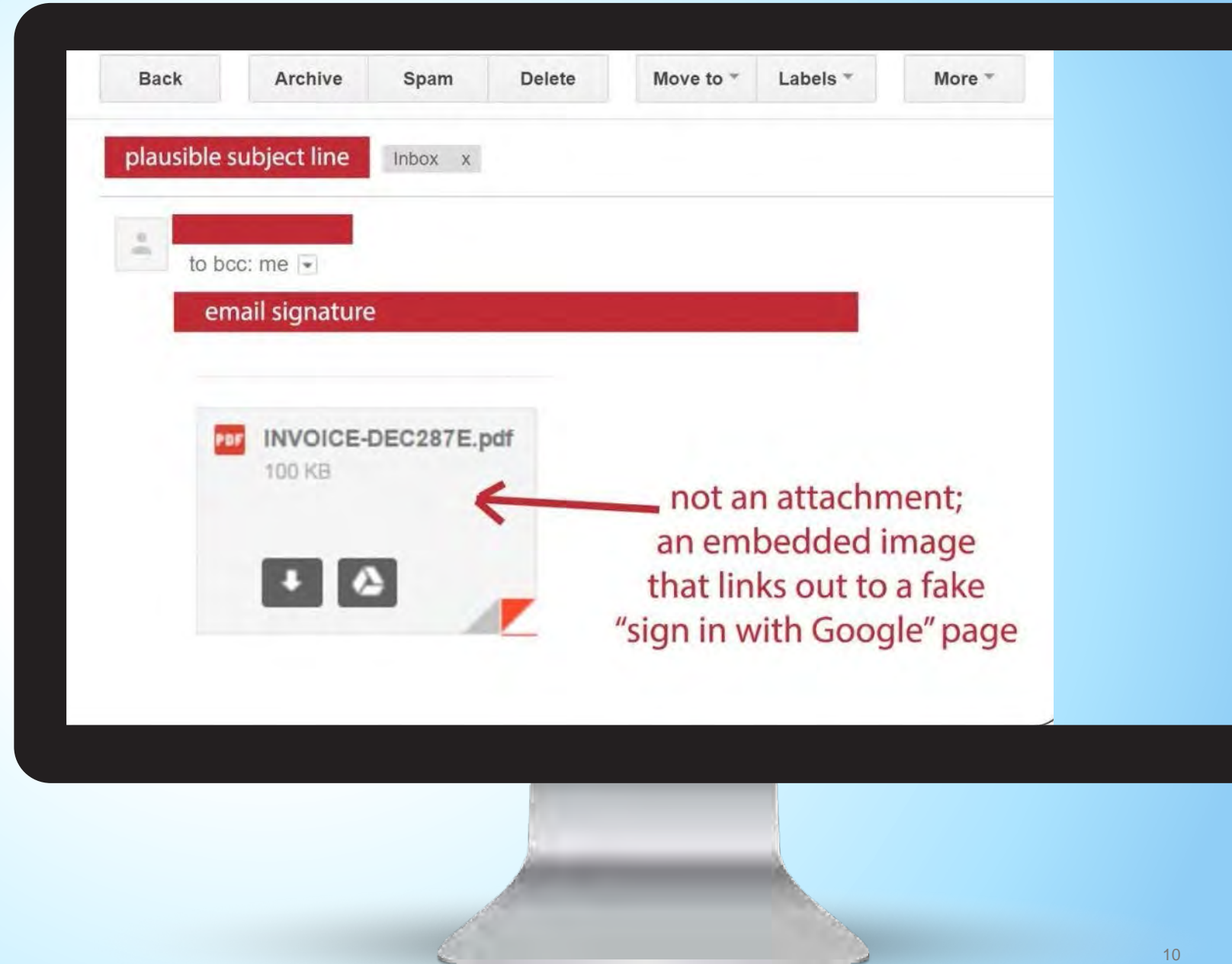
Target: Company

Objective: Distribute Malware

Sophistication: Medium

Red Flags:

- Make sure the email is coming from a company you are actually doing business with
- Double check the email address
- Fake invoice emails will usually involve some kind of urgency



