


**Email Scams & Online Losses:
What Title Agents, Brokers &
Bankers Need to Know Now**



Revised 5/20/18

Today's Topics

- How Phishing/Wire Fraud Happens
- Examples of Fraudulent Emails
- Response Plan If Hacked
- Resources
- Quiz Time



Phishing / Wire Fraud






<https://www.youtube.com/watch?v=ek4TwC9owwY>



What is Phishing/Wire Fraud?


- Use of altered email addresses
- Participants are vulnerable through unsecured channels
- Use of malware to gain access once the gate is open
- Perpetrators maintain contact with multiple parties to avoid detection



Common Tactics

Impersonating the Parties to a Transaction

- Once a perpetrator gets access through email, they monitor communications so that each party believes he or she is communicating with each other rather than the fraudster
- The title agent may be the last party to be contacted
- Use of additional letters in URL addresses: "Billi" or "Tittle"
- Use of incomplete email addresses: "maryescrow@title.co" instead of ".com"
- Insertion of malware to get direct connections



Language & Punctuation Errors Emails are Suspicious

- Frequent use of lower case letters and bad grammar: "i request to contact you regarding the proceeds. should i send the instructions over?"
- Misspellings: "Confirm if you have review the email sent."
- Appear to be polite: "Kindly confirm receipt"
- Huh? "Ok. I will send you the wire instructions shortly. i would like to know which day will you be doing the proceeds disbursement? and what time?"



5 Expensive Reasons You Should Care

1. **Montana, 2017:** Check writing fraud using REALTOR's email. **Amount lost: \$42,000**
2. **New York, June 2017:** A judge trying to buy her apartment received an email she thought was from her real estate lawyer telling her to wire money to an account. **Amount lost: \$1 million**
3. **Washington, D.C., May 2017:** The homebuyers sued the title company for the lost money, but also close to \$5 million for an alleged violation of the RICO Act. The title company, which denies it had anything to do with the money going missing, said that it immediately contacted the FBI when the attack was discovered. **Amount lost: \$1.57 million**
4. **Colorado, March 2017:** A couple, who lost their life savings while trying to buy their dream retirement home, has filed suit alleging that none of the companies involved in the transaction, including the title company, did enough to protect sensitive financial information. **Amount lost: \$272,000**
5. **Minneapolis, September 2016:** A retired couple hoping to buy a townhouse received an email that looked like it came from the title company with instructions to wire money before the closing. They did. The email was fake. **Amount lost: \$205,000**



Fraudulent Emails



Deception without Detection

- **Perpetrator contacts the wrong parties and deceives**
 - "I asked Janice, at the title company, to reach out to the [sellers] to discuss proceeds." Fake email from the perpetrator acting as the selling agent to the real listing agent. Query why this did not raise a red flag.
- **Fake title agent to the seller**
 - "I just received your informations. We will be disbursing the proceeds on Monday 22nd after the buyers sign at 2:30. I should be able to make the wire cutoff time with our bank so you should receive them in your bank within monday to wednesday afternoon. feel free to send me an email if you have any questions." Deceived the seller into waiting to check on their money.
- **Fake title agent to the seller**
 - "Please see below for receipt of the wire transfer of your proceeds below... you will have to wait till Monday morning 29th for your proceeds to be available."



Fraudulent Email Chain #1

Lori

On 2016-08-30 14:41, Scott wrote:

When did you send the fax

From: [redacted], Lori [mailto:[redacted]@sibccycle.com]
 Sent: Tuesday, August 30, 2016 5:40 PM
 To: Scott [redacted]
 Subject: RE: 8156 Sunburst Drive. - Clear to close

Confirm you got fax with wiring information for sellers proceeds? Lori



Let's Examine the REALTOR's® Email Address

- **This email came from:**
 - #####@sibccycle.com
- **Real email address for REALTOR® is:**
 - #####@sibccycle.com



Fraudulent Email Chain #2

On 2016-08-30 14:45, Scott [redacted] wrote:

Nope. The seller told me she was picking up her check in the morning. Has she changed her mind? My fax Number is 347.2866.

From: Lori [redacted] (mailto:[redacted]@sbccyline.com)
Sent: Tuesday, August 30, 2016 5:43 PM
To: Scott [redacted]
Subject: RE: 8156 Sunburst Drive. - Clear to close

5 Min ago, can you confirm i have the right fax number so i can resend fax.



Fraudulent Email Chain #3

On 2016-08-30 14:54, Scott wrote:

I have received your fax. I'll confirm these instructions with Jack McGowan in the morning, and will then initiate the wire. I won't have any sort of wire confirmation to send you.

From: Lori [redacted] (mailto:[redacted]@sbccyline.com)
Sent: Tuesday, August 30, 2016 5:52 PM
To: Scott [redacted]
Subject: RE: 8156 Sunburst Drive. - Clear to close

Seller want a wire transfer, Kindly confirm you receive wiring instructions for sellers proceeds via fax/email. Forward wire confirmation to my email for record purposes.

