



State of Wire Fraud in the Title Industry

September 2024

Today's speaker



Matt Kilmartin
VP of Sales
CertifID

Since inception, CertifID has protected hundreds of billions in transactions, recovered \$60M in stolen funds, and educated thousands of real estate and title professionals.

CertifID partners with the United States Secret Service and has been recognized as an Inc. 5000 fastest growing company, HousingWire Tech 100, Purpose Jobs Best Culture and Built-in Austin Best Places to Work.

Cybercrime in the U.S.



Cybercrime on the rise

28
seconds

In 2023, a cyber crime was reported once every 28 seconds.



\$12.5B
losses

Total cyber crime losses in 2023 reached \$12.5B.



Reported losses into the FBI reached another all-time high in 2023.



Top cyber crime types by loss



\$4.6B

Investment



\$2.9B

BEC



\$0.9B

Tech Support

Business Email Compromise (BEC) at \$2.9B represented 23% of all reported cyber crime losses.



Business email compromise (BEC) trends

How BEC works:

1 Open source intelligence

2 Social engineering

3 Account takeover

4 Attack email

5 Funds transfer

BEC losses increased by 4x over this period.



\$676M

12,005 victims

in 2017



\$2.9B

21,489 victims

in 2023



Wire Fraud in Real Estate



Why is wire fraud such a big problem in real estate?



Data on property listings is publicly available via MLS and county records.



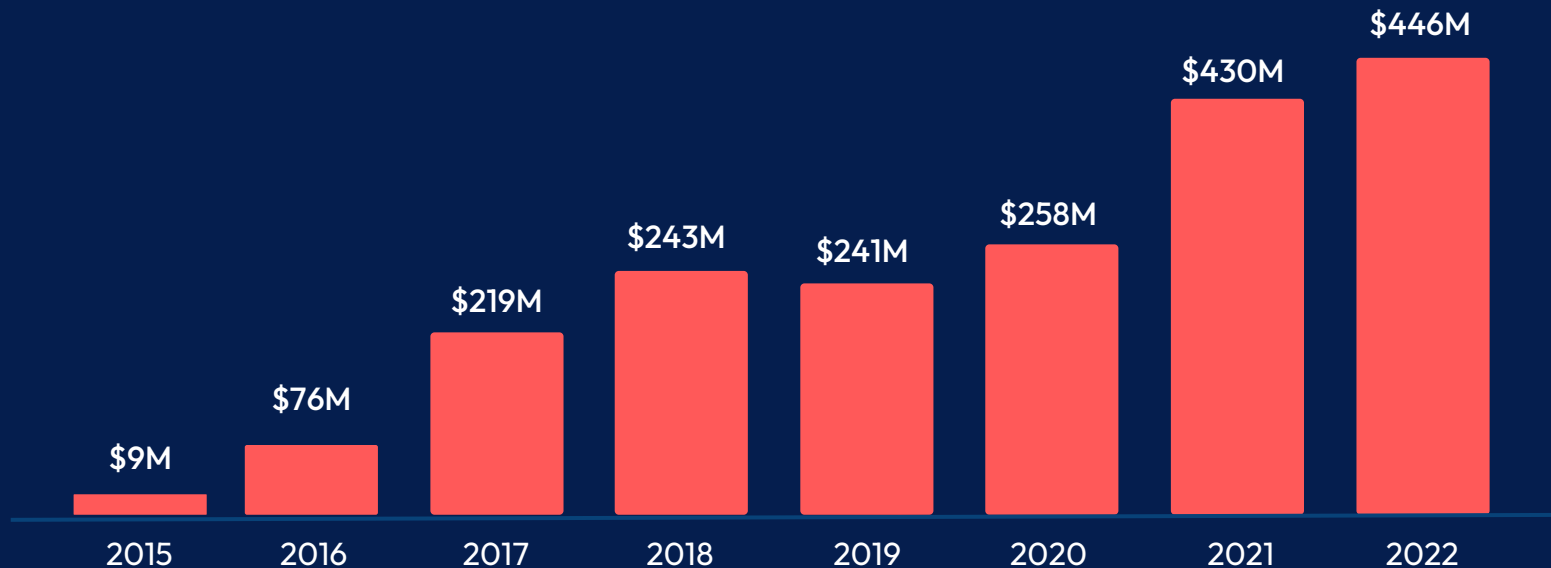
Transactions involve large sums of money. The U.S. median existing home sale price is \$387,600.



