

THE CHANGING FACE OF FRAUD

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How Big Is The Wire Fraud Problem?

**Wire fraud in real estate is the
fastest growing
cybercrime in
the USA**

From 2015-17 **wire fraud** in real estate **increased over 1,100%** and **losses over 2,500%**

Cyber Fraud 2017



\$1.41B

Actual
Loss

301,580

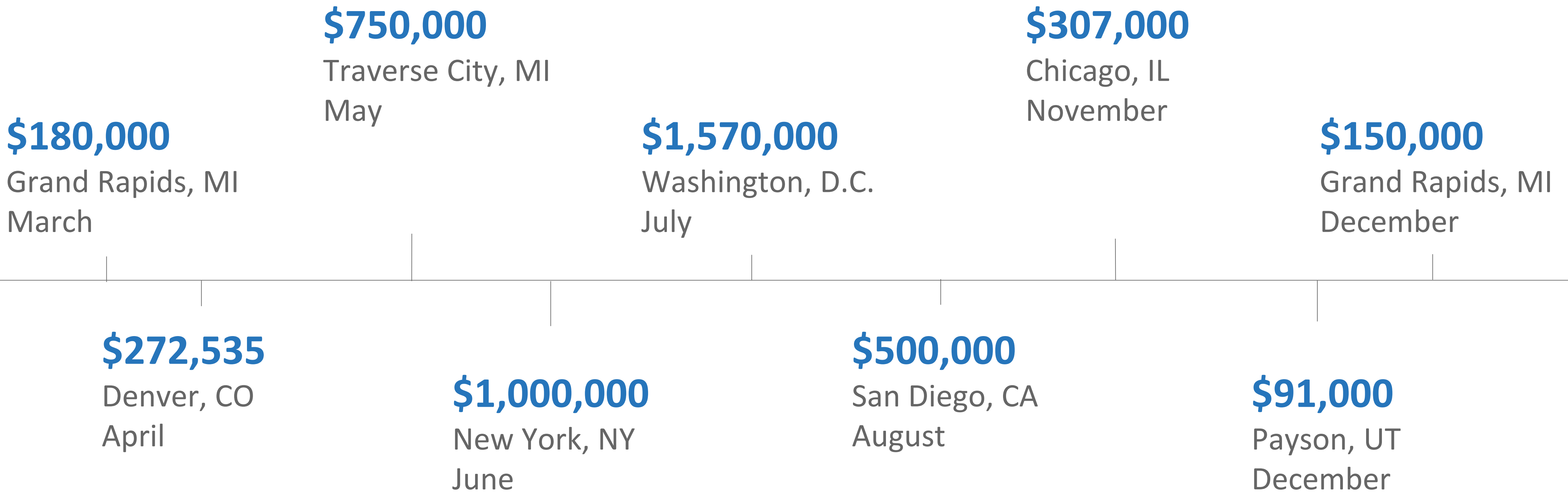
Fraud Complaints
(826 per day)

4M

Total Complaints
Since 2000

BEC Domestic Exposure (Est. Actual) January, 2016 to June 2017

Sample of reported frauds 2017



“

*It's unbelievable how often
this is happening.*

- Counsel for the National Association of Realtors

Is it?

Real estate transactions have become
a target for **3 reasons**



1. They are incredibly lucrative



\$735

Average Robbery



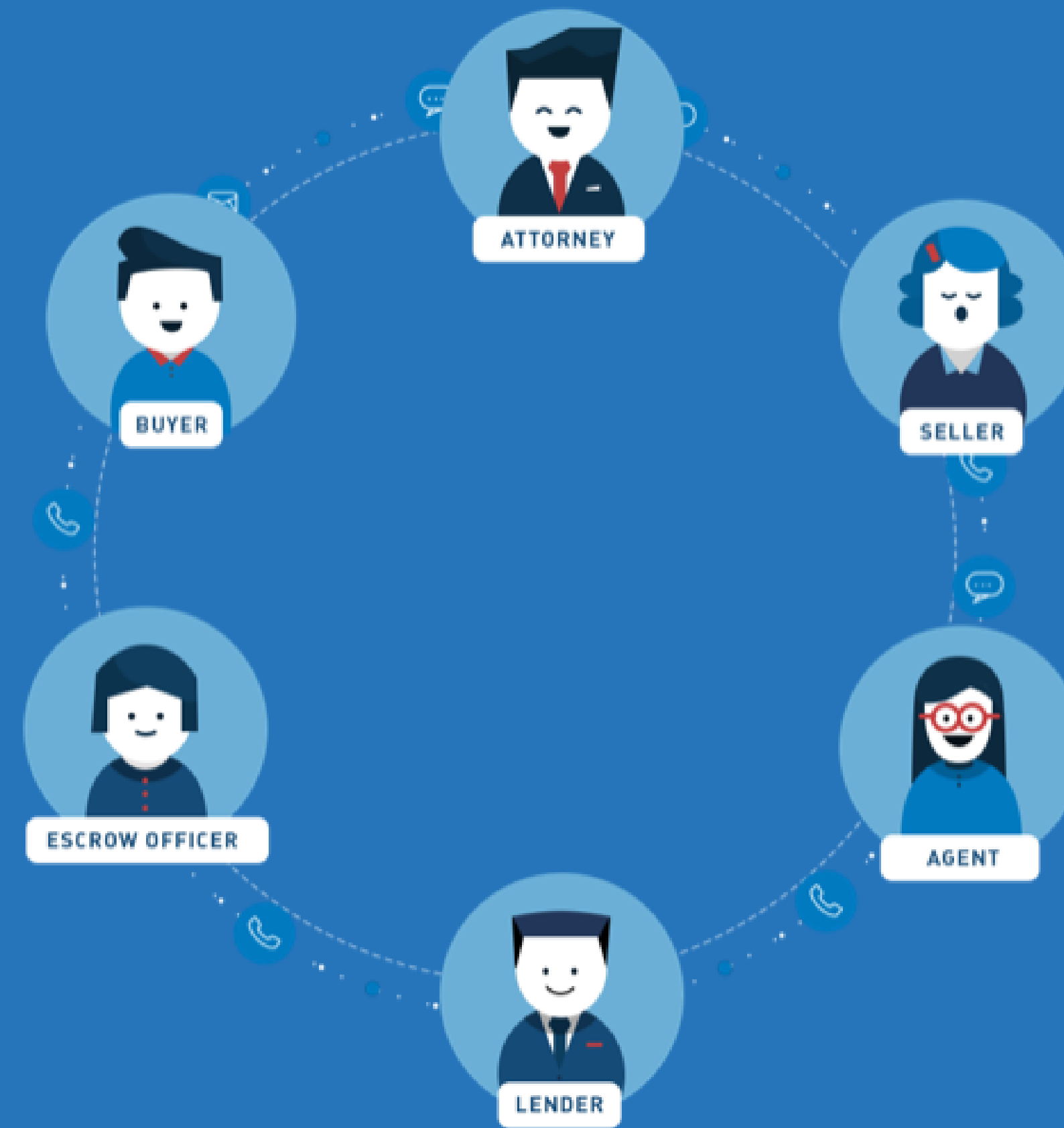
\$7,000

Average
Bank Robbery



\$137,000

Average
Wire Fraud



2. Transactions involve multiple parties all communicating electronically




3. All the information to start a fraud is easily found online

Let's Go Phishing



91% of cybercrime starts with phishing

How phishing began

 **HELLO - Netscape Message**

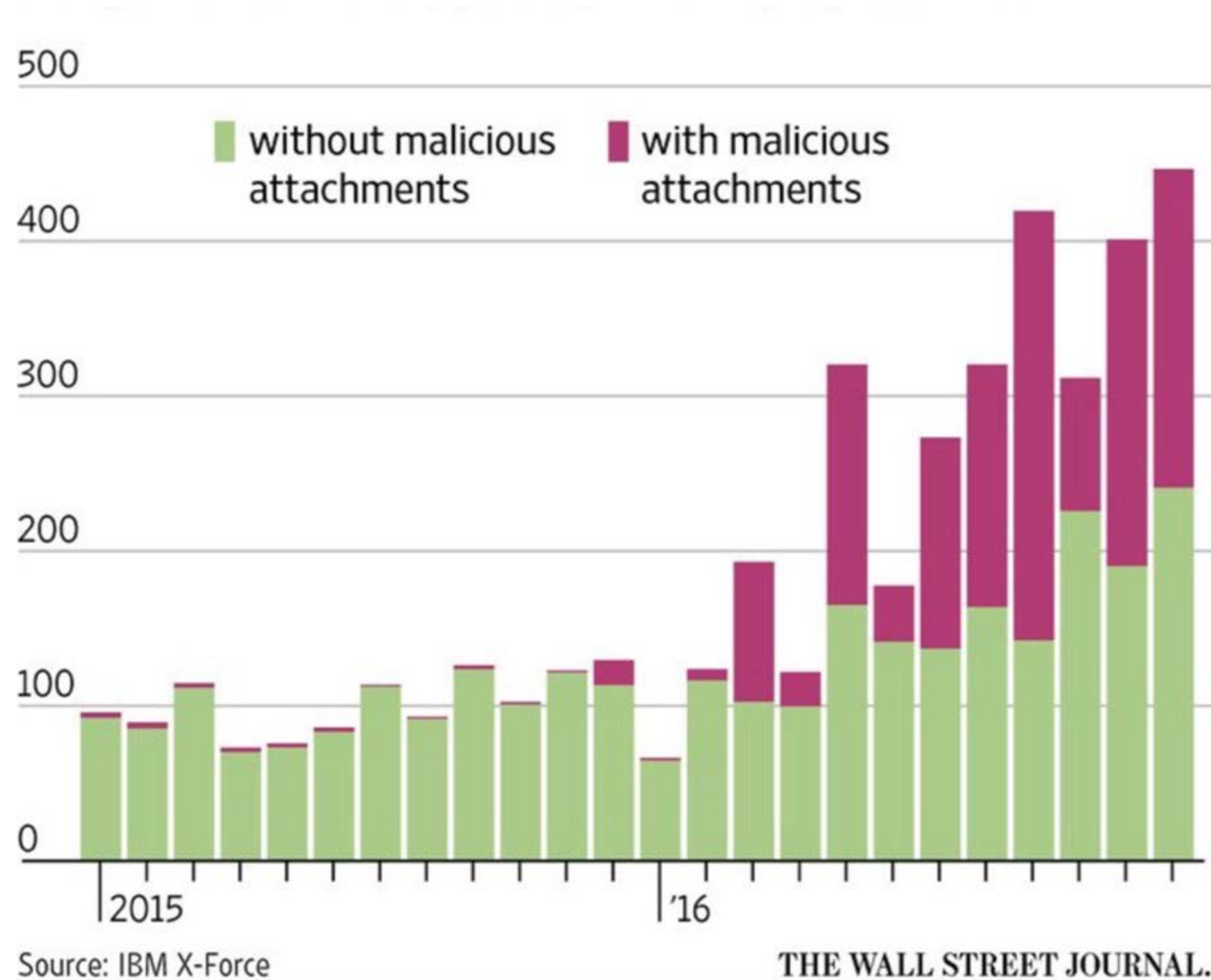
File Edit View Go Message Communicator Help

Subject: HELLO
Date: Thu, 29 May 2003 12:22:41 +0200
From: "masinga.mbeki" <masinga.mbeki@laposte.net>
To: "masinga.mbeki" <masinga.mbeki@laposte.net>

From: "masinga.mbeki" <masinga.mbeki@laposte.net> on 05/29/2003 12:22 PM
To: "masinga.mbeki" <masinga.mbeki@laposte.net>
Subject: HELLO

Dear friend,
It is indeed my pleasure to write to you this letter,
which I believe will be a surprise to you. I actually found your email
address at the trade and email listings here in Pretoria, South Africa.
I work at the Ministry of Minerals and Energy in South Africa and have the
mandate of two of my senior colleagues to search discreetly and diligently
for a foreign partner that could assist us concerning a business matter
which will be of mutual benefit to all.

