

2024 State of Wire Fraud Report

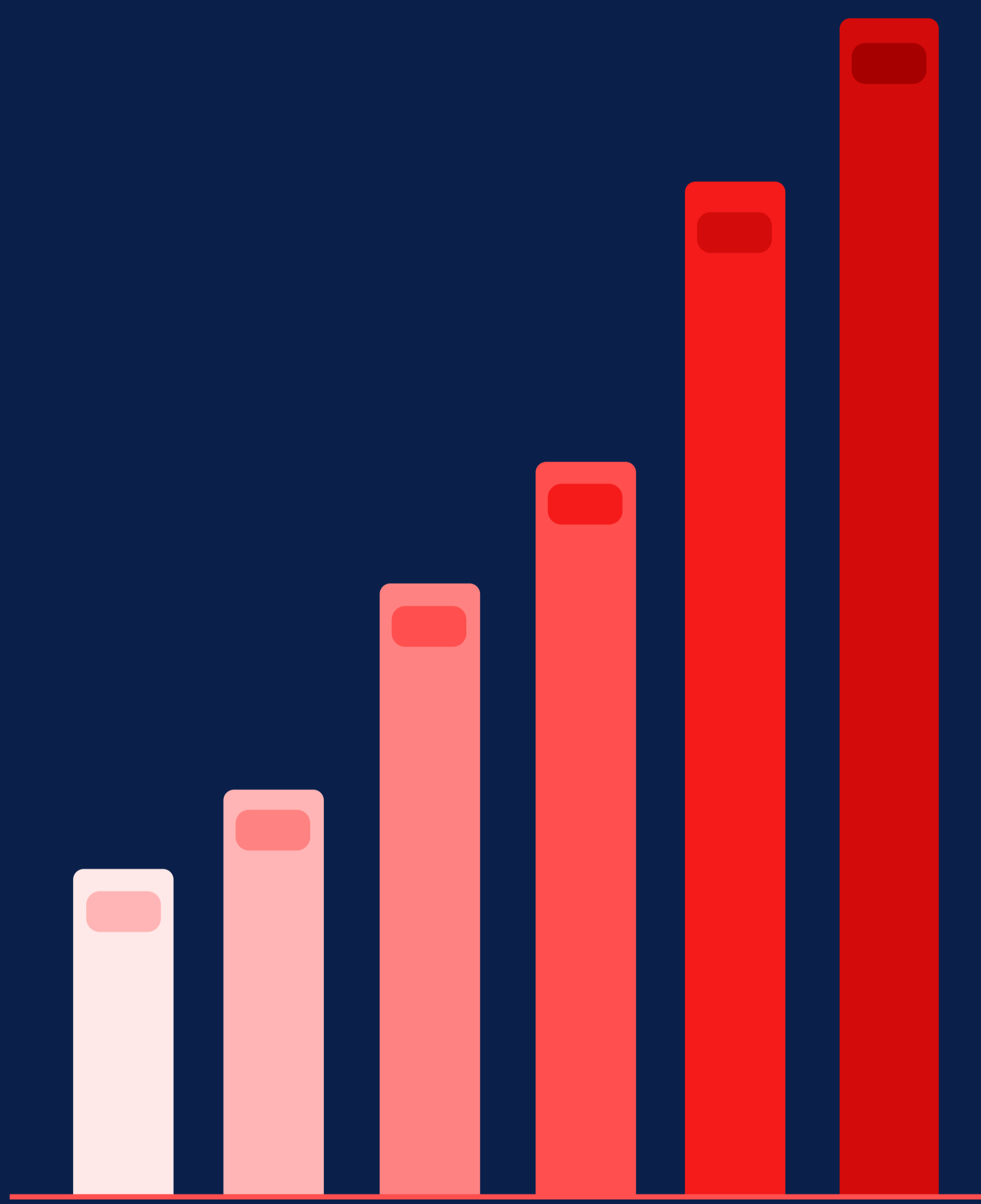


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Introduction

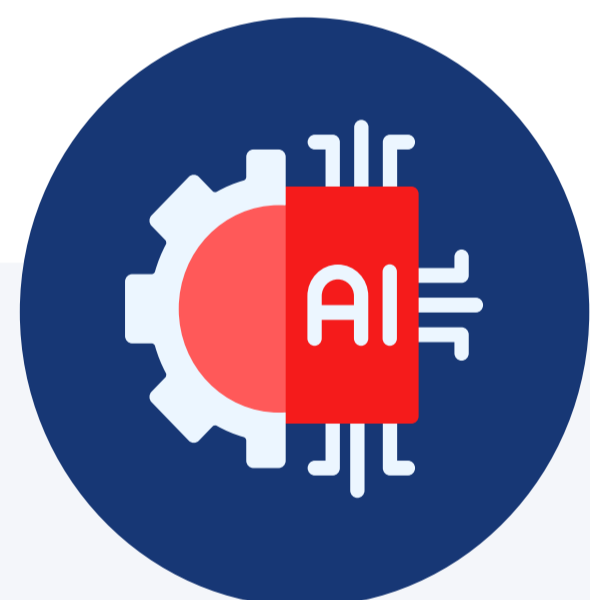
I. Fraud is accelerating due to technology advances