Typically up to 10 different parties are involved in and sharing information about the closing.

Losses from real estate wire fraud have grown rapidly.

Victim losses from business email compromise (BEC) increased 72% from 2020 to 2022.



Real estate is a significant contributor to cybercrime.

BEC Losses



17% of all losses in real estate

BEC Victims



10% of all victims in real estate

Everyone in the real estate transaction is targeted.



Buyers

\$72k median loss

28% of recoveries

- Phishing attacks
- Spoofed emails
- Social engineering
- Realtor impersonation
- Title agent impersonation



Sellers

\$70k median loss

18% of recoveries

- Open source records
- Identity theft
- Social engineering
- Seller impersonation



Title & Law Firms

\$257k median loss

54% of recoveries

- Compromised systems
- Lender impersonation
- Lender callbacks
- Fraudulent payoff instructions

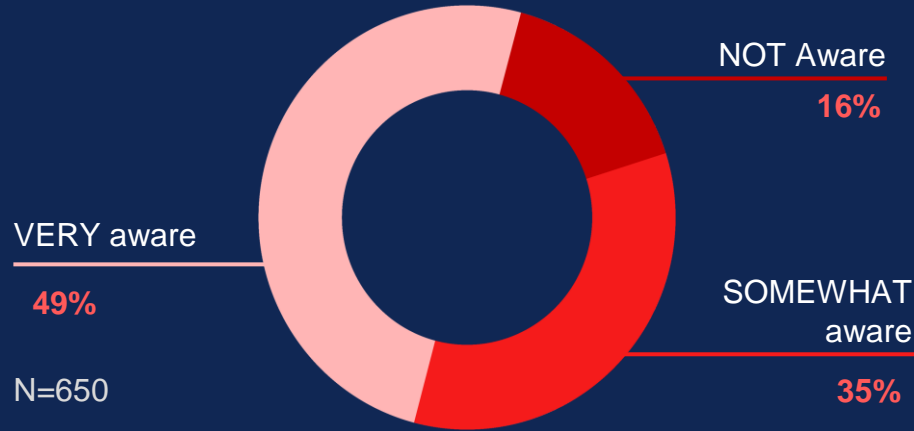


Protecting the Consumer



Consumers are inadequately aware of the risks.

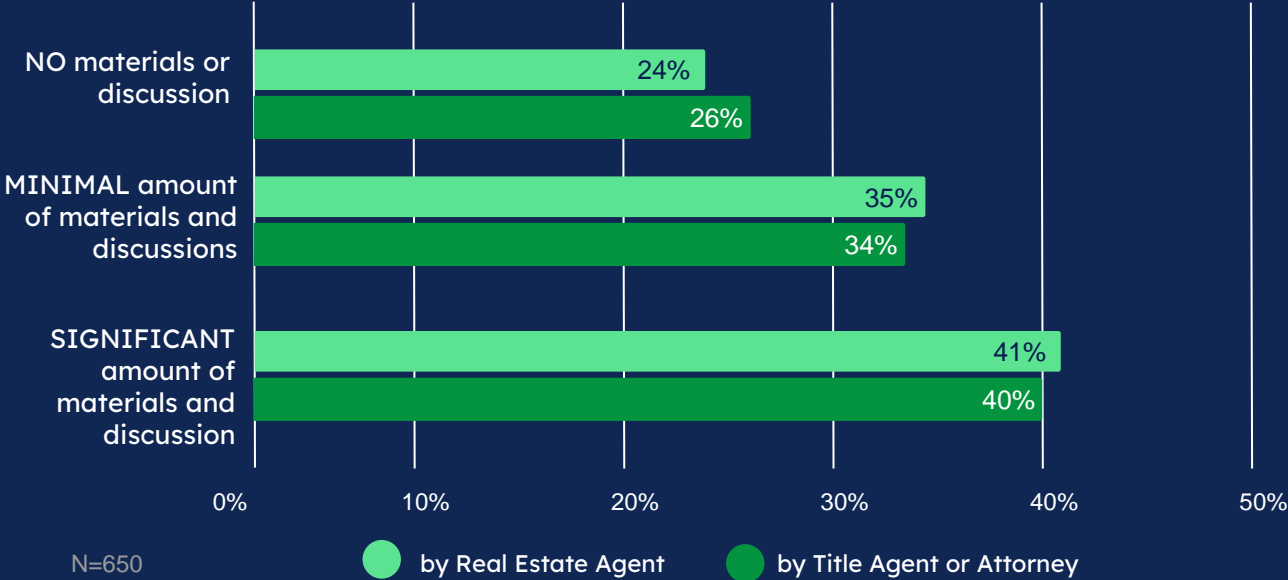
Q: How aware were you of the risks of wire fraud before closing?