How it is evolving



**More than half of all
emails
are spam**

Gmail phish affects 1M users



**Fake invoice
messages are the
#1 type of phishing
lure.**

Google account credential masking

From: Title Processor [<mailto:bockgk@plu.edu>]
Sent: Wednesday, January 18, 2017 4:40 PM
To: Tom Cronkright
Subject: RE: Closing documents enclosed

Hi TCronkright,

We need to take action on this file as we are getting close to the closing date. Please check the attached documents for your perusal.

Please check to confirm the same so that we can move swiftly on this matter.

Because of the file size and confidential nature of the documents, please find attached documents I have uploaded using Google Drive and DocuSign. Please click the link below to view the file.

[Download Secure Document\(s\)](#)

Thank you.

Regards,

Estate Processing Inc



Sign in to view or download attachment



Gmail
Sign in with Gmail

Password

Sign in to view attachment

One Google Account for everything Google



Dropbox webpage spoof



Dear [REDACTED]@[REDACTED].com,
You have a new message via Dropbox Message Center:

Hi,
We want to place an urgent order this month.
Kindly check the attached file if you can supply this exact product
or let us know if you have similar model.


[Download File](#)

My contact details are all attached in the purchase order.


From Mr. [REDACTED]
Head, Purchasing Dept.
[REDACTED] Trading LLC, [REDACTED]

Enjoy!
The Dropbox Team

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Forum

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Facebook

Developers



Account Takeover



“ They waited and they watched, like a damn gator in the water.

- Shannyn Allan, \$52k Wire Fraud Victim

Saved By The Bank

Analysis of a buyer side fraud



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Sarah

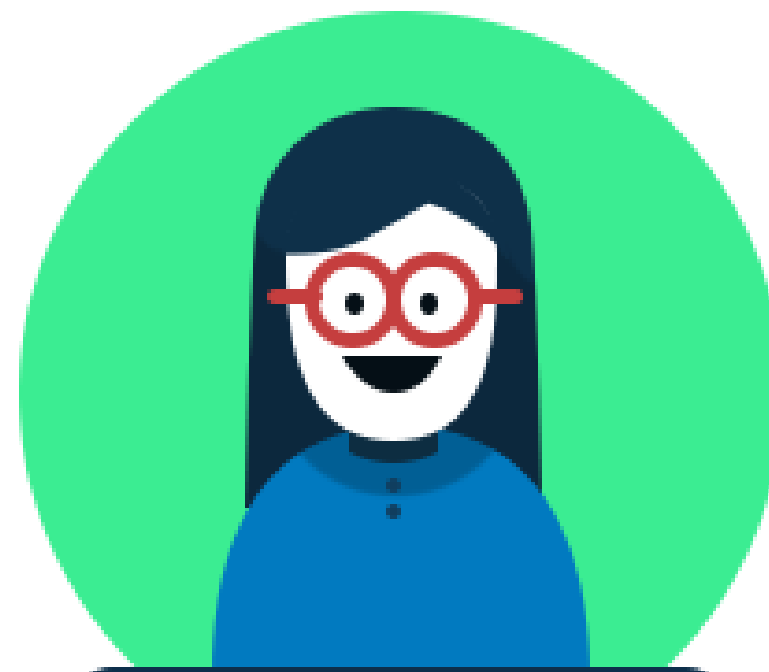


TITLE AGENT
Melissa



BUYER
Tim

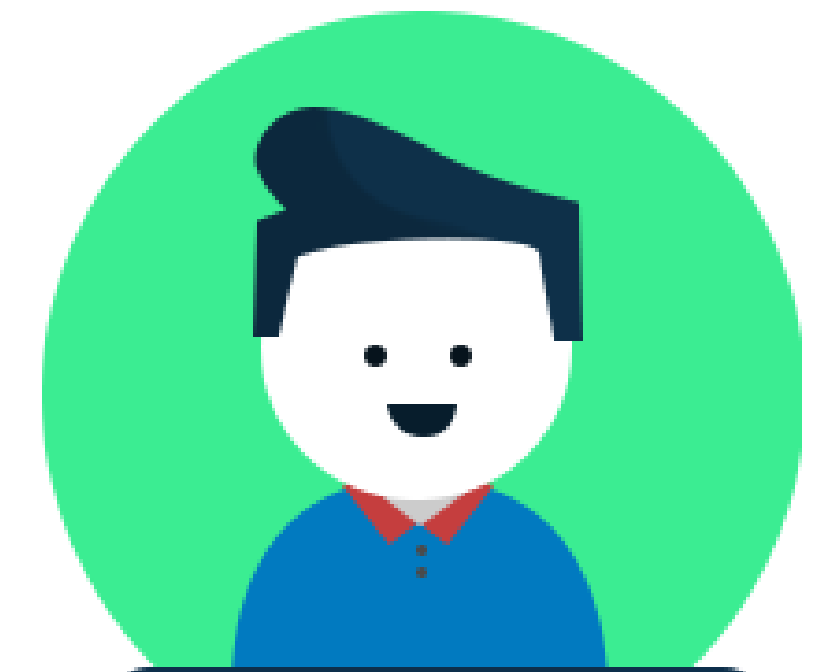
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BUYER
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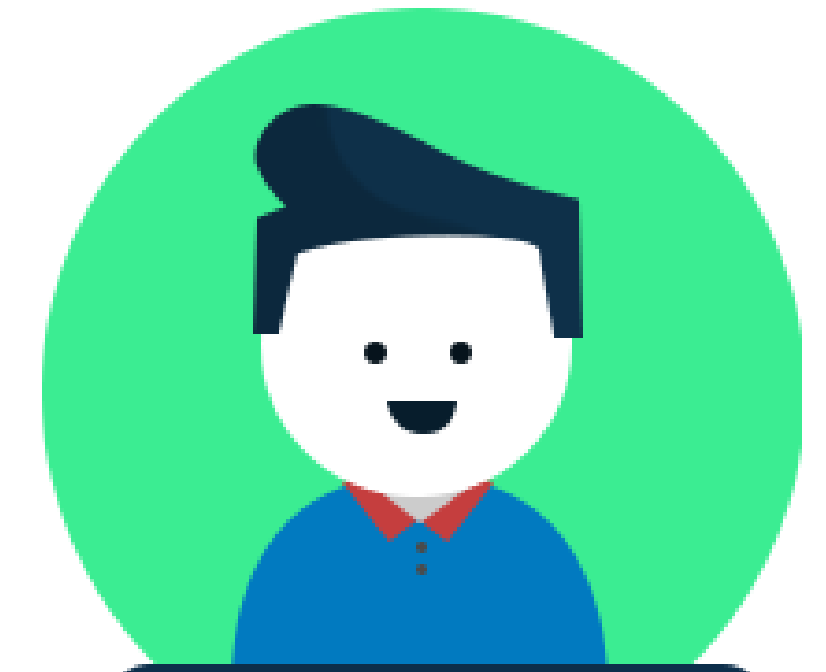
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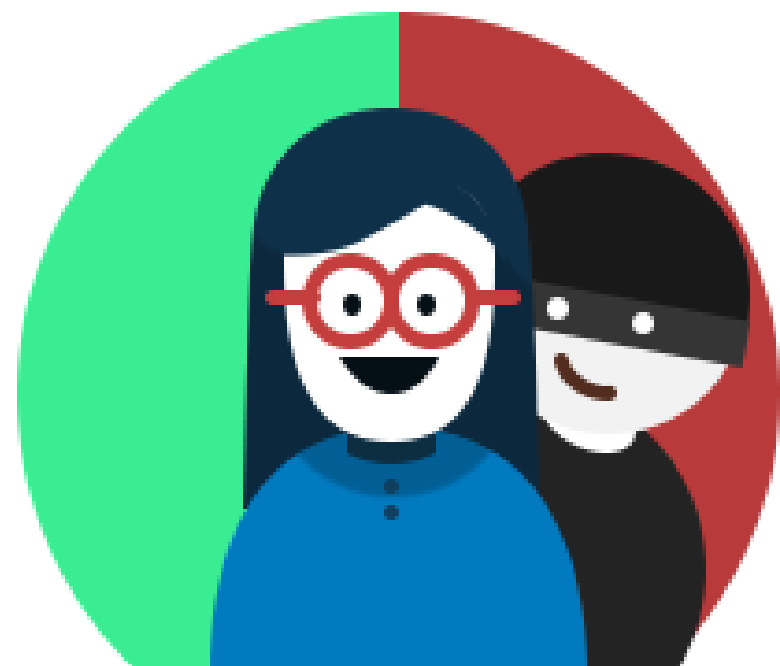


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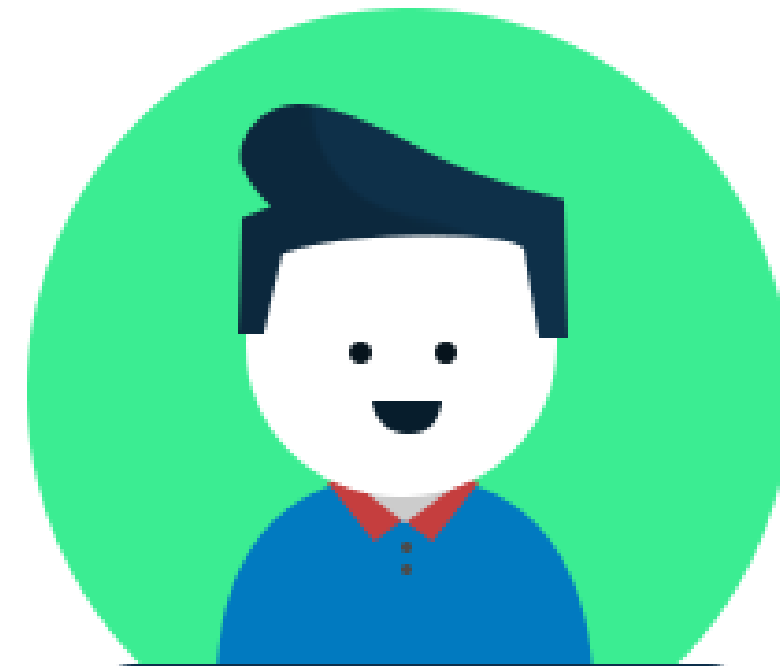
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Sarah