Last year, our inaugural State of Wire Fraud report provided the first comprehensive examination of wire fraud in the real estate sector. Anecdotal examples of fraud were prevalent, but data on the scope of the problem didn't exist. Our report documented the impact on consumers and businesses, from prevention to recovery, across the real estate transaction lifecycle.

Since then, cybercrime reported to the FBI has set new records. Business email compromise (BEC) continued to be one of the top threats at \$2.7B in losses.¹

Meanwhile, inflationary pressures sent interest rates even higher, and home sales fell to the slowest pace in decades. Low inventory and slow deal flow increased the pressure on buyers, sellers, and their agents for fast turnarounds, creating ideal conditions for socially engineered scams to succeed. Housing affordability is already a nationwide conversation given that just 15.5% of homes for sale are affordable to average households—the lowest inventory rate in a decade.² In an election year, we expect the scrutiny on this topic to increase.

The risk of real estate wire fraud also increased due to advances in technology:



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.

Consumer power will push the industry toward more secure transactions: Buyers and sellers will increasingly choose their agents based on who prioritizes security in order to protect their money. Real estate firms who shift to meet consumers' needs will emerge as winners.

In 2024, we'll feel the growing impact of these developments and the need for change across the community. Only when all parties take a comprehensive approach to mitigate the threats can we reach a more secure future — for consumers, and for the businesses that serve them.

II. Fraud is possible because of social engineering

In real estate transactions, fraud involves authorized parties being tricked into transferring funds. This type of fraud is typically enabled by business email compromise (BEC), but can encompass all forms of trusted communications, including text, voice, voicemail, video, and social media.

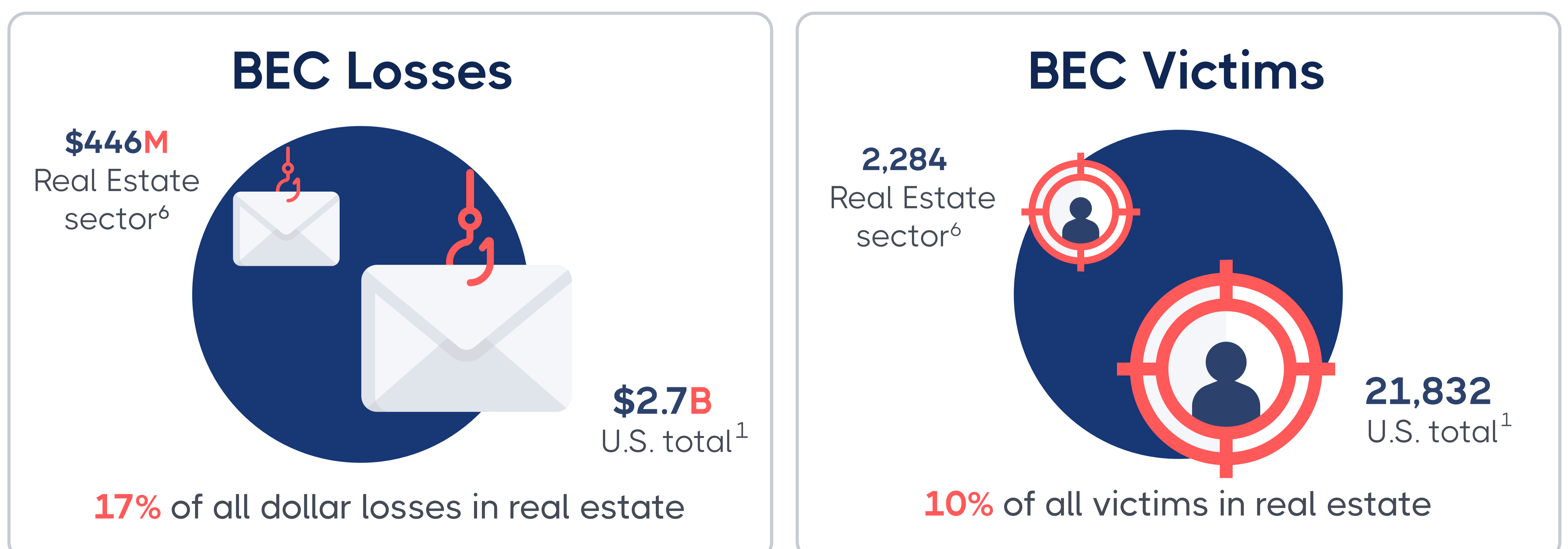
Fraud relies on social engineering to manipulate victims into divulging confidential information or wiring funds to fraudulent accounts. Wire transfers are a leading payment method in the U.S. due to the speed and size of transactions supported. However, those same qualities make wires an attractive target for fraud.