51% of all consumers are “not” or only “somewhat” aware of the risks of wire fraud.

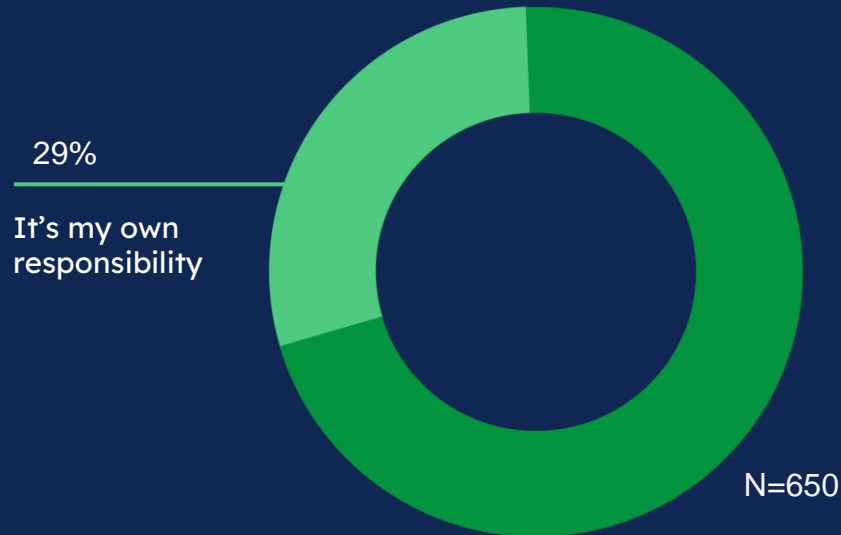
Consumers need more education.

Q: What level of education were you provided about the risks of wire fraud?



They expect real estate professionals to protect them.

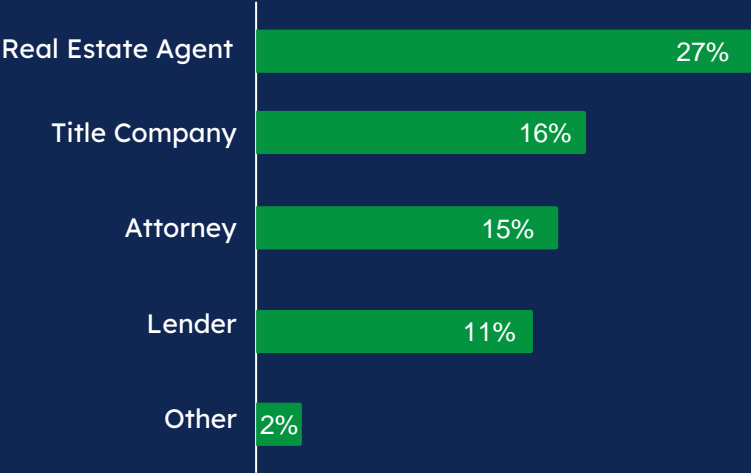
Q: Who do you think should have educated you about wire fraud?