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Melissa



BUYER
Tim

9:02 AM



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Tim: tsmith@gmail.com

Fraudulent Tim:

tsmith1@gmail.com



BUYER
Tim

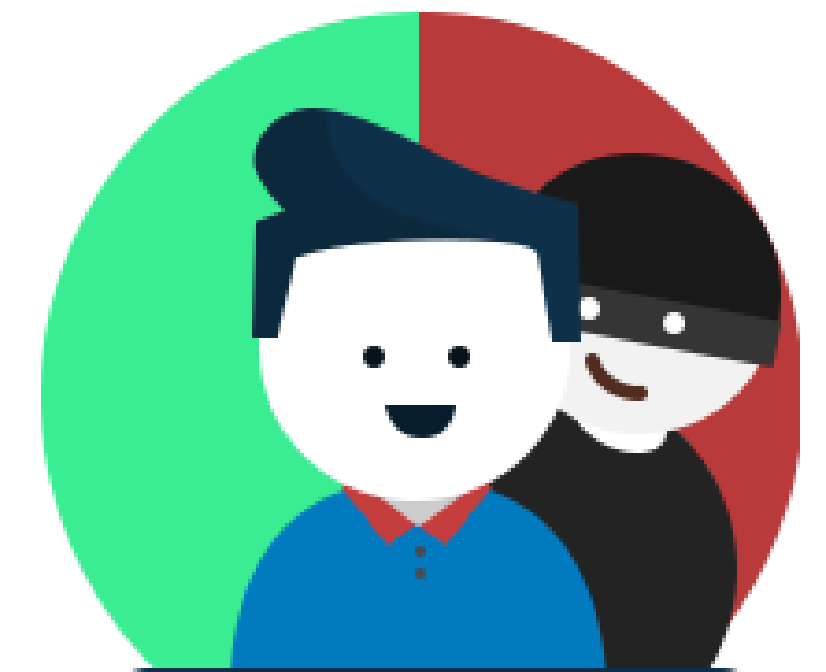
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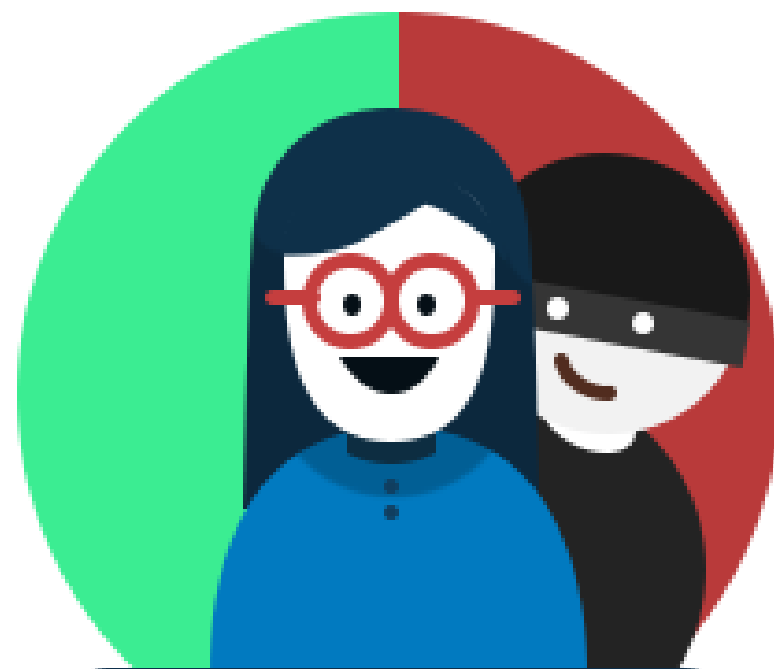


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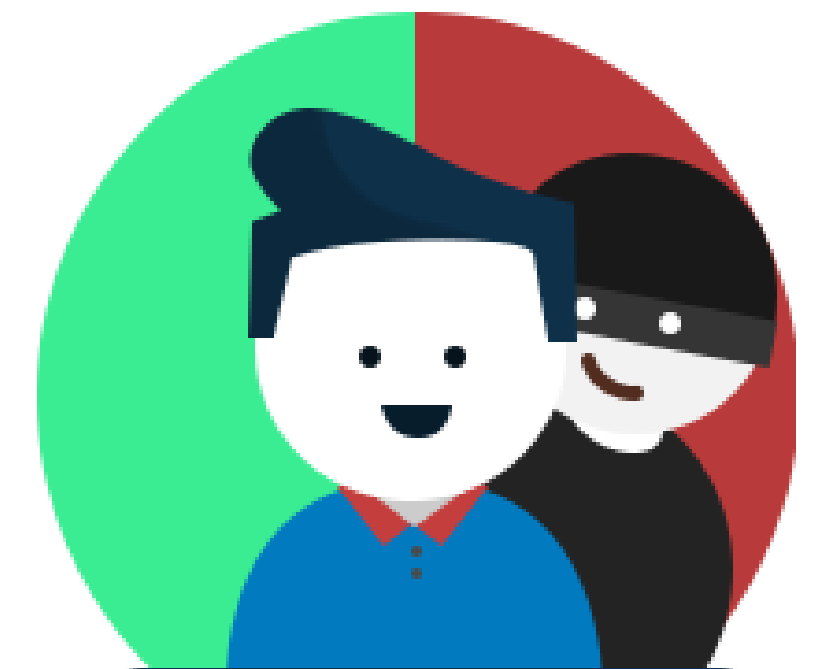
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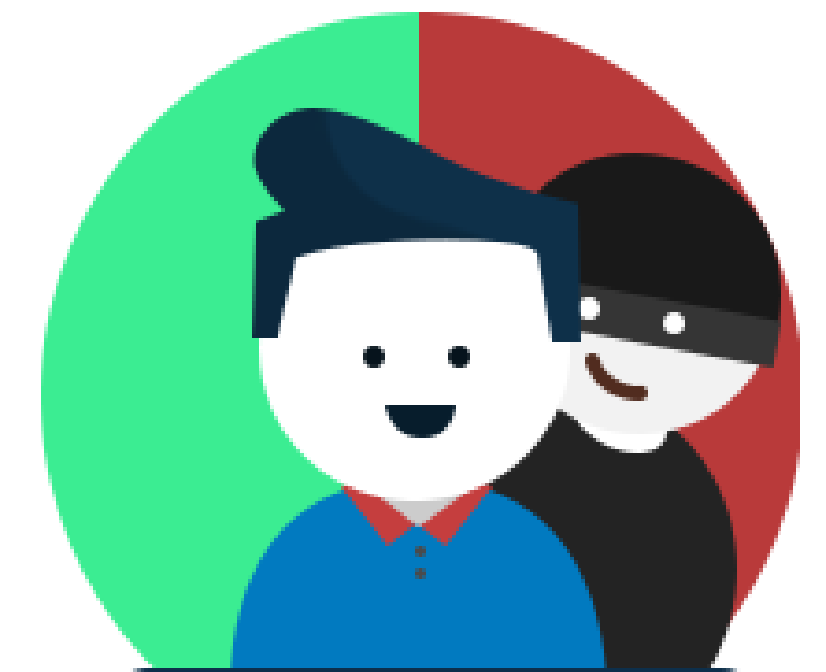
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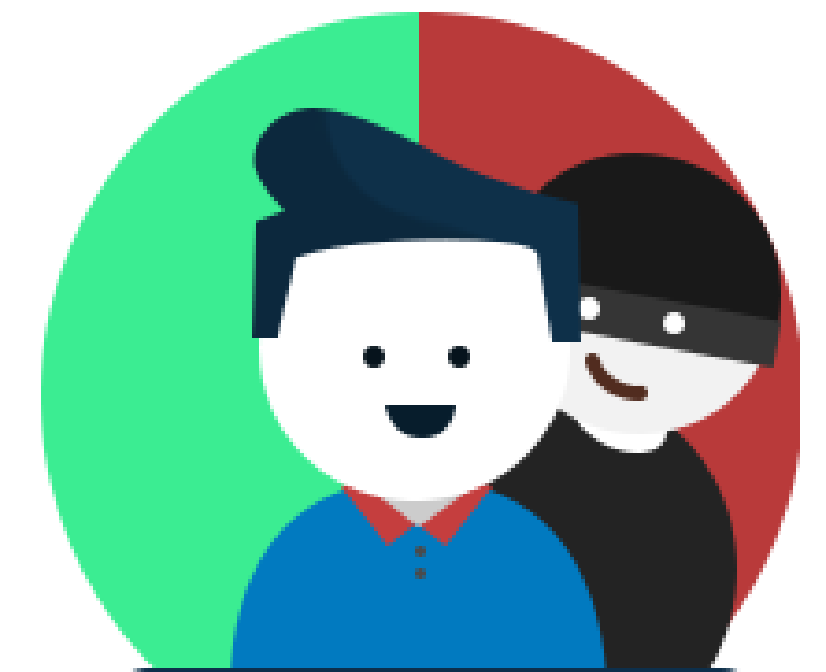
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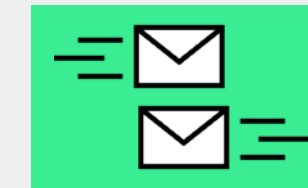
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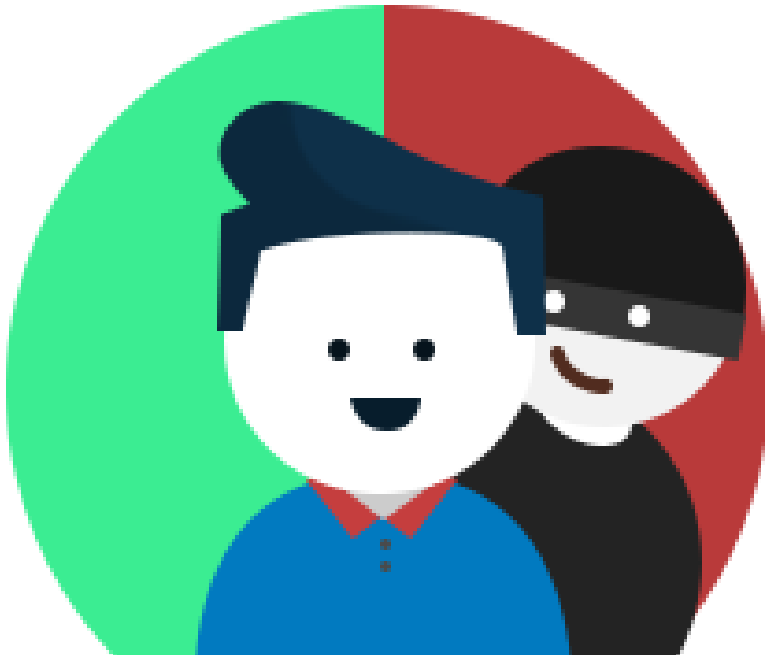
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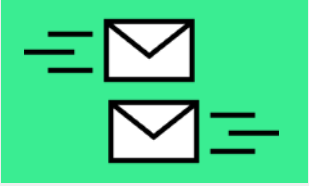
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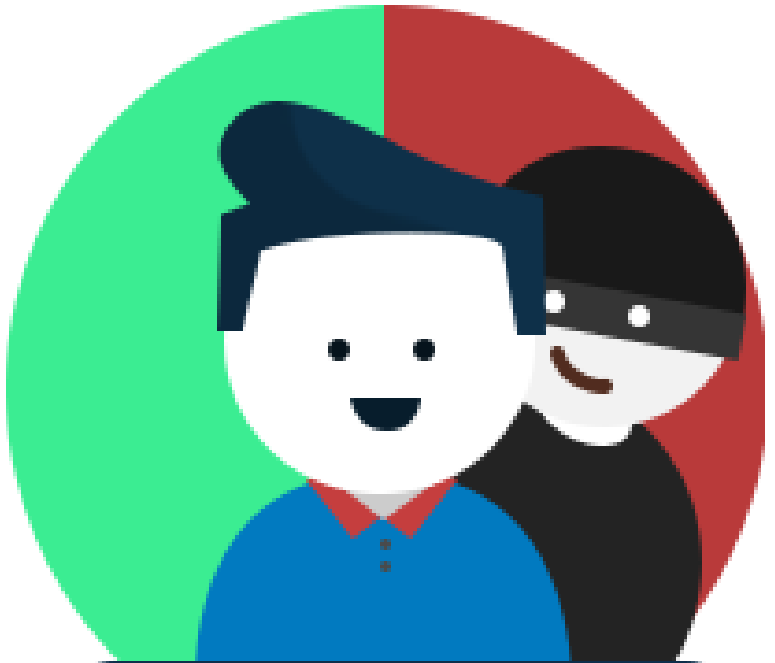
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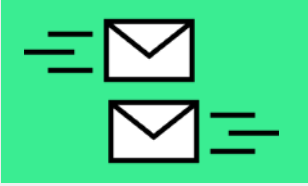

