Real Estate Wire Fraud - What Homebuyers Need to Know

July 9, 2018 - Homebuyers are a primary target for anyone looking to steal large sums of money. The reason is pretty obvious. Anyone purchasing a home isn't likely to question requests to transfer large sums of money in order complete their purchase. As long as the request appears to come from a title or escrow company that the buyer is familiar with, it is quite likely the buyer will simply comply with it. That's a big mistake.

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The National Association of Realtors has been warning home buyers to be on the lookout for fraudulent wire instructions for two years now. But that may be easier said than done. Most fraudulent wire instructions will appear to come from an email account that the buyer is familiar with. That may be from their agent, their escrow company or a title company, just to name a few. There are a lot of companies that get involved in most real estate transactions. And as we all know, security is only as strong as the weakest link in the chain.

More sophisticated wire fraudsters are able to target buyers by gaining access to supposedly secure computer systems. If they can gain access to those systems - also at title, escrow and real estate firms - they can identify buyers and find out the details of their transaction. From there it becomes a pretty simple process to spoof an email with official-looking wire instructions attached. Combating this kind of fraud requires buyers to be informed.

Anyone purchasing a home needs to know up-front who will be issuing wire instructions. Just as importantly, buyers need to verify any instructions they receive. The best way to do this is via a phone call with the issuing company; normally escrow. That verification needs go into more detail than simply asking if a company issued wire instructions. Buyers should also verify the account and routing numbers they will be sending their money to.

According to the FBI, this type of fraud has cost Americans $5 Billion since 2013. And the problem is accelerating. There are companies coming into the market, trying to combat the issue. In February, Inman added a company named BuyerDocs to their list of innovator finalists. BuyerDocs is attempting to eliminate wired fraud by taking email out of the wire-transfer equation. Instead, they provide a secure online system for delivering wire instructions for all parties to a transaction. But again, that only works as long as buyers are made aware of this up-front. And whether or not someone could setup a website that looks and acts like that of BuyerDocs' site remains to be seen. The one thing we do know is as online security has become more robust over the past few years, so too have fraudsters become more innovative.

Buyers who fall victim to this type of phishing are facing a variety of unattractive options. There is a good chance that

their transaction will fall through and a possibility that they will lose any deposit money they have placed in escrow. The only hope of recovering their money may be by going to court; and the outcome there is uncertain. Taking the time to do a little additional verification before transferring money is certainly worth any time that it takes to make that verification.
byJim Malmberg
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