Thanks,
Lori



Fraudulent Email Chain #4

Wiring Instructions

Bank name: Chase Bank
Bank address: 1118 Fry Rd Houston TX 77084
Acct Name: Georgianna McGowan Richard
Barkley Address: 3431 walnut bend Ln Houston TX 77042. Account# 869150180 Routing# 021000021



Fraudulent Email Chain #5

On 2016-08-31 05:25, Scott wrote:

I confirmed with the closer that Mr. McGowan accepted a check for the seller proceeds at the table yesterday. So no wire is necessary.



Fraudulent Email Chain #6

To: Scott [REDACTED]
Subject: RE: 8156 Sunburst Drive. - Clear to close

Ok that's fine.

Lori



Fraudulent Email Chain #7

From: [REDACTED] <[REDACTED]@subpoena.com>
Sent: Wednesday, August 31, 2016 8:31 AM
To: Scott [REDACTED]
Subject: RE: 8156 Sunburst Drive. - Clear to close

Mr. McGowan shredded the check thinking it was safer that way to avoid anyone else having access to the check. Thats why wire is requested.
Lori

On 2016-08-31 05:25, Scott^{MMH} wrote:
I confirmed with the closer that Mr. McGowan accepted a check for the seller proceeds at the table yesterday. So no wire is necessary.



Fraudulent Email Chain #8

From: [REDACTED] <[REDACTED]@hibcycline.com>
Sent: Wednesday, August 31, 2016 10:08 AM
To: [REDACTED]
Subject: RE: 8156 Sunburst Drive. - Clear to close

Thata fine.

On 2016-08-31 07:04, Scott [REDACTED] wrote:

Ok. It would have been better if he returned the check to me. I will now need to place a stop pay on that check. I will initiate the wire, after confirming wiring instructions with Jack, and after the banks required hold period for s. This is usually a minimum 24 hours. I have left a message for him as well.

Scott



Response Plan





The Theft is Discovered – What Next?

- **Get the Facts and Be Transparent**
 - Disclose what you know to the parties early and often
 - Contact your bank and have them contact the recipient bank
 - Banks will seek indemnification
 - Call your underwriter
 - Get a TRO ASAP
 - Make a report to the FBI IC3 Unit and local law enforcement
 - Read your errors and omissions policy
 - Contact your insurers and insist that others do so
 - Consider hiring a forensic computer specialist



Internal Review of Procedures

- **Make Changes to Your Procedures Immediately**
 - Implement new wire procedures
 - Get wire instructions in writing signed by the seller with no changes allowed
 - Implement review process for wires


Cyber Fraud Red Flags

- **Confirm the account** to which you are wiring is in the name of the party entitled to the funds.
- **Be suspicious of emails** from free, public email account domains as they are often a source of risk.
- **Be leery of a new deal** coming to your office out of nowhere.
 - Example: "I have a sales contract and a deposit for property I am purchasing, and I was referred to your office. Will your office act as title and settlement for my transaction?"
 - This conversation is typically followed by a subsequent request to wire out funds originally deposited by check.
- **Watch out for phishing emails with embedded links**, even when they appear to come from a trusted source such as your underwriter.



10 Tips to Help Avoid Cyber Fraud

1. Create a log of all approved parties' phone numbers at the start of a transaction.
2. Avoid using free, web-based email accounts for business communications.
3. Prior to closing, execute an agreement with the seller/borrower indicating the method of funds transfer: check or wire.
4. Remember, transactions that result in a large cash payment to a refinance borrower or seller are highly susceptible to attack.
5. Question and confirm by phone with approved parties any deviation to the funding agreement; changes are not common and may indicate fraud.
6. Confirm wiring instructions by phone with approved parties prior to sending.
7. Confirm receipt of wired funds by phone with the intended recipient.
8. Practice good cyber hygiene, keep antivirus software up-to-date, don't click suspicious links, and use strong passwords.
9. Slow down and stay in control. A slow confirmed closing is still acceptable.
10. If you suspect fraud, act immediately. Contact your bank and appropriate authorities.



Cyber Hygiene



Top Two Mistakes Made by Agents



1. Use of unsecured email by at least one of the parties in a transaction. (Buyer, Seller, REALTOR®, and Title Agency.)
2. No phone calls were ever made to confirm email requests.



Only YOU can prevent wire fraud



Resources



Law Enforcement

- **FBI**
 - File complaint online through the IC3 Unit at: <https://www.ic3.gov/default.aspx>
 - Email Compromise Complaint Form





FBI Statistics

- The Internet Crime Complaint Center (IC3) has seen an average of more than 284,000 complaints in the last five years. The scam was reported in all 50 states. Fraudulent transfers were sent to 72 countries; however, the majority went to banks in China and Hong Kong. The IC3 received a total of 301,580 complaints with losses exceeding \$1.4 billion last year. Email Account Compromise was the top crime in 2017 with the highest reported total loss of more than \$675 million.