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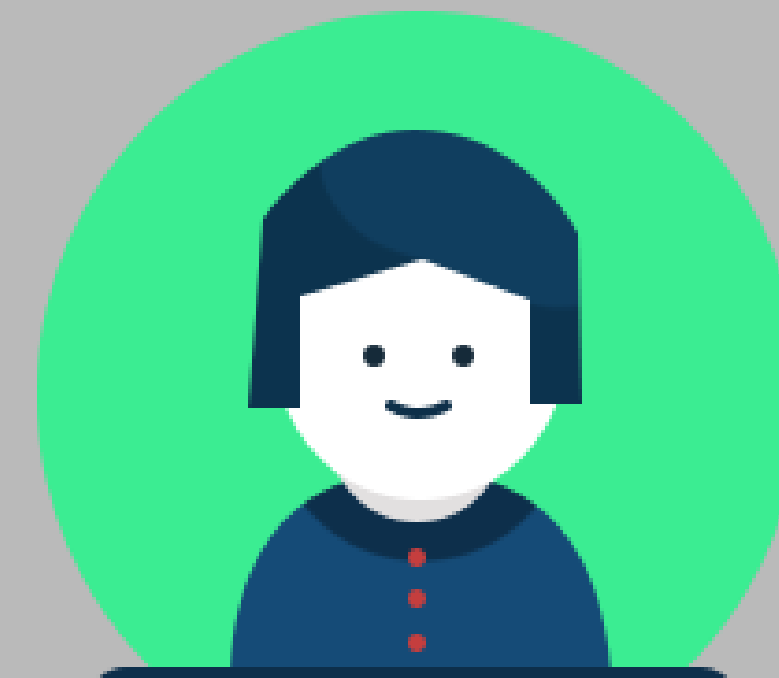
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Sarah



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Melissa



BUYER
Tim

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Melissa: mdombrowski@suntitleagency.com

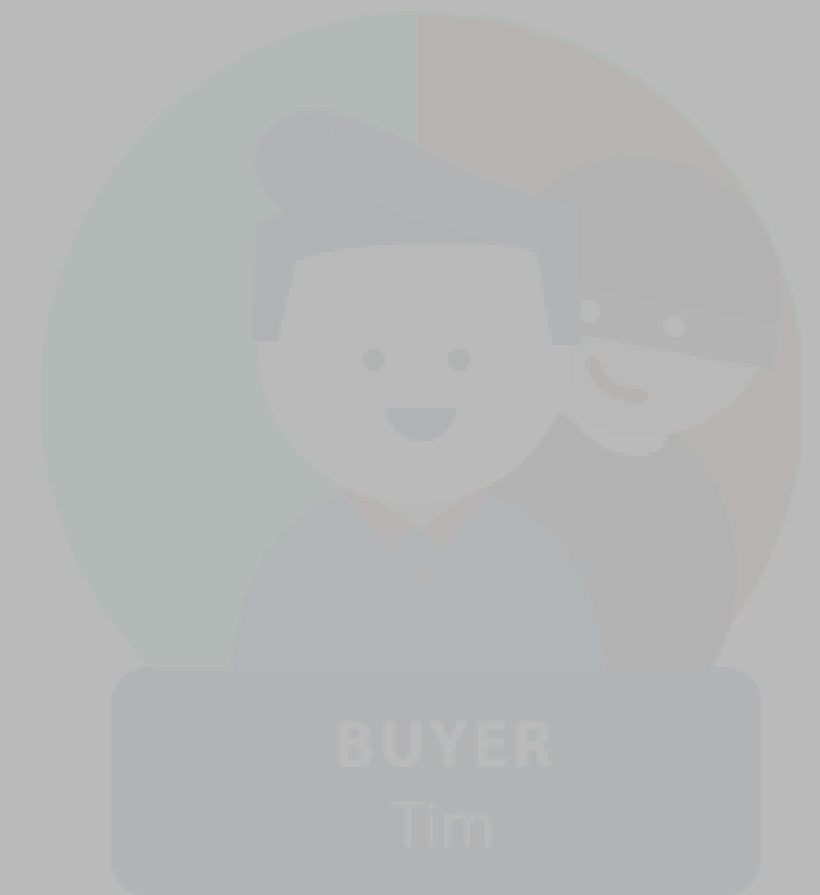
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Fraudulent Melissa:

9:15 AM

mdombrowski@suntitleagency.com

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Melissa:

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mdombrowski@suntitleagency.com

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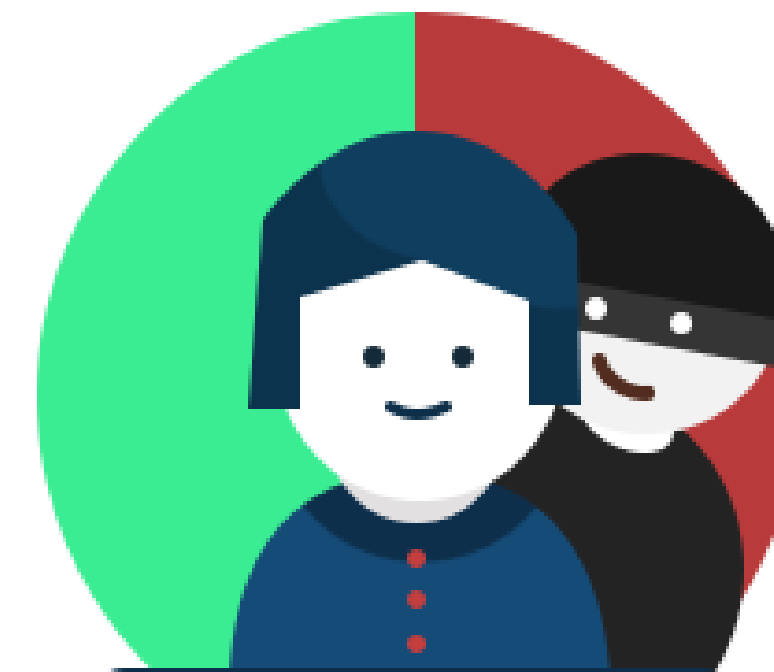
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mdombrowski@suntitIeagency.com