71% or 2 in 3 consumers, believe it's someone else's responsibility to educate them on wire fraud.

Real estate agents are seen as a primary resource.

Q: Who do you think should have educated you about wire fraud?



Among the 71% of consumers looking for outside help for education — the highest expectation of ownership lies with real estate agents.

Consumers are highly vulnerable.



Nearly **1 in 4** receive suspicious communications.



More than **1 in 10** become targets of fraud.



More than **1 in 20** become victims.



Key Threat Vectors



Our industry is still working to catch up.



“We’ve made huge strides in awareness on wire fraud. Now, in addition to providing resources and education, we’ve codified the use of wire verification services as an industry best practice for 2023.”

Diane Tomb

CEO of ALTA (American Land Title Association)



Main threat scenarios



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77% of real estate firms are seeing more
seller impersonation attempts.



Seller impersonation continues to make headlines.

yahoo/finance

Home sale scams ramp up amid a housing market short on inventory

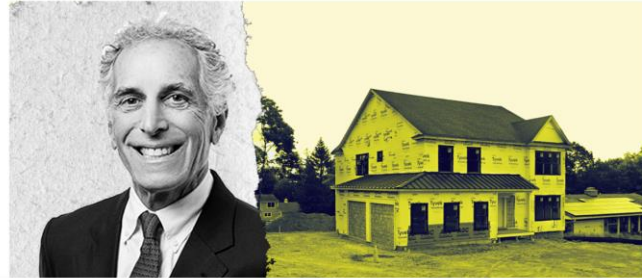
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RESIDENTIAL TRI-STATE

Owner of vacant CT land discovers \$1.5M home built on it

Dr. Daniel Kenigsberg says a half-acre parcel in Fairfield was fraudulently sold without his knowledge



RJ Las Vegas Review-Journal

A rising fraud: Scammers are selling other people's real estate
Nevada real estate officials report rising fraudulent selling scams.

Jul 13th (247 kB) ▾



Fla. Woman to Serve Time for RE Land Fraud

By Kerry Smith

A two-woman team lied about vacant land they offered for sale and disappeared after victims wired a down payment. The online scam claimed more than 40 victims.

TALLAHASSEE, Fla. – One of two women accused of a crime that scammed Florida land investors will be serving jail time, according to Florida Attorney General Ashley Moody. She says the Office of Statewide Prosecution (OSP) secured a multi-year prison sentence for “a scammer that committed multiple white-collar crimes involving real estate and advertising property.”

Seller Impersonation Red Flags



Payoffs are the **largest source** of fraud loss in total value of incidents worked by our team.

Lender complexity makes payoff fraud easier.



5000+ lenders in U.S.

Each with their own payoff communication process.

Reliance on PDF statements is ripe for BEC.

Lender call center reps may lack training or incentives to prevent fraud.

There's preventative power in the community.

PayoffProtect results in
2023



\$228K

Median value of frauds caught



\$34M

Payoff frauds caught

The more transactions you verify, the more effective that verification becomes.



Recent developments will increase the risks.



Artificial intelligence (AI) went mainstream, fueling alarmingly more effective impersonation via text, voice, video, and social media communications — moving well beyond traditional email.



FedNow® officially launched, ushering in a new era of instant payments that significantly compress or even eliminate the recovery window for potential fraud recoveries



Criminals breached security systems at large real estate industry corporations, such as mortgage lender Mr. Cooper and national insurance underwriters, compromising customer data.





Stay secure by design



How can you design your business to be more secure?



Are you doing enough to educate employees and customers?



Where can technology help to evaluate risks more accurately and quickly?