Request

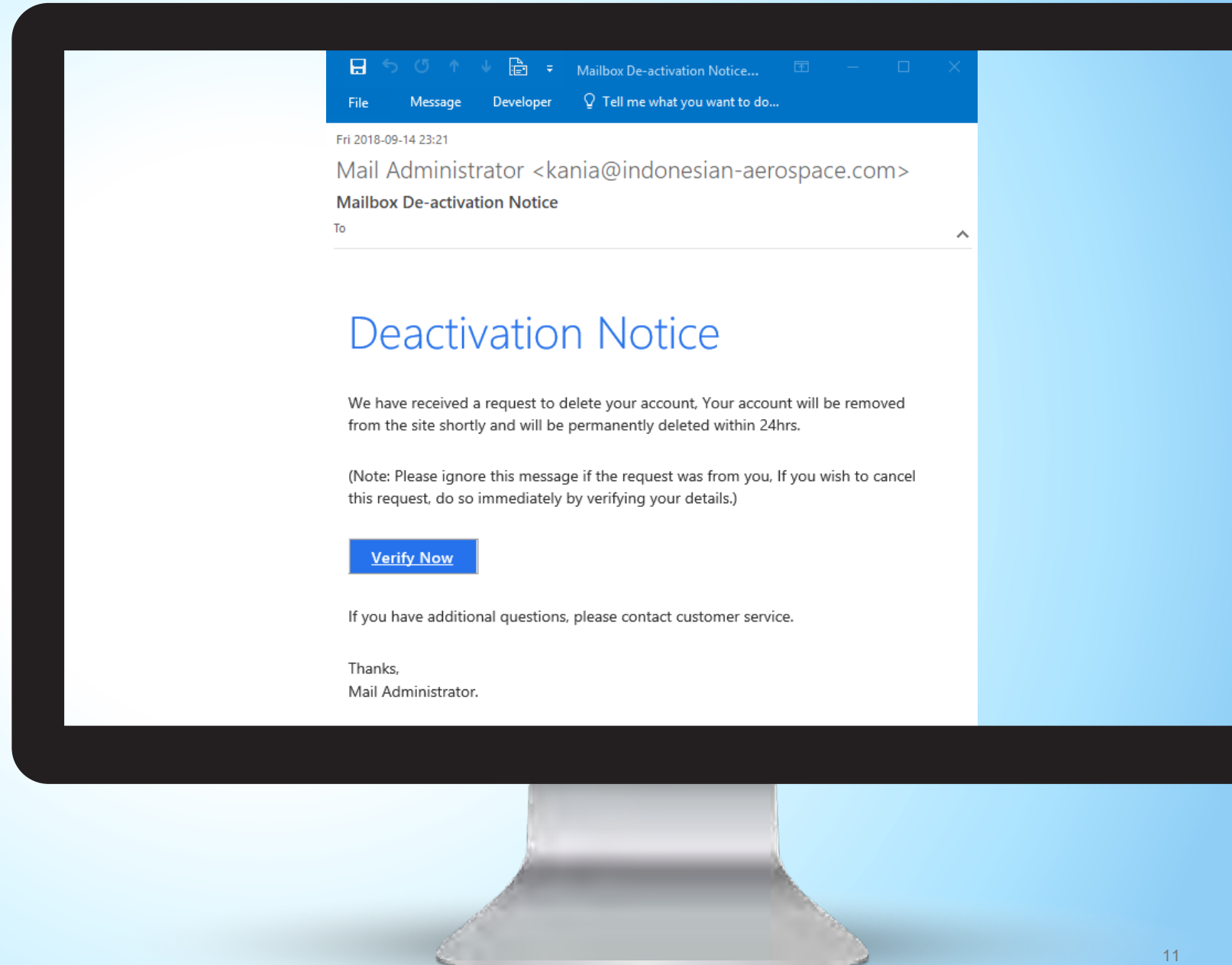
Target: Company

Objective: Obtain Credentials

Sophistication: Low

Red Flags:

- Email masked as “Mail Administrator”
- Urgent request to delete your account unexpectedly
- Disarming second sentence “If request was from user....”



Top 3 Targets in 2019

BUYERS EARNEST MONEY AND FUNDS TO CLOSE

- Targeted both Week 1 and in final week of transaction

SELLER PROCEEDS

- Title company employees are the target here – beware of changing wiring instructions

MORTGAGE PAYOFFS

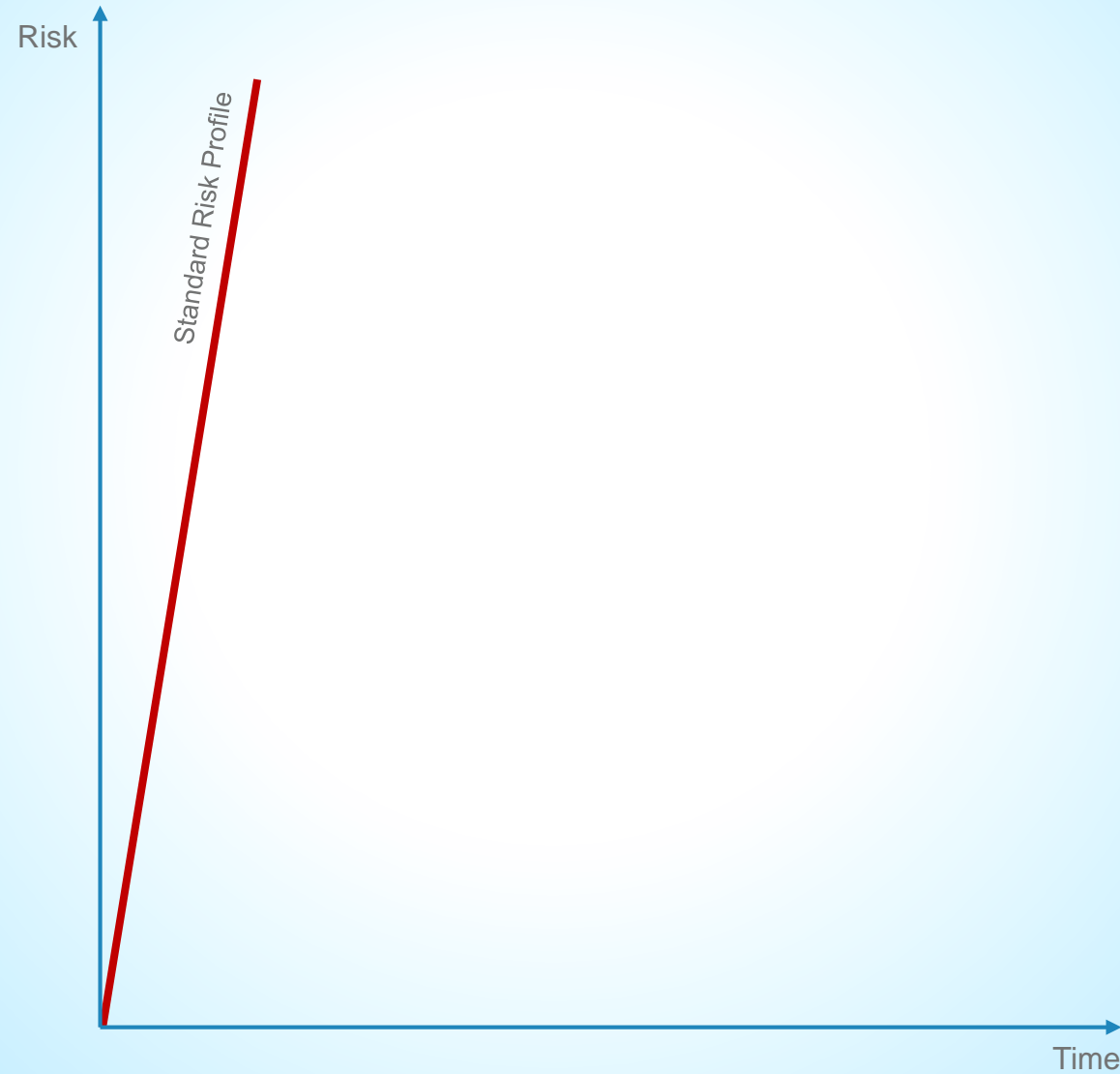
- Fraudsters will intercept bank payoffs and substitute with extremely convincing replacement changing the bank account

How do we do our jobs while protecting our clients and ourselves?