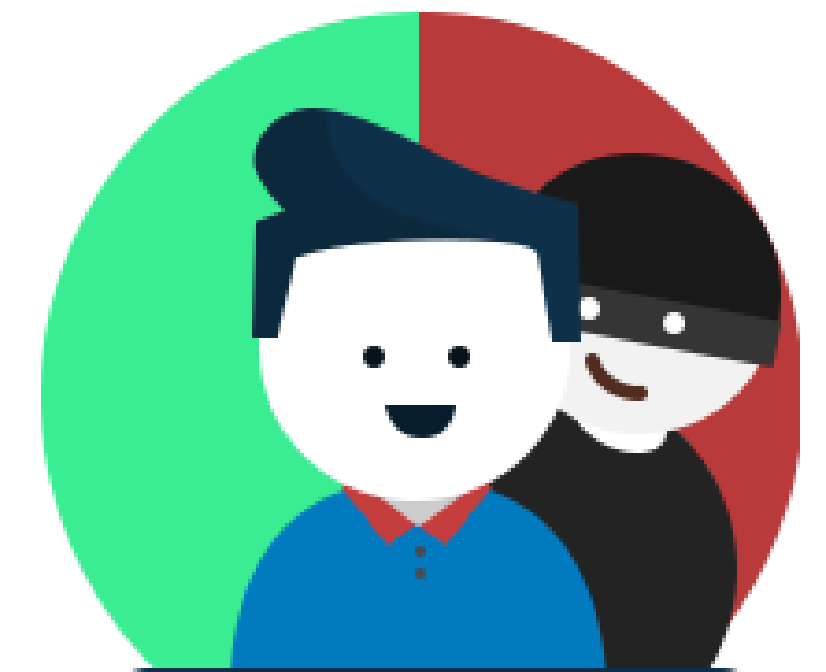
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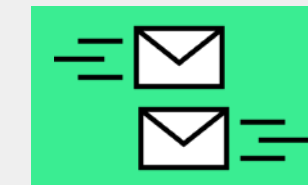
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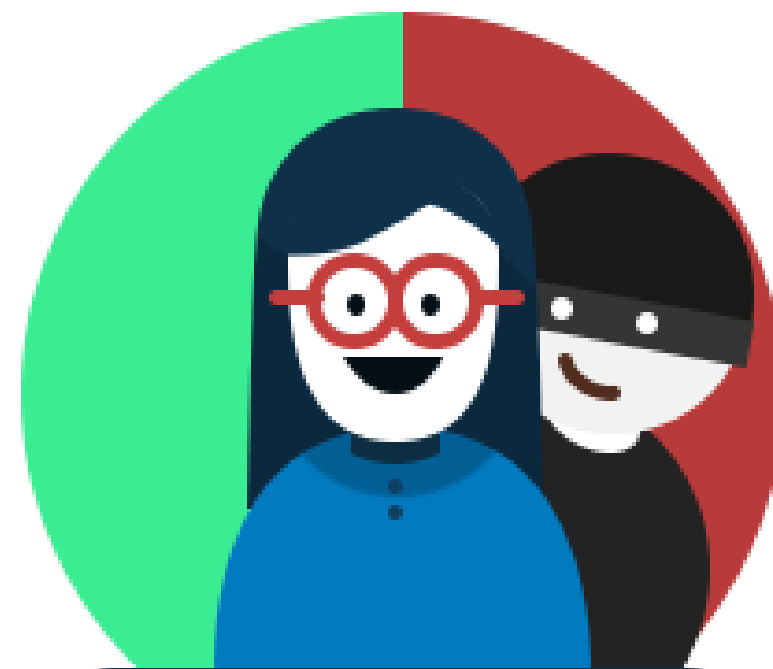
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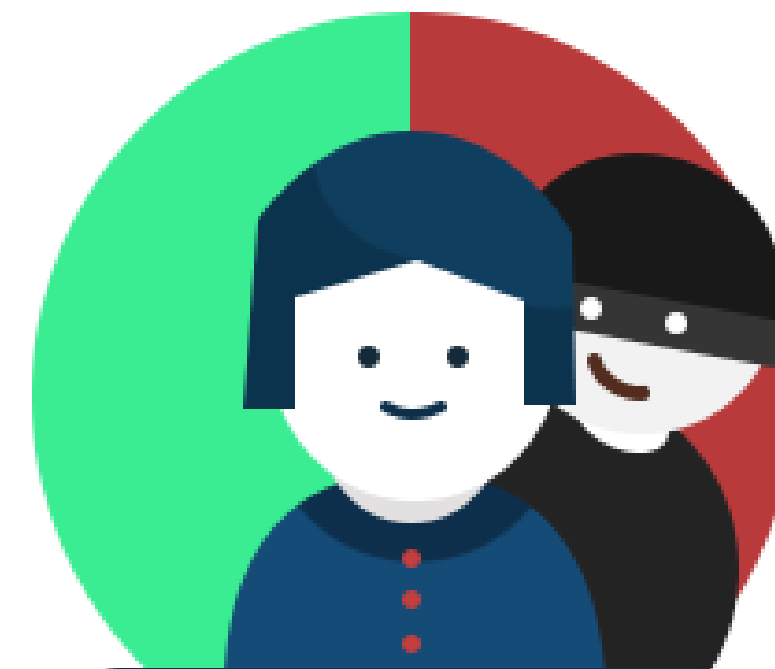
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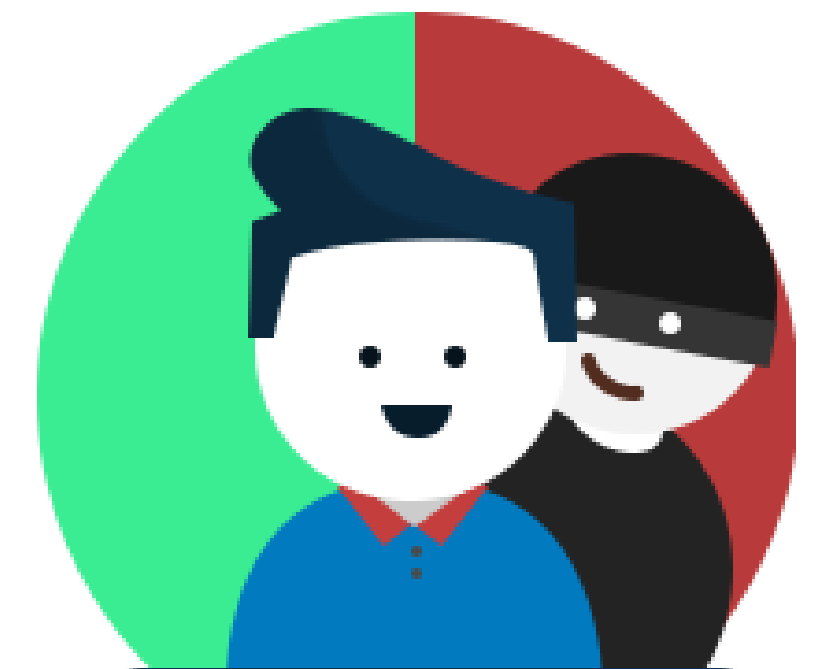
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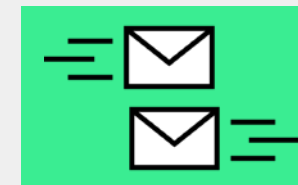
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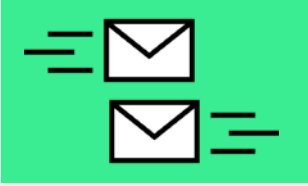
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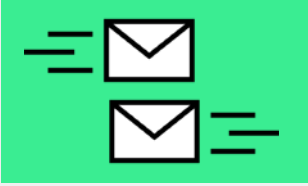
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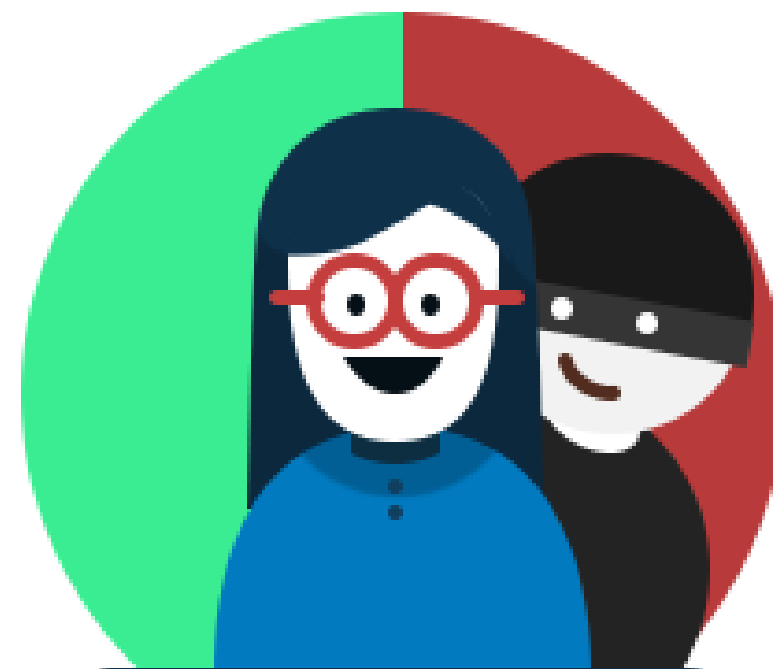
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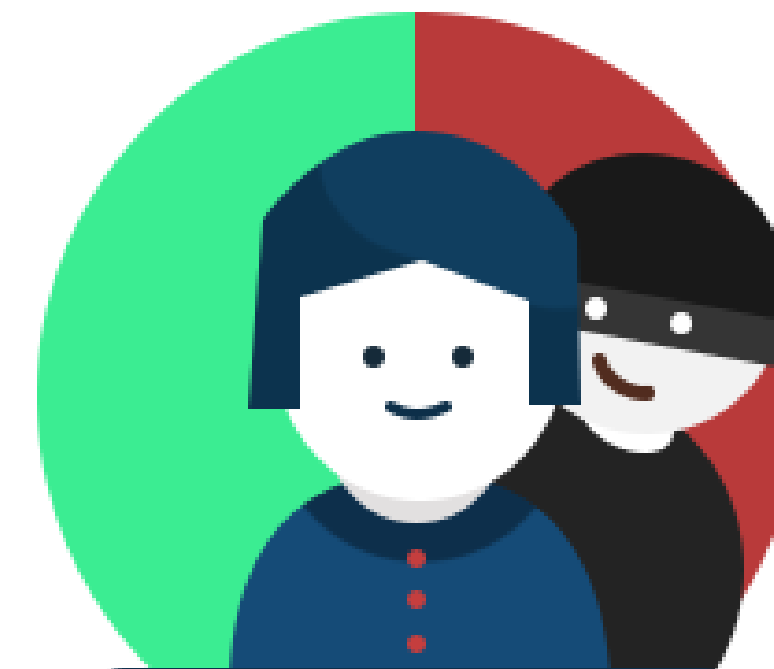
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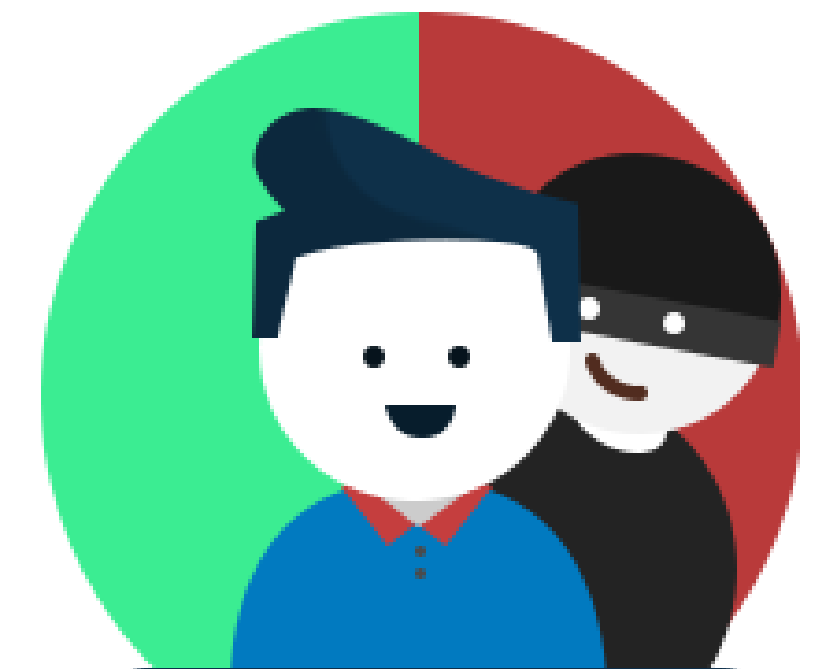
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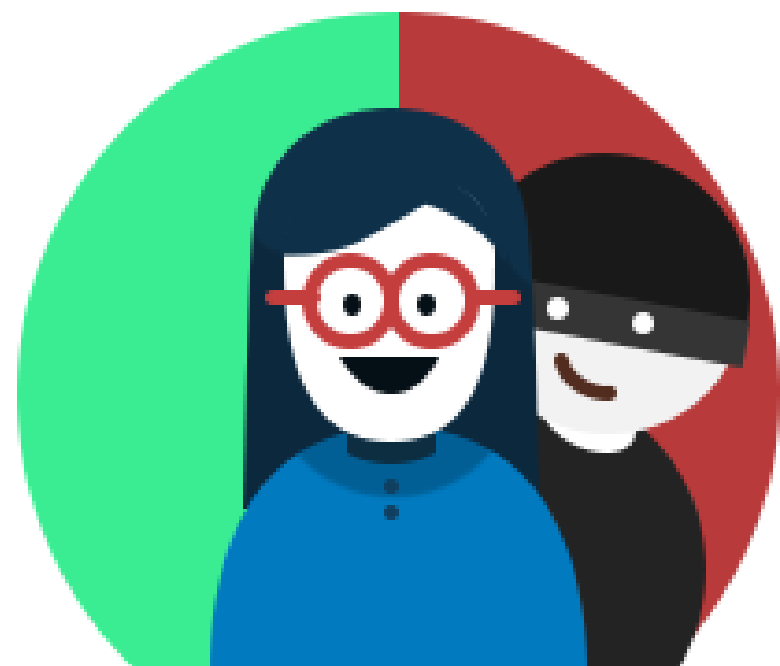