Montana Law

- State Constitutional Right of Privacy
- The Montana Consumer Protection Act Section 30-14-103, MCA, Section 30-14-133, MCA as well as Section 30-14-1701, MCA.
- State law protect individuals from foreseeable negligent acts that cause loss



Willful Acts

Each person is responsible for the results of their willful acts and for injury to another by the lack of ordinary care or skill in the management of the persons property. 27-1-701 MCA



Negligent Acts

- Proof
- Duty
- Breach of duty
- Injury
- Proof the breach caused the injury

Maintaining an unprotected email account that allows for the transmission of inaccurate closing instructions, leading to theft, would meet these requirements. Morrow v. Bank of America, N.A. 2014 MT 117. DA 13-0241



Where to Find IC3

<https://www.ic3.gov/default.aspx>

- **The IC3 accepts online Internet crime complaints from either the actual victim or from a third party to the complainant.**
- **Can best process complaint if they receive accurate and complete information**
 - Financial transaction information (e.g.: account information, transaction date and amount, who received the money)
 - Subject's name, address, telephone, email, website, and IP address
 - Specific details on how you were victimized
 - Email header(s)
 - Any other relevant information you believe is necessary to support your complaint



Other Resources

- Montana Attorney General – Office of Consumer Protection:
Phone: (406) 444-4500
Email: contactocp@mt.gov
- Montana Banking Division: <https://banking.mt.gov/Home/Contact>
- RynohLive: <http://rynoh.com/altamemberperks/>
– Matt Reass: matt.reass@rynoh.com
- PreDocs: <http://https://www.nextdeal.us/predocs/>
– Robert Reich: rreich@nextdeal.us
- Cloudstar: <http://www.mcloudstar.com/services/encrypted-secure-email/>
– Greg McDonald: gmcDonald@mcloudstar.com
- ShortTrack: <https://shorttrack.io/>
– Steve Hargraves: steve@shorttrack.io
- ProCircular: <https://www.procircular.com/>
– Patrick Quinn: solutions@procircular.com



Quiz Time



Scenario #1

- You receive an email from a REALTOR® asking for your wire instructions. What should the title company do?
 - Send the wire instructions right away because the REALTOR® is a great customer of yours
 - Call the REALTOR® at a known trusted number and confirm that the wire instructions were actually requested by the REALTOR®
 - Never give wire instructions to a REALTOR®
 - Mail the wire instructions to the REALTOR®



Scenario #1 Answer

- You receive an email from a REALTOR® asking for your wire instructions. What should the title company do?
 - a. Send the wire instructions right away because the REALTOR® is a great customer of yours
 - b. Call the REALTOR® at a known trusted number and confirm that the wire instructions were actually requested by the REALTOR®
 - c. Never give wire instructions to a REALTOR®
 - d. Mail the wire instructions to the REALTOR®



Scenario #2

- A Seller sends you an email asking for their proceeds to be wired after the closing. What should the title company do?
 - a. Call the Seller at a known trusted phone number and confirm the request.
 - b. Don't question the request. Just send wire the money to where the Seller requested it to go.
 - c. Email the wire instructions.
 - d. Void the Seller's check immediately.



Scenario #2 Answer

- A Seller sends you an email asking for their proceeds to be wired after the closing. What should the title company do?
 - a. Call the Seller at a known trusted phone number and confirm the request.
 - b. Don't question the request. Just send wire the money to where the Seller requested it to go.
 - c. Email the wire instructions.
 - d. Void the Seller's check immediately.



Scenario #3

- You receive an email from your supervisor instructing you to send a payment to a business vendor immediately. What should the title company do?
 - a. Ignore your supervisor's email
 - b. Pay the vendor
 - c. Delete the email
 - d. Call your supervisor to confirm the instructions



Scenario #3 Answer

- You receive an email from your supervisor instructing you to send a payment to a business vendor immediately. What should the title company do?
 - a. Ignore your supervisor's email
 - b. Pay the vendor
 - c. Delete the email
 - d. Call your supervisor to confirm the instructions



Scenario #4

- A Seller accepts a check for proceeds at closing, then calls later to request a wire as the bank will not allow them to cash the check until the check clears. What should the title company do?
 - a. Send the wire immediately because the Seller wants their money.
 - b. If the Seller is confirmed, request that the check be returned prior to sending a wire and check with your bank to make sure the check was not negotiated.
 - c. Once a check is accepted it cannot be returned.
 - d. Immediately place a stop payment on the check.



Scenario #4 Answer

- A Seller accepts a check for proceeds at closing, then calls later to request a wire as the bank will not allow them to cash the check until the check clears. What should the title company do?
 - a. Send the wire immediately because the Seller wants their money.
 - b. If the Seller is confirmed, request that the check be returned prior to sending a wire and check with your bank to make sure the check was not negotiated.
 - c. Once a check is accepted it cannot be returned.
 - d. Immediately place a stop payment on the check.





Janice F. Doggett
MLTAF - Education Coordinator
jfdlawyer@gmail.com
www.mtlandtitle.com