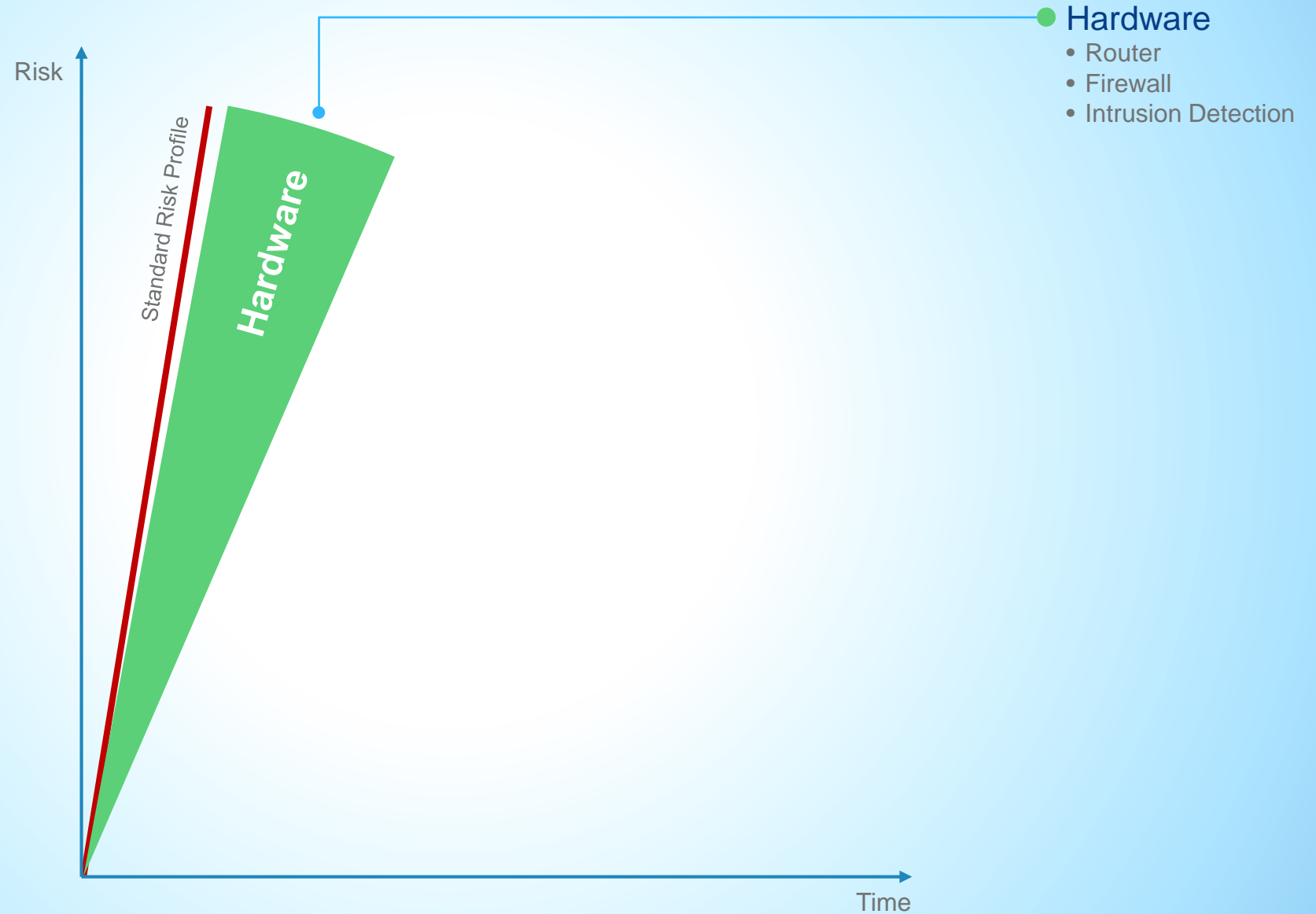
Ideal Target to Ideal State

A Layered Security Approach