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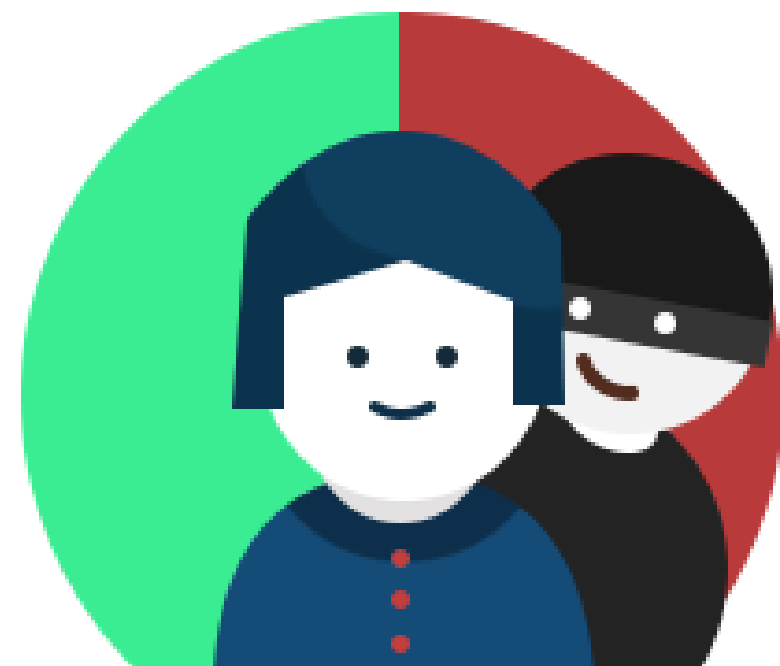
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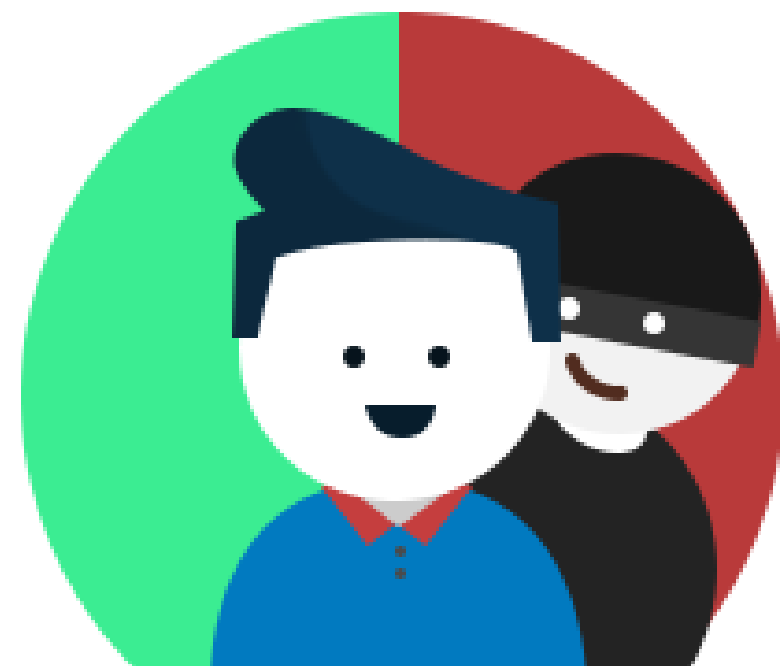
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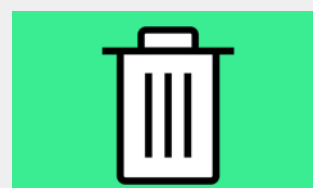
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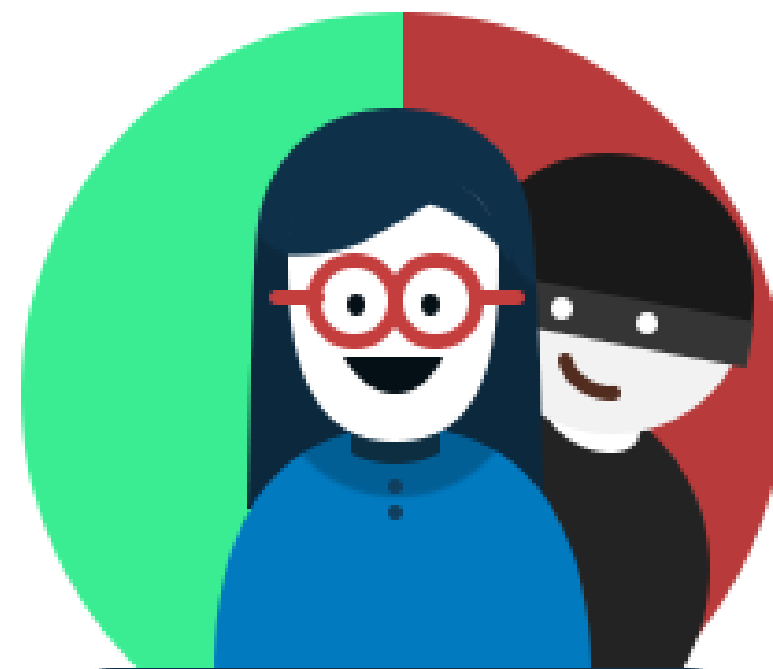
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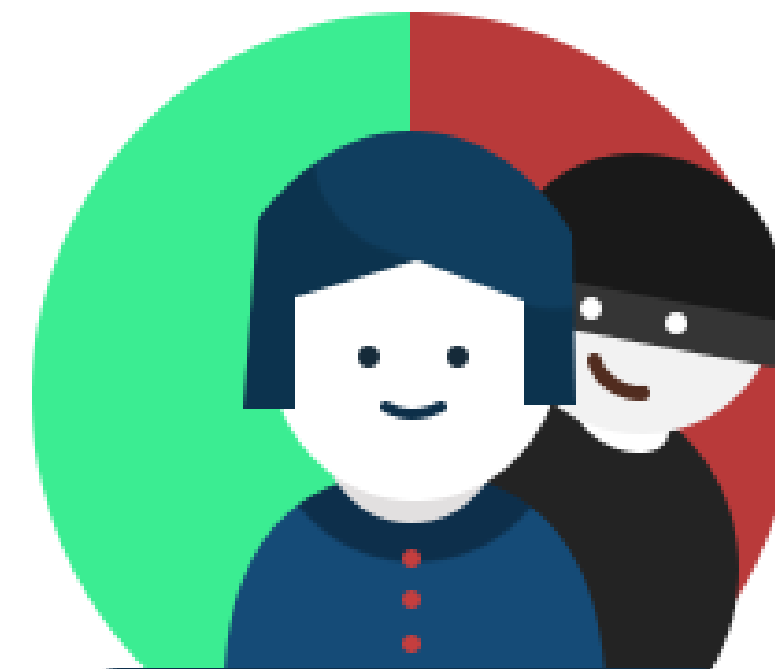
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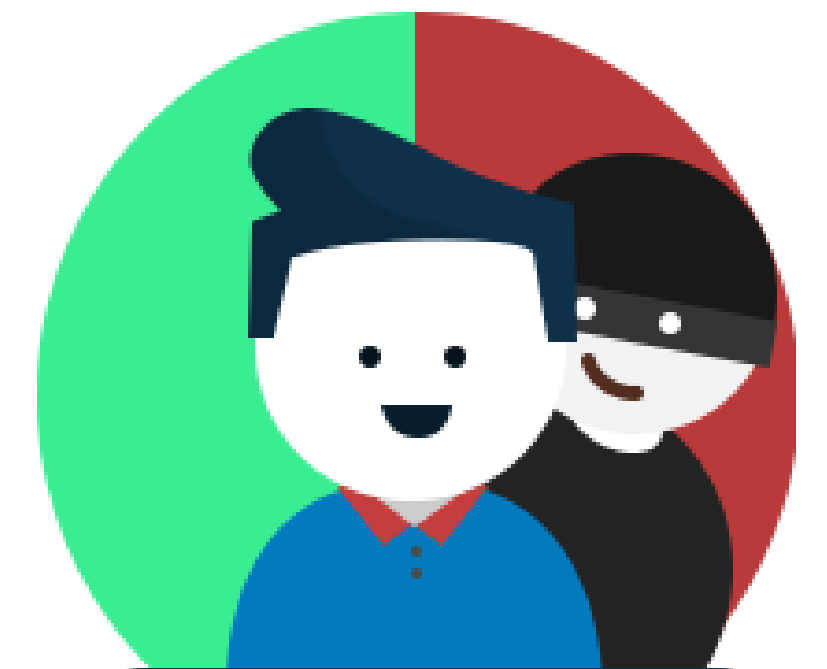
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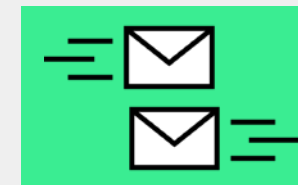
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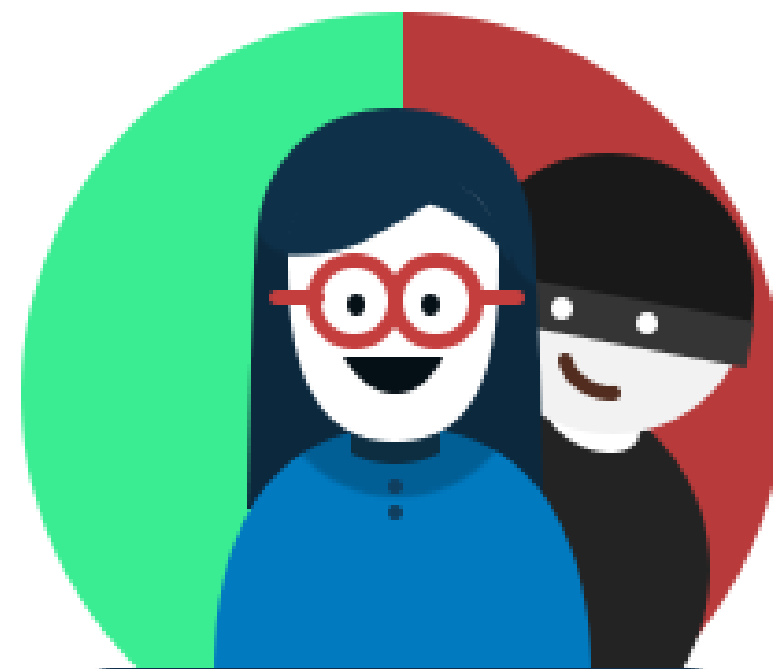
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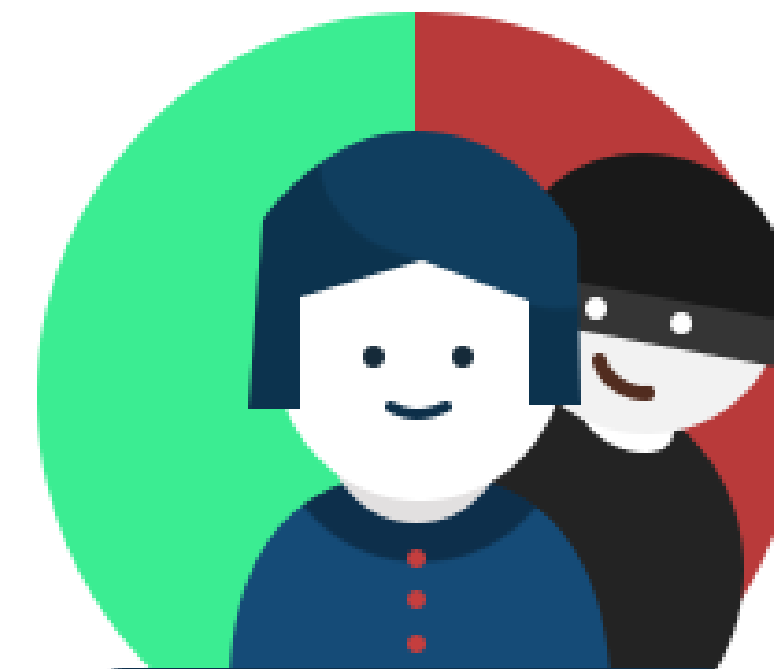
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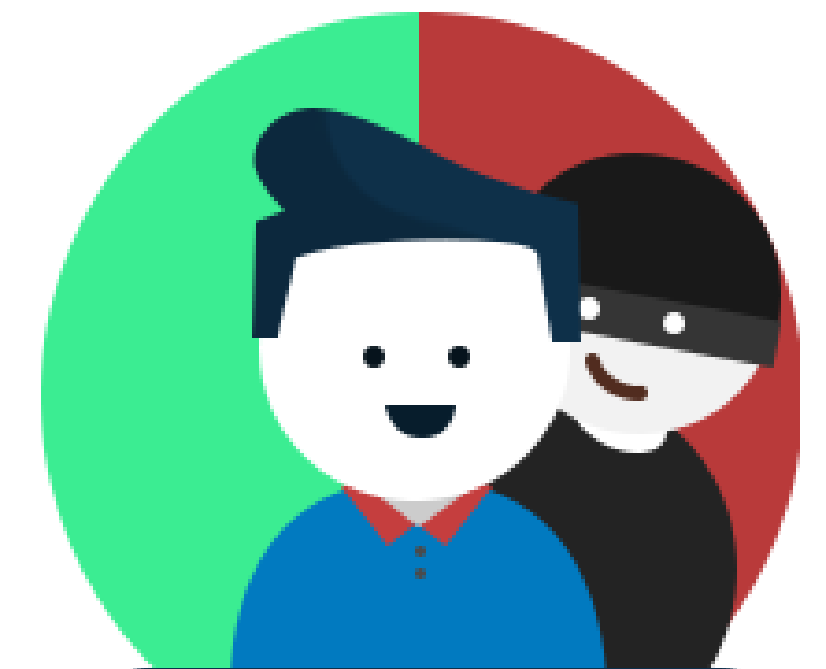
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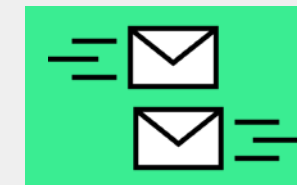
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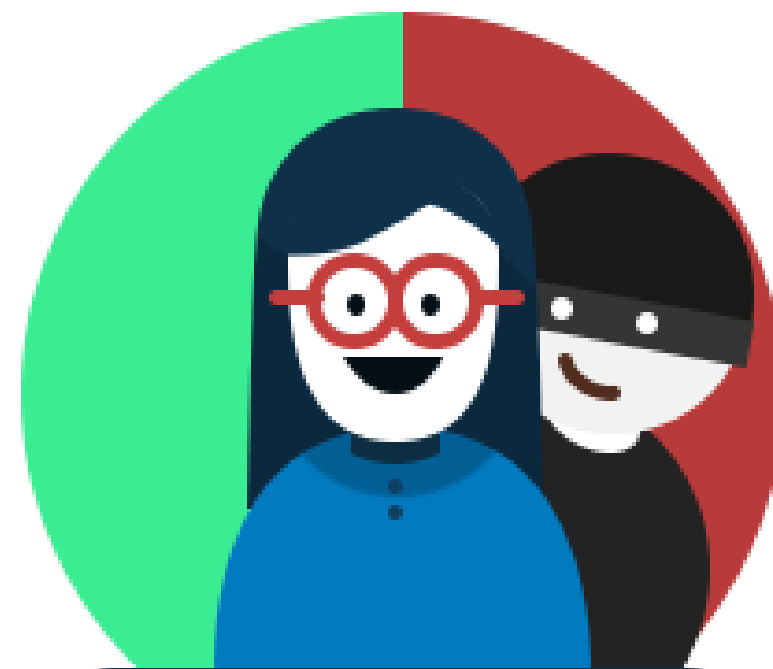
TITLE AGENT
Melissa