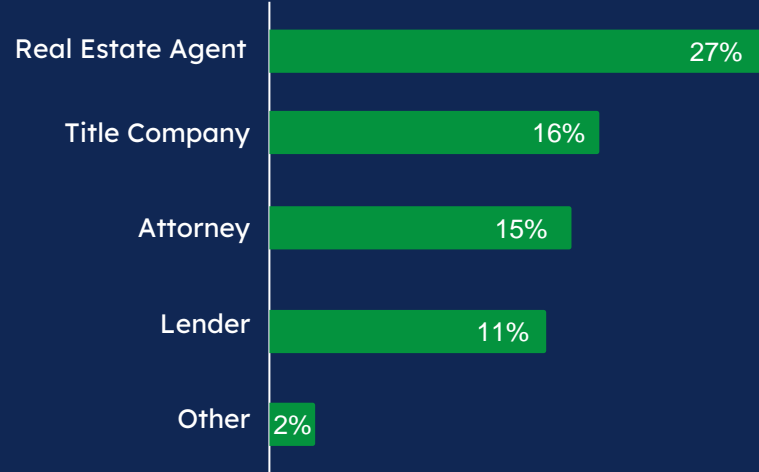
Will you be ready if an incident occurs?

EDUCATION

Consumers are looking to us to keep them protected.

Among the 71% of consumers looking for **outside help for education** — the highest expectation of ownership lies with real estate agents.

Q: Who do you think should have educated you about wire fraud?



Title agents are stepping up education efforts

85%

Include warnings
in email footers

67%

Conduct oral or
telephone
warnings

41%

Send written
warnings by mail

41%

Include warnings
on their websites



TECHNOLOGY

Our customers identified \$2.4B in suspected fraud last year.

CertifID technology uses advanced identity verification, AI-enabled transaction verification, and threat-monitoring capabilities to enable customers to assess risks at scale across all their buy-side, sell-side, and payoff transactions.



\$2.4B

Suspected fraud identified



+56%

Y/Y growth in suspected fraud identified



PayoffProtect software value increases over time.

The ability to validate instantly improves the more transactions the software processes.




INCIDENT RESPONSE

Wire fraud is a matter of when, not if, you're targeted. Be prepared.

Document a plan with owners and links to resources all in one place.

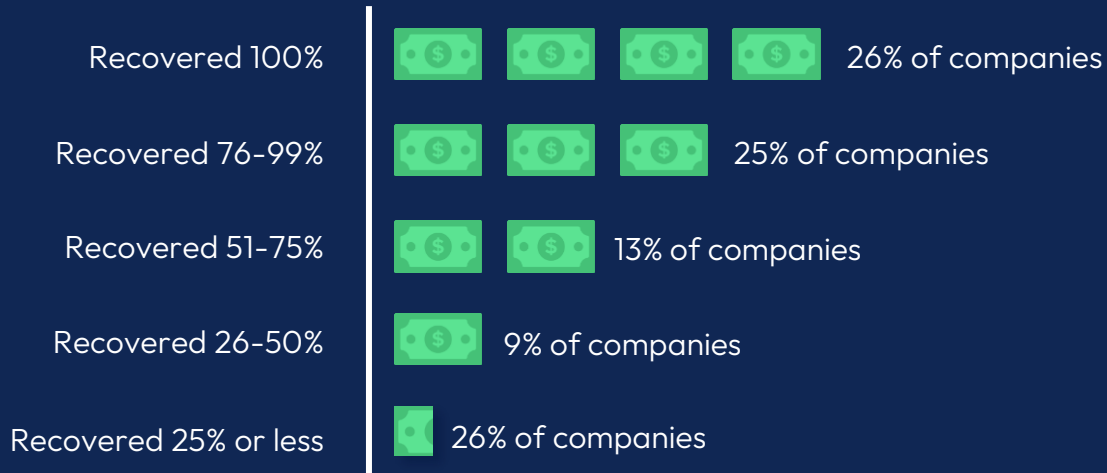
Run simulations to test the readiness of your plan.