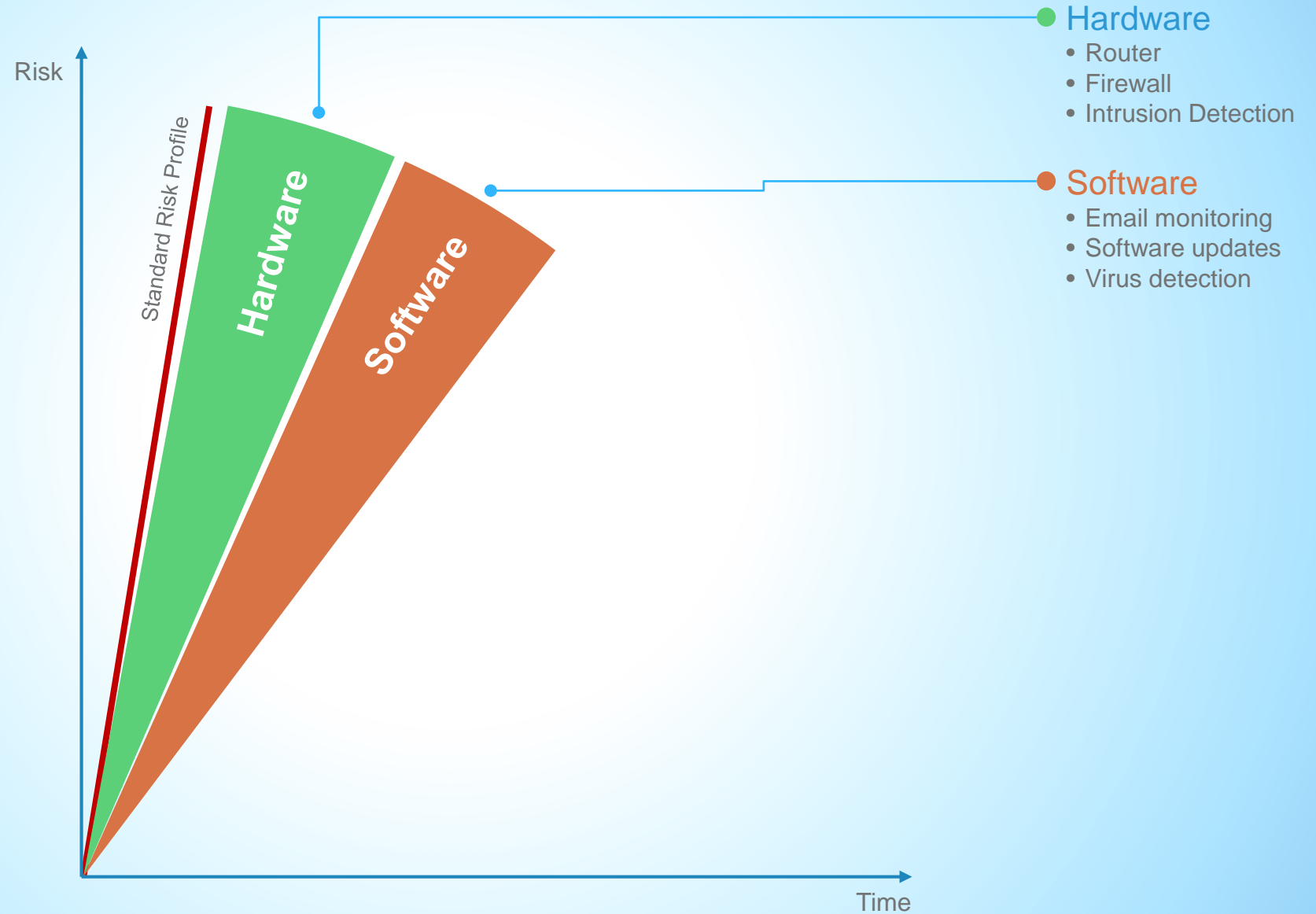
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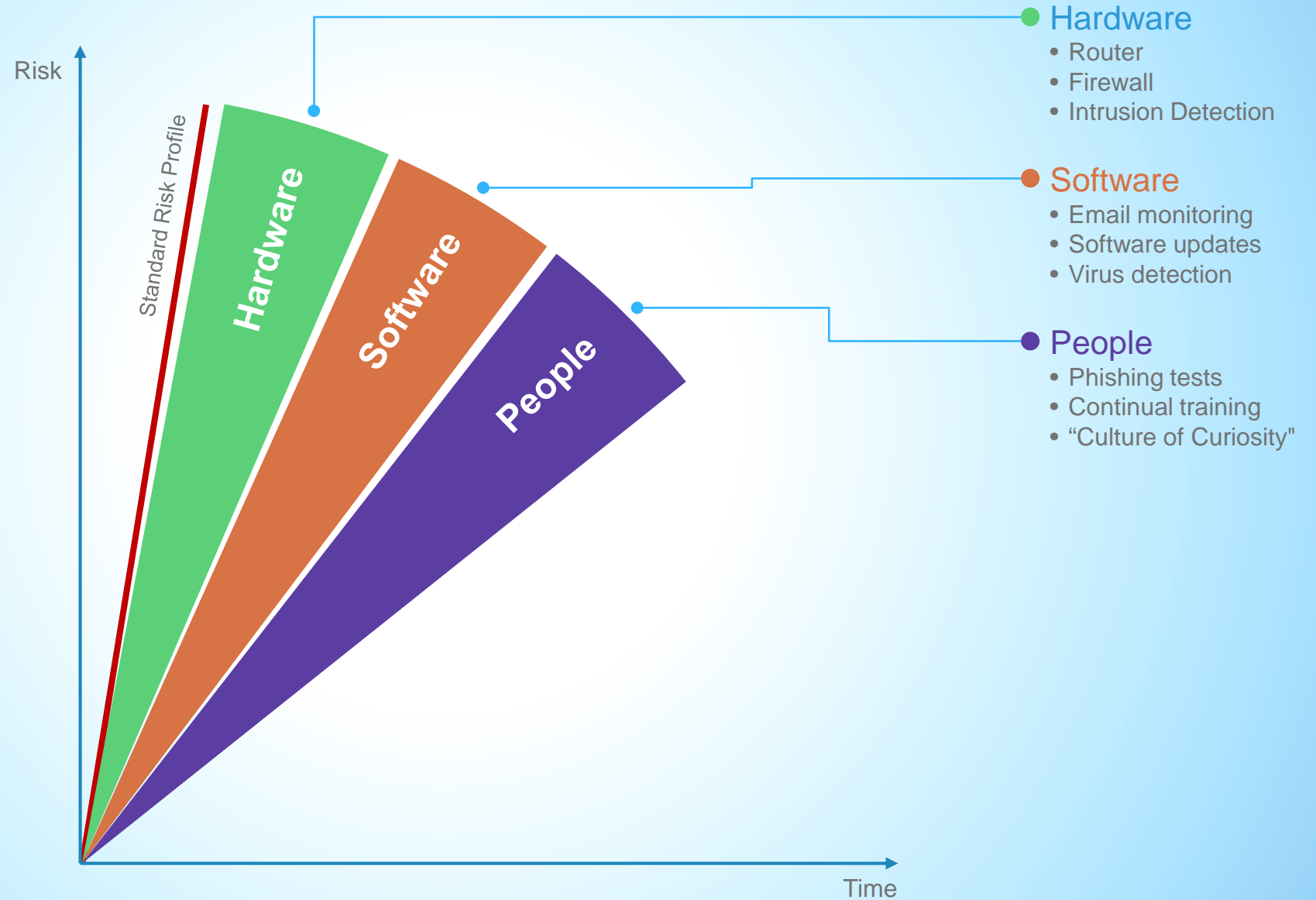