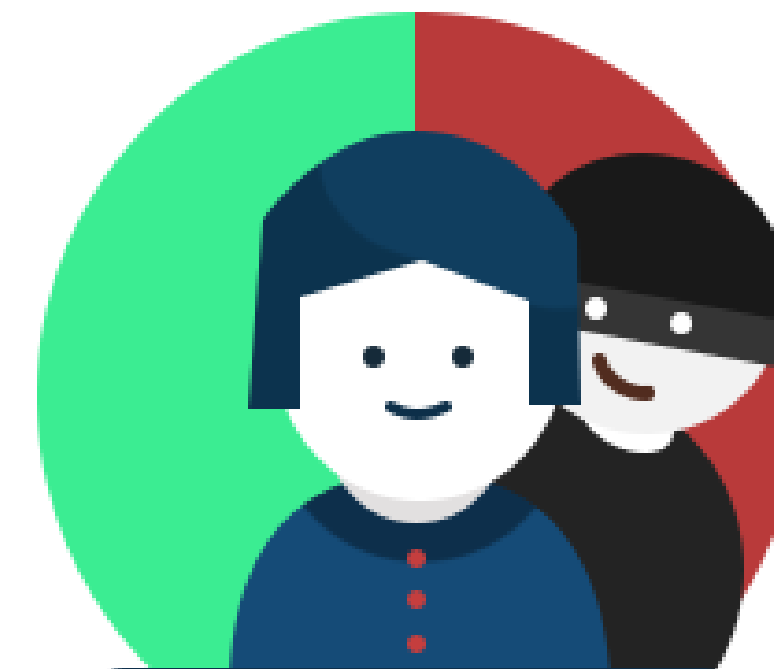
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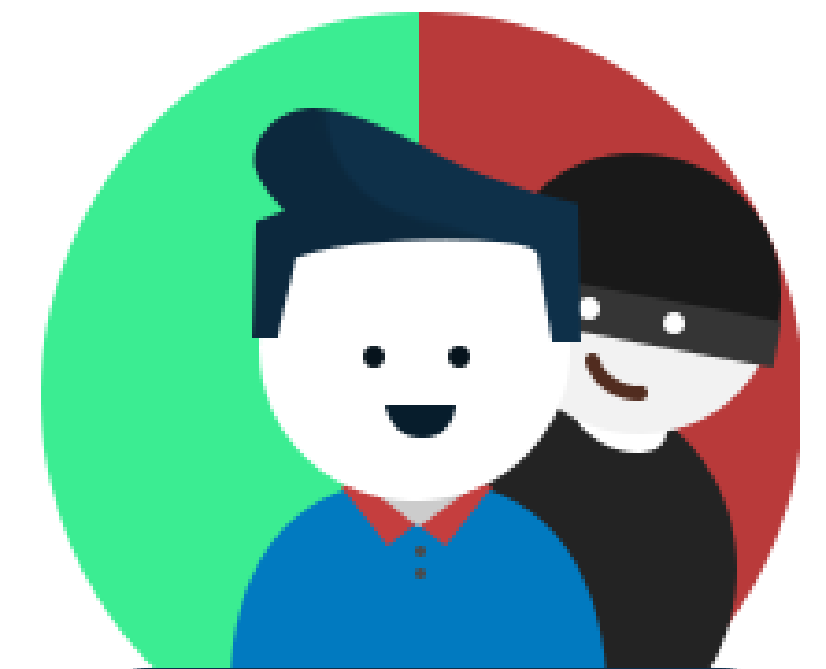
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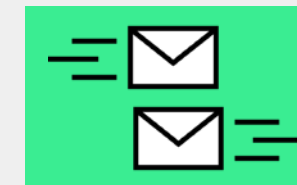
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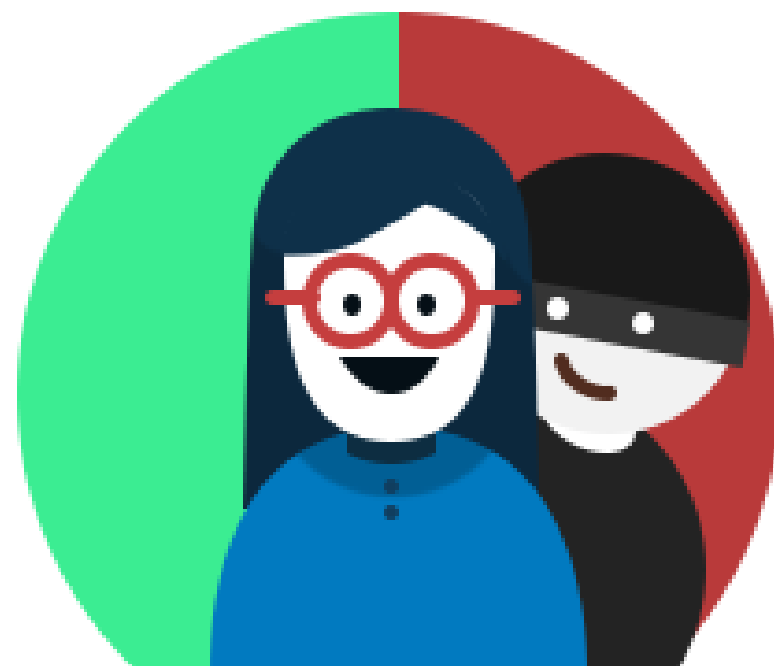
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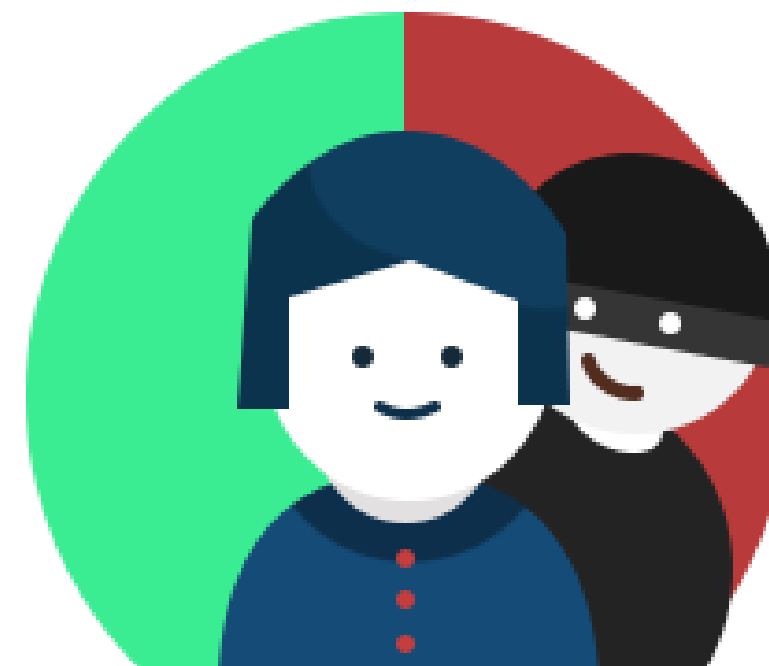
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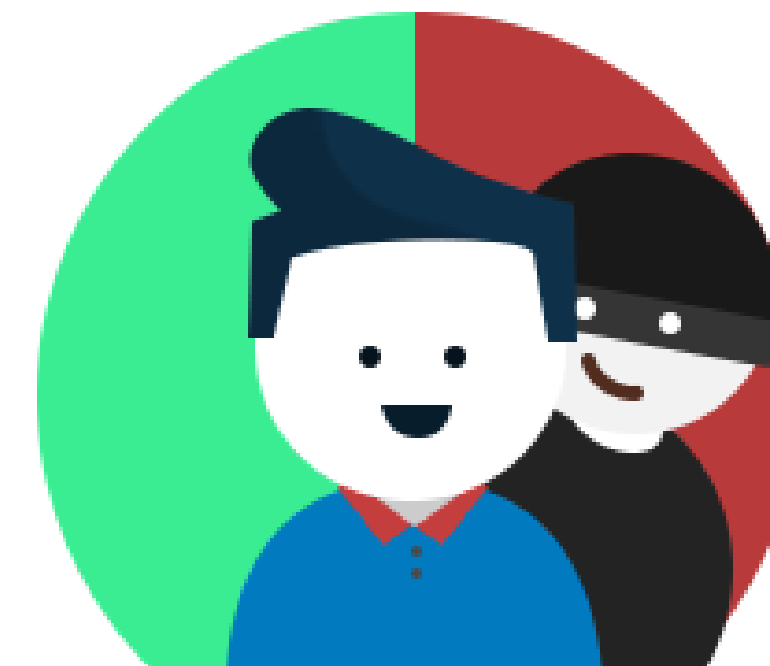
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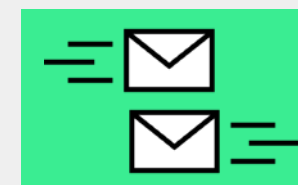
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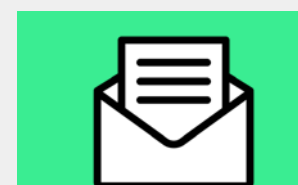
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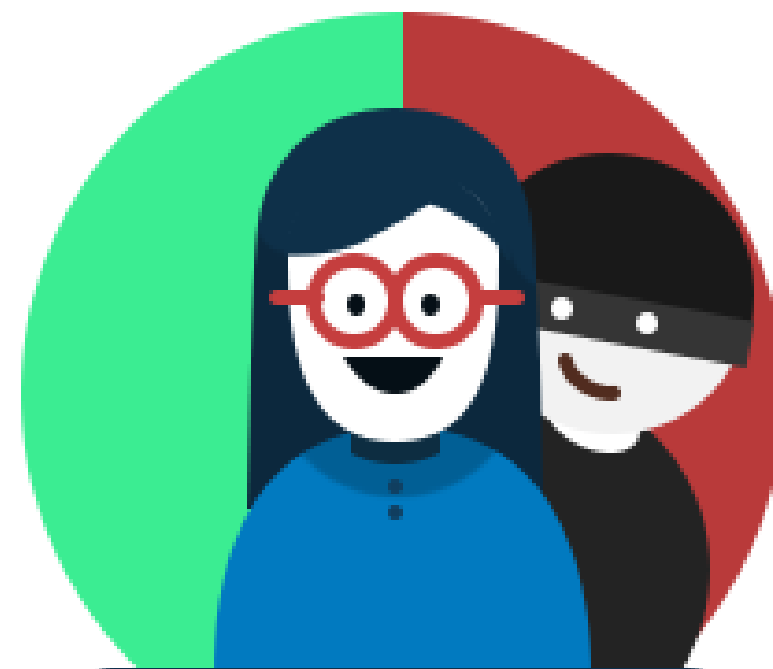
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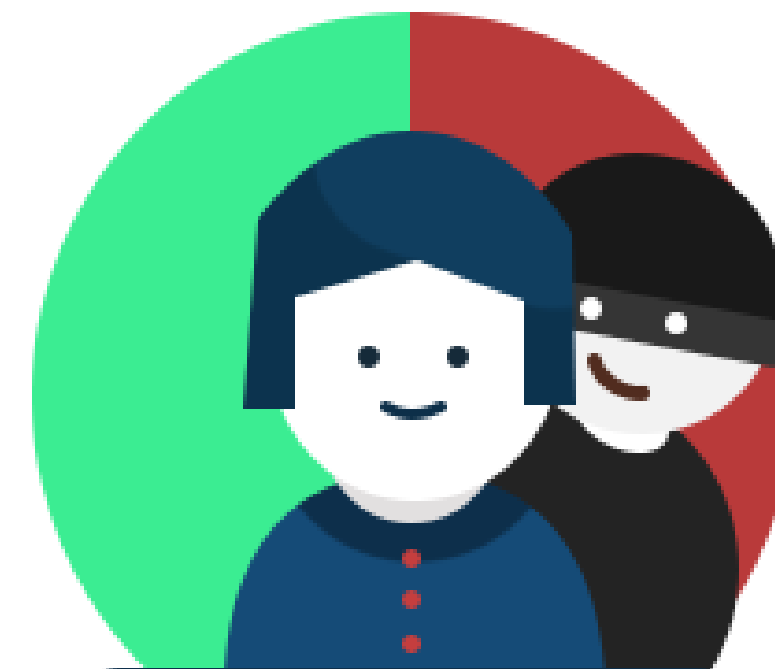
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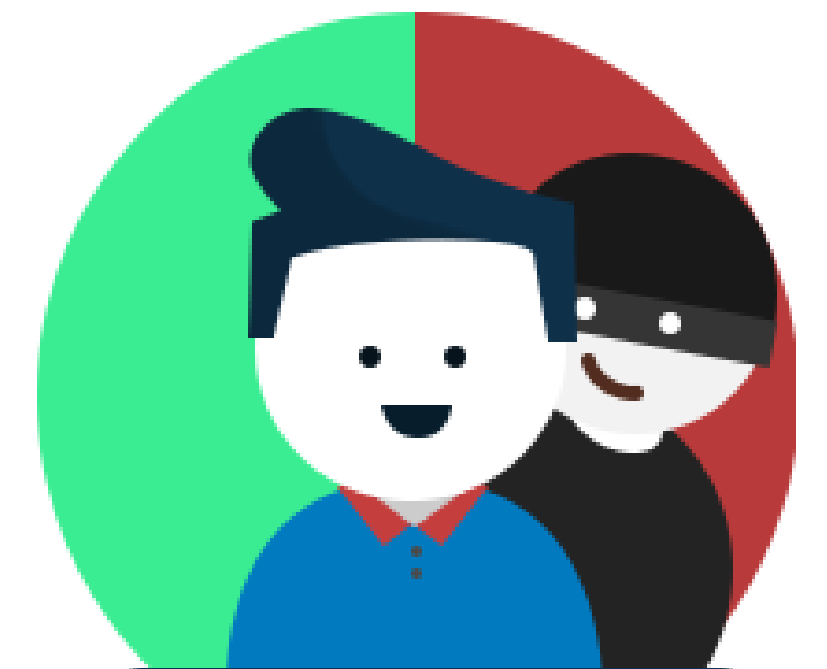
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“

