



SHINE BRIGHT

HOW TO PREVENT WIRE TRANSFER FRAUD IN REAL ESTATE TRANSACTIONS

In any transaction where large amounts of money change hands, there's always a risk of fraud. As a real estate professional, it's your job to help educate all parties involved in a home sale of potential fraud risks so they don't fall prey to scammers.

It's common for buyers and sellers to wire funds electronically to save everyone time at closing. Sometimes these requests – and wire instructions – are sent via email. Fraudsters often target these transactions. According to a 2015 Wall Street Journal article, wire transfer fraud has caused more than \$1 billion in worldwide losses (with most originating in the U.S.) from October 2013 to June 2015.

How can you help to prevent this potential nightmare scenario?

TIP 1

The best defense is communication. At the start of the transaction walk the parties through your process and why you have it.

TIP 2

Be wary of wire instructions sent via email, especially changed instructions. Look to make sure it is from the correct email address. Whenever possible, pick up the phone and call the party who requested the transfer. Make sure to call a number you know is valid, not the number contained in the email signature line. Verify that the bank name, ABA routing number and account number are all correct and also confirm the amount to be transferred.

TIP 3

Have a process to rope in management whenever there are red flags. Be suspicious of requests to wire funds more than a week prior to closing or requests to wire a partial amount.

RECAP

A fraudster will improperly get key information about the transaction, often times by hacking into the account of someone involved in the transaction. Armed with information (including buyer/seller names, escrow or title company name and the closing date) that's pertinent to a pending home sale, the fraudster creates a new email address that looks similar to the real address of the lender or escrow officer but is off by a few characters.

Pretending to be the seller (or real estate agent), the fraudster emails fake wire instructions to replace the original instructions. Unknowingly, the money is transferred to the wrong destination, and everyone is unaware until they realize the funds haven't been deposited correctly. By that time, the hacker has withdrawn the funds from an offshore account and is nearly impossible to trace. In most cases, the person who wired the money has little to no legal recourse for recovering lost funds.

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