

Escrow Theft & Fraud

Financial Fraud Kill Chain (FFKC)



There are many ways to commit both escrow theft and fraud, many of them not well known to the average Joe. Those methods include, but are not limited to:

- ▶ Silent seconds
- ▶ Fraud for housing
- ▶ Straw buyers
- ▶ Equity skimming
- ▶ Wire fraud
- ▶ Illegal property flipping

And for many people, it may seem like these types of situations won't necessarily affect them, but consider the following:

Tom and Beth had been married for five years. They'd put off growing their family until they could buy their own home. After many hours of overtime and income from second jobs, they finally had saved enough for a down payment on the perfect starter home. Beth had envisioned many happy years living in this beautiful Cape Cod-style house. So, when Tom got off the phone with their realtor she couldn't wait to hear when they would finally be able to start moving in. But all of those dreams came crashing down around her when Tom told her they'd been victims of wire fraud. All of their hard work, all of their money was gone ... just like that. And, while everyone was assuring them that they were doing everything they could do to recover the stolen funds, Beth couldn't help telling herself that they'd never see their hard-earned savings again. Fortunately for Tom and Beth, their lender was able to help them recover nearly all of their funds. But, the picture isn't quite as rosy for thousands of other buyers and sellers across the country.

It's an unfortunate fact that this scenario is becoming an all too common reality for many individuals across the country. Hackers break into email systems for an escrow company, real estate agent or title company, and then target an upcoming mortgage transaction. Then, posing as the closing agent, the thieves will send wiring instructions to the bank, substituting their own bank accounts for the escrow agents' account. Once the funds have been retrieved by the fraudsters they quickly move the money from one account to the other across state lines before anyone realizes the fraud. All parties to a real estate transaction are susceptible to this type of fraud as hackers will use any and all information they obtain to facilitate their activities. That's why prevention is the best way to protect yourself and your clients from becoming victims of cyber thieves who are becoming more and more sophisticated in their methods.

In an effort to combat this growing menace, the Federal Bureau of Investigation has created the Financial Fraud Kill Chain (FFKC). This reporting system gives consumers and U.S. Financial institutions a central location to report stolen wire transfers, which the FBI can then investigate in an effort to retrieve the funds and bring the perpetrators to justice.

The following criterion needs to be met to use the FFKC system:

- ✓ **The transfer is \$50,000 or more**
- ✓ **The Transfer is International**
- ✓ **A SWIFT (Stop and Recall Payment) notice was initialized**
- ✓ **The FBI is informed of the details within 72 hours**



WHAT TO LOOK FOR

- Requests for, or changes to, wiring instructions (a common method used by thieves). Any last minute changes (addition or subtraction of closing parties, addresses, financial changes, etc.)
- Change in language, timing, etc. from prior correspondence
- Slightly different email addresses
- Wiring instructions to a foreign bank that's received numerous customer complaints indicating fraudulent transactions
- Email correspondence that's earmarked "secret", "confidential" or "urgent"
- An employee who is a newly authorized individual on a customer's account and who has not sent wire transfer instructions previously
- Interactions that are solely electronic in nature (no auditory or physical verification of parties involved)
- Requests for additional funds to pay vendors/suppliers immediately after such a payment has already been made (the original funds were likely sent to the thief instead of the vendor/supplier)
- Wire transfer that names a beneficiary who is not the same as the account owner of record
- Rapid title transfers that may show a different borrower for a refinance or an individual as a seller who is different than the owner of record
- HUD-1 payouts that are odd in the following ways:
 - Excessive amounts paid to unknown entities to cover liens (that you didn't see in title chain)
 - False invoices for repairs
 - Referral fees
 - Non-lien disbursements