I don't want to set false expectations for consumers. The chance of recovery here is slim.

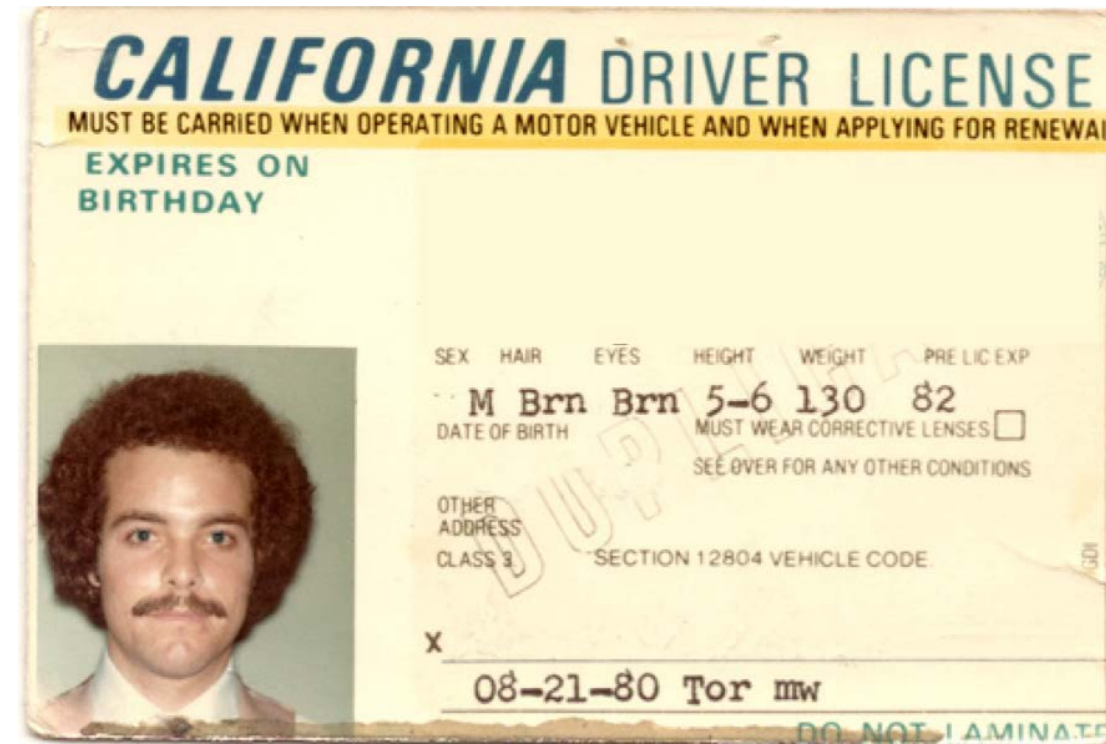
- James Barnacle, chief of the FBI's money laundering unit

A Failure of “Best Practices”

Best practices are not working



Calls and
texts ported



Identity documents
stolen



Insurance
denied

We'll All Get Sued

Closing Agents and “Reasonable Care”

“

*In managing the Closing, **reasonable care** of a closing agent **includes** undertaking **steps to protect [Consumers] from reasonable harm... The Wire Scam was a foreseeable harm...***

- Wisconsin, March 2018

Title Company Failure to Safeguard

“

*[Title company] **breached its duty** to use reasonable care in managing the closing by... **failing to institute verification safeguards in delivering wiring instructions....***

- Wisconsin, March 2018

All Industry Participants on “Notice”

“

*Thus, **the real estate industry**, and [the bank, mortgage lender, title company, real estate brokerage and real estate agent] named in this action, were **well aware of the presence of the wire fraud scam**, the risks associated with sending confidential information over unsecure channels, **and the steps that must be taken to ensure that consumers would not be victimized by that scam.***

- Colorado, June 2018

Closing Attorney Breached “Fiduciary Duty”

“

[The closing attorney] had a fiduciary duty to protect the [buyers'] interests. This duty required her to adopt reasonable and necessary measures to safeguard her email account and computer system against intrusion from cybercriminals.

- New York, April 2018

FTC's Role in Data Security

What is the Federal Trade Commission's Role in Data Security?

- **Section 5 of the Federal Trade Commission Act**
- **Gramm Leach Bliley Act and the Financial Privacy, Safeguards, and Pretexting Rules**
- **Fair Credit Reporting Act and the Red Flags Rule**
- **Children's Online Privacy Protection Act of 1998**
- **The Commission has brought over 500 enforcement actions protecting the privacy of consumer information, over 130 spam and spyware cases, and more than 50 privacy lawsuits**

The FTC's Guiding Principles

- **Protecting sensitive data and information is everyone's responsibility**
- **Data security is an ongoing process**
- **Security procedures must be reasonable and appropriate in light of the circumstances**
- **The Federal Trade Commission applies a standard of reasonableness when evaluating a corporation's data**



**START
WITH**

SECURITY

LESSONS LEARNED FROM FTC CASES

1

Start with security.

- Don't collect personal information you don't need
- Hold on to information only as long as you have a legitimate business need
- Don't use personal information when it's not necessary

2

Control access to data sensibly.

- Restrict access to sensitive data
- Limit administrative access

3

Require secure passwords and authentication.

- Insist on complex and unique passwords
- Store passwords securely
- Guard against brute force attacks

4

Store sensitive personal information securely and protect it during transmission.

- Keep sensitive information secure throughout its lifecycle
- Use industry-tested and accepted methods
- Ensure proper configuration

5

Segment your network and monitor who's trying to get in and out.

- Segment your network
- Monitor activity on your network

6

Secure remote access to your network.

- Ensure endpoint security
- Put sensible access limits in place

7

Apply sound security practices when developing new products.

- Train your engineers in secure coding
- Follow platform guidelines for security
- Verify that privacy and security features work
- Test for common vulnerabilities

8

**Make sure your service providers
implement reasonable security measures.**

- Put it in writing
- Verify compliance

9

Put procedures in place to keep your security current and address vulnerabilities that may arise.

- Update and patch third-party software
- Heed credible security warnings and move quickly to fix them

- Securely store sensitive files
- Protect devices that store personal information
- Dispose of sensitive data and devices securely



FTC RESOURCES

- Visit the FTC's business center at **business.ftc.gov** for legal resources, how-to guides, videos, and the business blog
- Check out more resources at **ftc.gov/datasecurity**
- **Start with Security: A Guide for Business** and other materials are available for free at **ftc.gov/bulkorder**
- Read the **Stick with Security** blog series for a deeper dive on how to safeguard sensitive data
- Use the FTC's **compliance videos** for training
- Visit **ftc.gov/smallbusiness** to learn computer basics and about new scams affecting small businesses

How do we fight back?



3 Ways to Help Keep You Safe

1. **People**
2. **Processes**
3. **Technology**

#1: People

**People:
Don't trust email**

“

The first thing you can do is to make sure that all of the agents in your company only use their company email address in business dealings.

- FBI expert on cybercrime and wire fraud

People Best Practices

- Observe and react in real-time
- Never give out your passwords
- Don't click on attachments without verifying
- Save information on server not computer
- Be curious, skeptical and think before you act
- Hire a third party to phish employees

#2: Processes

Processes:
**Create a culture of
compliance and curiosity**

Process Best Practices

- Create policies and procedures for:
 - System access
 - Password management
 - Information receipt, custody, retention and destruction
 - Wire and ID confirmation
- Put restrictions on use and access
- Screen and verify suspicious and “surprising” emails
- Educate yourself and train your people
- Get SAFE – Complete Third-Party Information Security Assessments

#3: Technology

Technology

Software Best Practices

- Complex passwords
- Third party password manager
- Multi-factor authentication
- Monitor networks in real-time
- Use email “spam filter” service
- Limit permissions and rights

Hardware Best Practices

- Secure access and sessions
- Encrypt data in transit and at rest
- Segregate data
- Tether machines
- Install firewall, VPN's and other devices
- Don't share devices
- Third party penetration testing
- Limit Services & Protocols

QUESTIONS?

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