Company:	IRP Owner:	Scenario:
FUNDS RECOVERY Internal owner: _____ Bank fraud hotline: _____ Federal law enforcement: _____ FBI IC3: https://www.ic3.gov/ CertifID FRS: www.reportafraud.org	IT EVALUATION Internal owner: _____ Service provider: _____ Backup data owner: _____ Email system owner: _____ Runbook of how to close files without IT systems Runbook of how to re-establish access for employees	
CYBER INSURANCE Internal owner: _____ Insurance agent: _____ Claims contact: _____ Copy of your coverage policy and claims forms Does it provide legal, forensic and IT support? What are the stipulations around verification?	CRISIS COMMUNICATIONS Internal owner: _____ Legal counsel: _____ PR counsel: _____ Language for customer & partner notification Language for employees and how to handle questions Strategic partners to notify, as relevant	

 CERTIFID

Last Tested: _____

Funds recovery can be successful in some cases



26% of companies were able to recover all diverted funds in 2022, compared to 17% in 2021.



INSURANCE

Are you covered?

Wire fraud is not covered by traditional E&O and cyber policies.

You may also be able to save up to 10% through select providers.

Title Smart reduced their E&O premiums by 50% after adding wire verification technology.



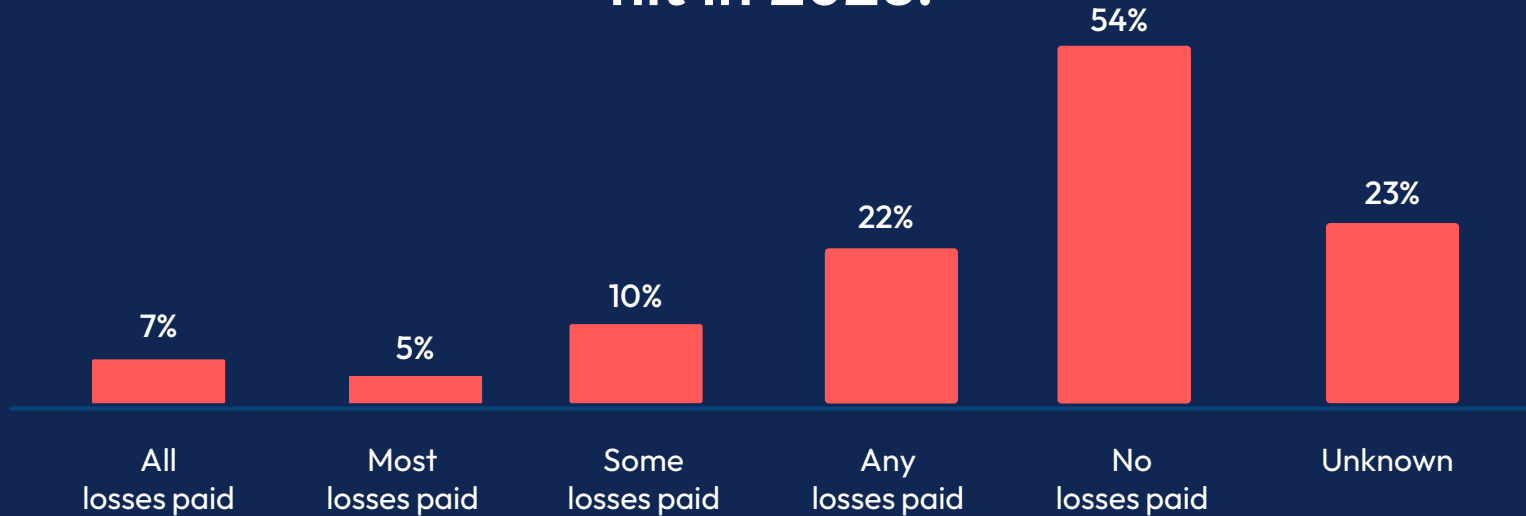
“Wire fraud has become largely uninsurable in response to the alarming increase in claims.

Carriers who serve this space now recommend partnering with technology providers to reduce their risks.”

Chad Gaizutis
Vice President
Stateside Underwriting Agency



Insurance did not cover wire fraud loss for most agents hit in 2023.



Of the businesses that experienced a loss, the majority (54%) were not covered by their insurance provider.



Protection requires a layered approach.

Education of internal and external audiences

Software tools to lower risk, enable decision making, and improve efficiency

Incident response planning and testing to mitigate impact

First party insurance coverage to protect you from loss



Education



Technology



Incident Response



Insurance



For the full report:



www.certifid.com/sowf