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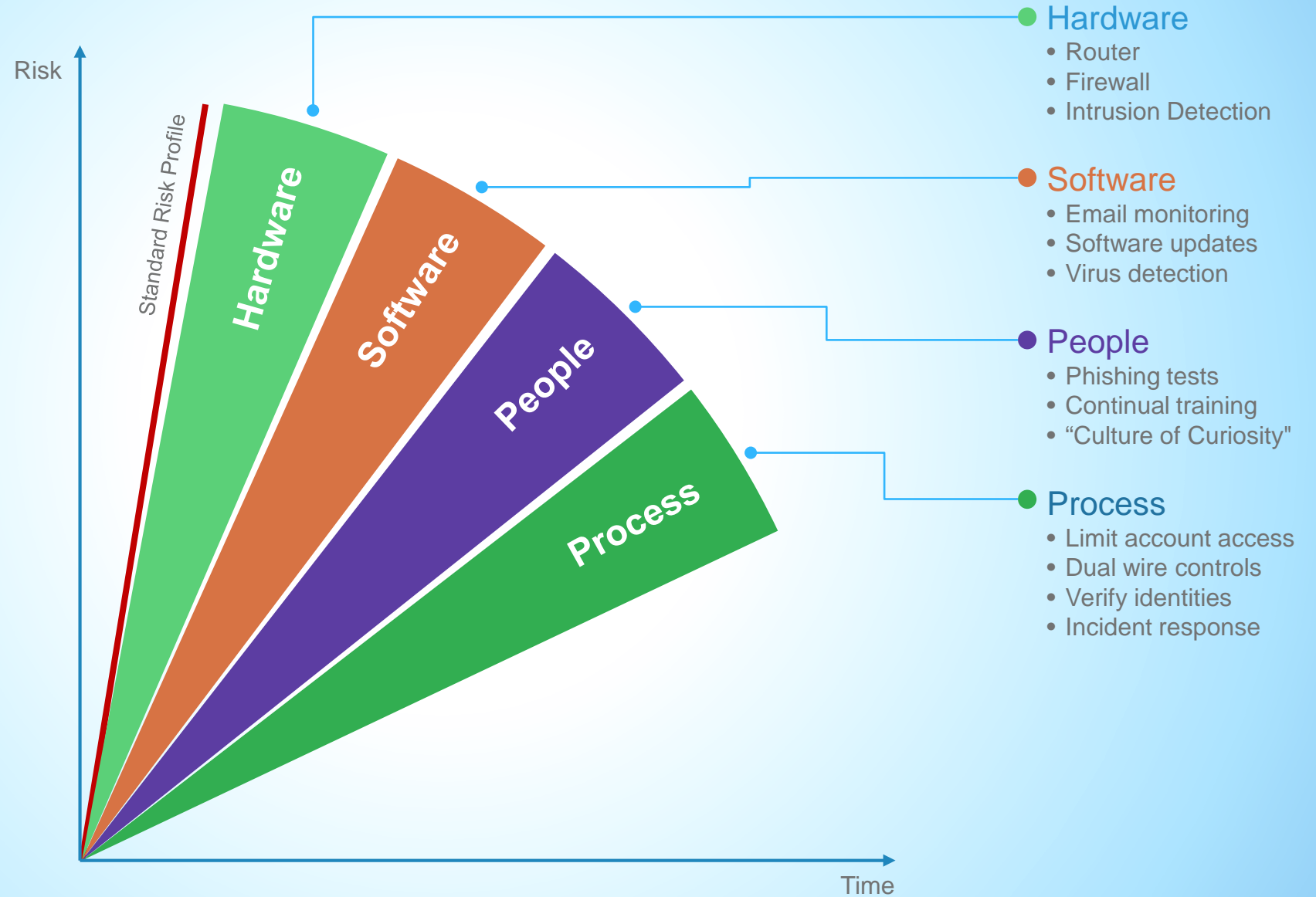
PEOPLE

- **Monitor and Improve Employee Skills and Awareness.**
Consider a phishing security test for all of your employees.
These companies can help:

- Security Planner: <https://securityplanner.org>
- PhishMe: <https://phishme.com/free>
- KnowBe4: <https://www.knowbe4.com/resources>

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A Layered Security Approach

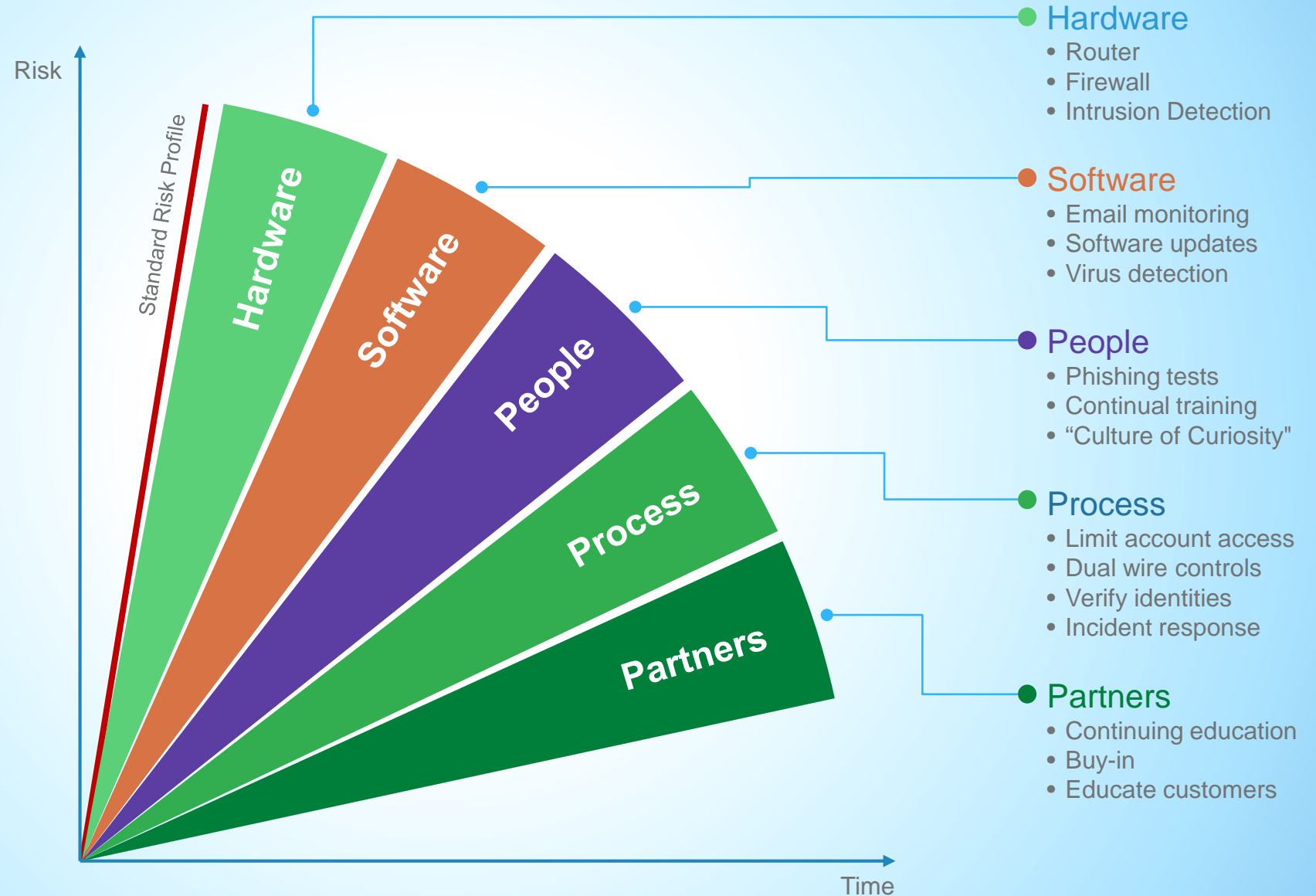


PROCESS

- ALTA Outgoing Wire Preparation Checklist
<https://www.alta.org/business-tools/information-security.cfm>
- ALTA Rapid Response Plan for Wire Fraud Incidents
<https://www.alta.org/file.cfm?name=ALTA-Rapid-Response-Plan-for-Wire-Fraud-Incidents>
- Dual Factor authentication
- Identity verification
 - CertifID
 - SafeChain

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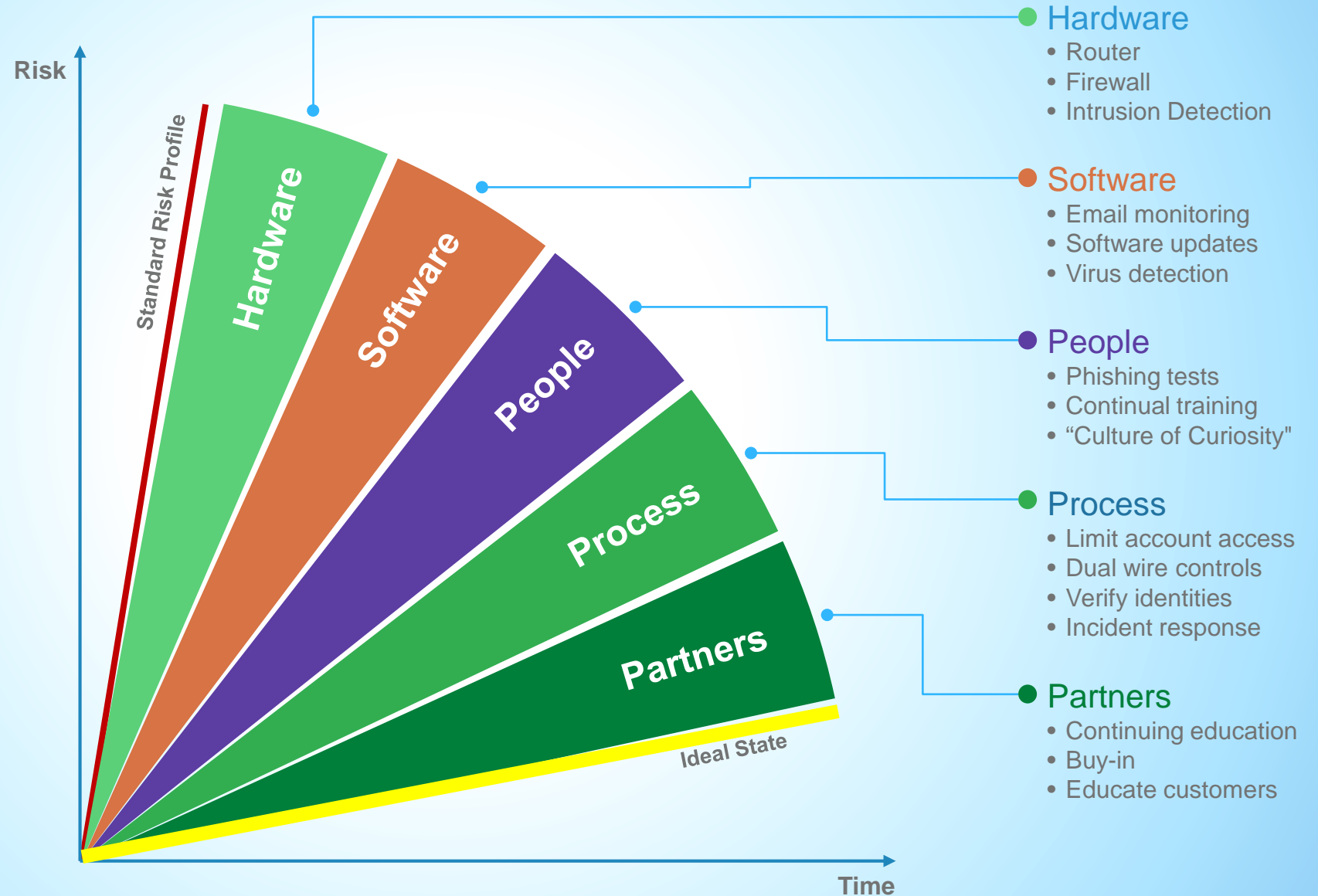


PARTNERS

- ALTA has developed tools to help you educate consumers about the dangers of wire fraud.
- [ALTA Wire Fraud Video](#): This 2-minute video provides four tips on how consumers can protect their money and offers advice on what to do if they have been targeted by a scam. Link to this video from your website, include in your email or share on social media.
- [ALTA Wire Fraud Infographic](#): ALTA has produced this Rack Card explaining Wire Fraud. ALTA Members can brand the infographic with their own information at the [ALTApresents website](#).
- [ALTA Wire Fraud PowerPoint for Consumer Education](#): (Member-only content) Use this presentation to educate consumers about the dangers of phishing emails and wire transfer fraud. The presentation provides information on what to do if you've fallen victim to a scam and also highlights 10 tips to prevent wire fraud.

Ideal Target to Ideal State

A Layered Security Approach

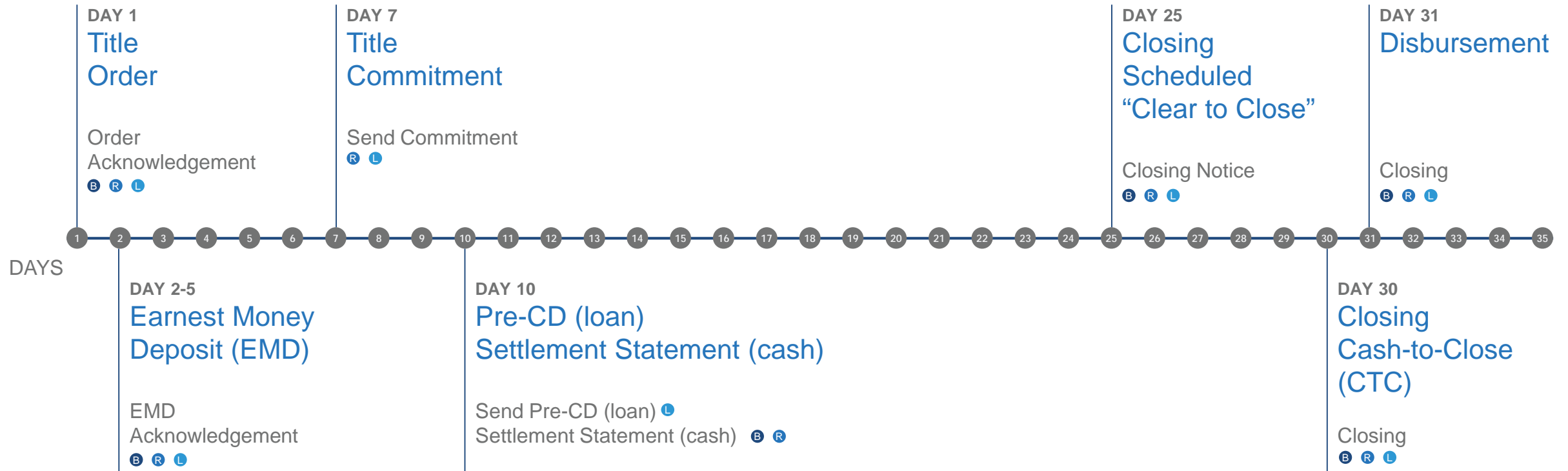


EDUCATE EARLY and OFTEN

1. Educate your Realtors about the process your company uses for sharing wire instructions – they are the trusted advisor to the client and can start the conversation about wire fraud as soon as the contract is signed.
2. Educate the clients about your process for sharing wire instructions as soon as you open the file (ideally both verbally and in writing) and find opportunities to reinforce the message throughout the transaction – this should not be a one time thing!

Workflow Discovery

● Buyer ● Realtor ● Lender

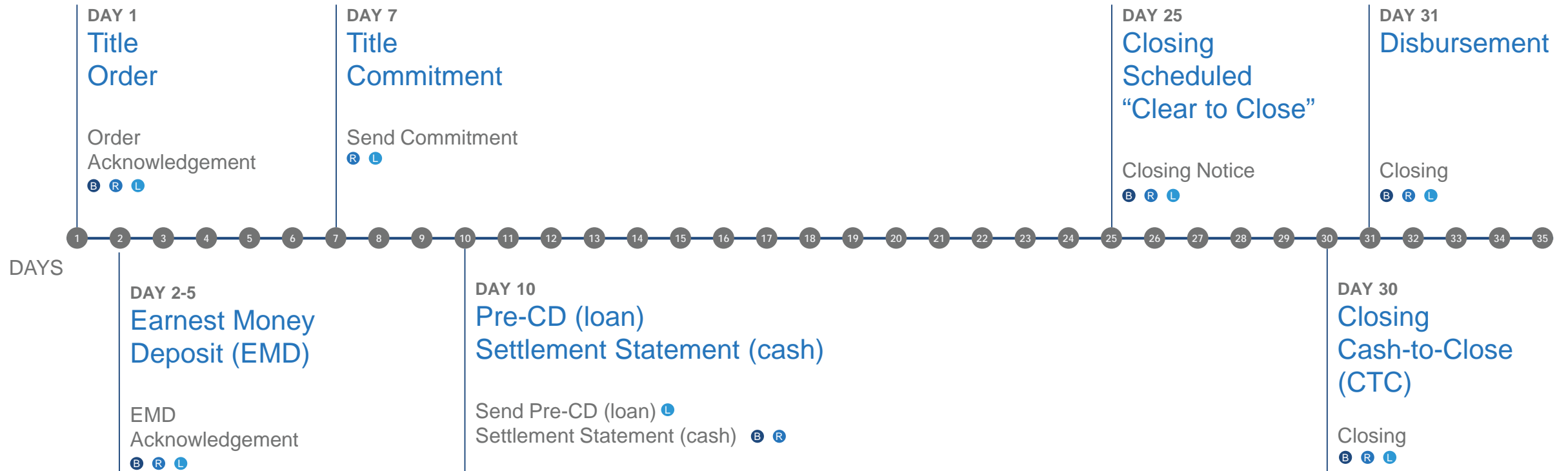


Workflow Discovery

B Buyer R Realtor L Lender

⚠ Transaction pends on MLS

⚠ "Kill Zone" ⚠



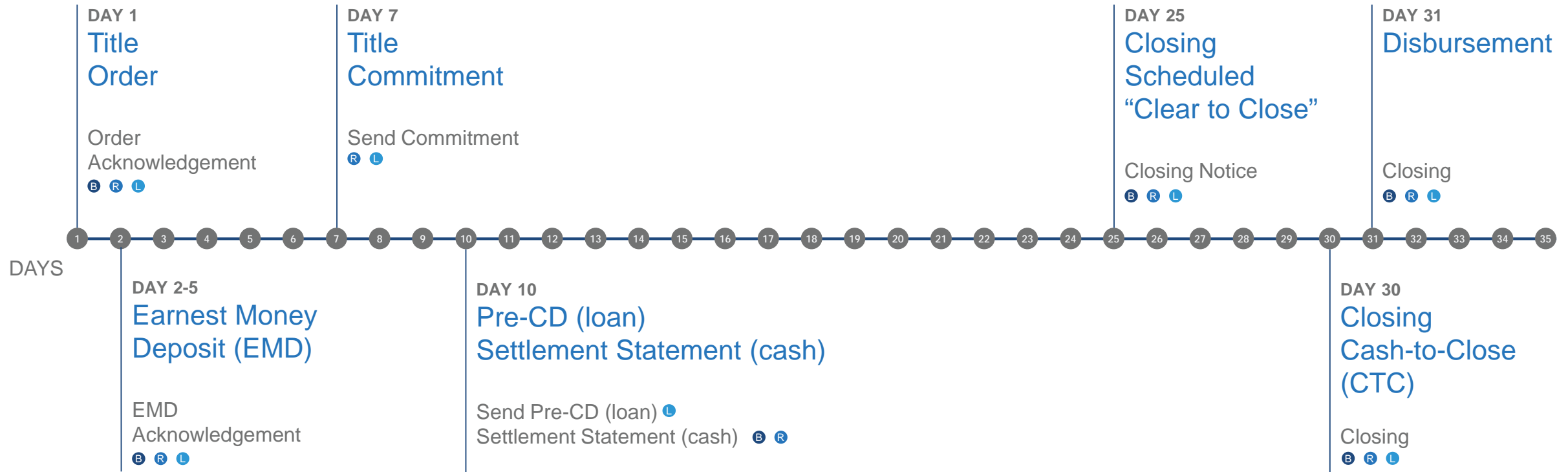
Workflow Discovery

Day Zero
Notice

B Buyer R Realtor L Lender

Buyer Fraud
Alert #1

Buyer Fraud Alert #2



**How do you get past
Realtor resistance to talk to
their clients about wire
fraud
(ie – it's not my problem)?**

Agent and Broker Liable for 85% of Wire Fraud Loss

“ ”

[Plaintiff] is granted judgment against defendants [broker and agent], jointly and severally, on his claim for negligent misrepresentation in the amount of \$167,129.27...

Bain v. Platinum Realty LLC et al., Case No. 16-CV-02326-JWL, Dist. Court, D. Kansas, 2018

Bank not liable for failing to stop a \$580K wire transfer to fraudster

“ ”

Any duty [the bank] owed to [the law firm] was a contractual duty... not a duty based on social policy. Thus, [the law firm] may not recast their breach of contract claims against [the bank] as a tort-based claim.

O'Neill, Bragg & Staffin, P.C. v. Bank of America Corp., Case No. 18-2109, Dist. Court, E.D. Pennsylvania, 2018

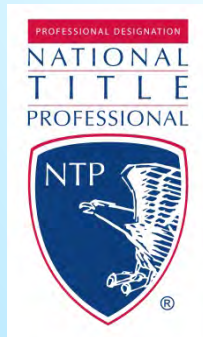
Pending Cases

Court	Parties	Date	Amount	Description
Federal – Middle District of Pennsylvania	<i>Rafi Hovsepien v. Guaranteed Rate Real Estate, LLC</i>	May 29, 2019	\$93,737	Buyer cash to close
Federal – Middle District of Florida	<i>Florida Title Processing, Inc., v. Navy Federal Credit Union et al.</i>	March 21, 2019	\$200,000	Seller proceeds
Federal – W. District of North Carolina	<i>Noble Capital Management, LLC v. James Weaver Kirkpatrick et al.</i>	February 14, 2019	\$267,642	Mortgage payoff
State – Superior Court of California	<i>Focus Escrow v. Western Resources Title Company</i>	September 25, 2018	\$49,571	Seller proceeds
Federal – District Court of New Jersey	<i>A Absolute Escrow Settlement Co., v. Wells Fargo et al.</i>	May 7, 2018	\$239,290	Mortgage payoff
Federal – District of Minnesota	<i>Evanston Insurance Company v. Steven Newgren and Andrea Newgren</i>	January 23, 2018	\$85,271	Seller proceeds
Federal – NE District of Illinois	<i>White v. Citywide Title, Wells Fargo</i>	March 22, 2018	+\$75,000	Buyer cash to close
State – Wisconsin Circuit Court	<i>Geils Home Wisconsin LLC v. Merit Title, LLC</i>	March 6, 2018	\$162,433	Buyer cash to close
State – Texas District Court	<i>El Paso Title Co., Inc. v. JP Morgan Chase and Bank of America</i>	September 27, 2017	\$148,000	Seller proceeds



Maureen Pfaff, WTP, NTP
President

Olympic Peninsula Title
maureen@olypentitle.com



- Stay informed
 - Fraud schemes are rarely retired, they just add new ones to the mix
- Share your experiences
 - <https://stopwirefraud.org/>
- Talk about the issue any chance you get