A recent security study commissioned by Verizon identified social engineering as one of the top three threat patterns. By preying on the helpful nature of most humans, social engineers create a sense of urgency to trick victims into disclosing sensitive information or sending funds. In the Verizon study, 74% of all security breaches were the result of human interaction and manipulation.³

Real estate is especially vulnerable to fraud for several reasons:



The FBI reports that BEC in real estate impacted 2,284 victims in 2022, resulting in \$446M in losses.⁶ A smaller independent study by Verafin found real estate to be the second-highest industry in value of attempted wire fraud.⁷





“I had no idea what to expect during the closing process. I never intended to send a wire transfer, but did so after receiving a seemingly legitimate email from my title company. The fraud was discovered a few days later, however ultimately it took me over two years to finally get a portion of my money back.”

– **First-time homebuyer in Parkville, MO**

III. Fraud impacts everyone in a real estate transaction

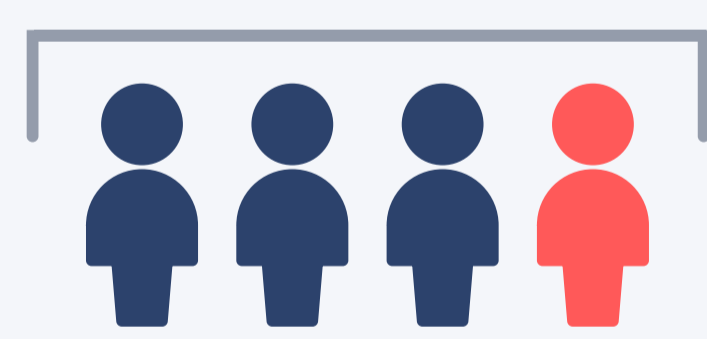
Among the 650 U.S. consumers we surveyed, nearly 1 in 4 were targeted with suspicious or potentially fraudulent activities.

The probability of being hit with wire fraud during a property closing is significantly higher than other forms of catastrophic life events that are typically insured.

For example, the probability of being injured in a motor vehicle accident is less than 1 in 200, yet almost every consumer buys auto insurance. At 1 in 20, the probability of being hit with wire fraud during a property closing is much higher.

Q: Did you receive any suspicious or fraudulent communications during your closing process?

Nearly **1 in 4** are targeted with suspicious communications.



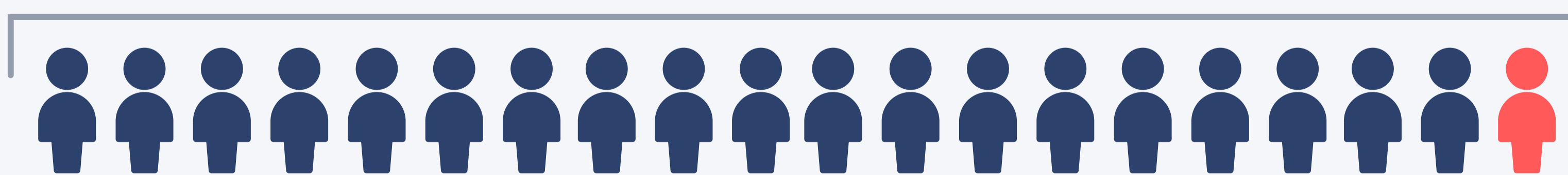
"I received suspicious communications but was unsure if they were fraudulent."

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



"I was targeted with a scam but didn't fall for it."

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



"Yes, and I became a victim."

N=650

Last year, CertifID’s Fraud Recovery Services division received 463 requests for help from victims of wire fraud. The vast majority of these requests result from three scenarios:

Buyers	Sellers	Title and Law firms
<p>Impersonation of title agency to provide fraudulent bank details to the buyer.</p> <p>Scammer typically reaches out well before payment is required in an average closing process, making it less likely the fraud will be discovered until the buyer is at the closing table.</p>	<p>Impersonation of a property owner in a fraudulent listing. Often called seller impersonation.</p> <p>Scammer typically obtains property and owner identity details from public records, and creates an elaborate backstory to enable a quick remote sale.</p>	<p>Impersonation of lender-provided mortgage payoff instructions during a closing process.</p> <p>Scammer intercepts and replaces payoff instructions to the closing agent. Title professionals miss the fraud because verification processes can be time-consuming and susceptible to manual error.</p>
<p>\$72k median value per incident.</p> <p>43% of cases accepted.</p> <p>28% of funds recovered.</p>	<p>\$70k median value per incident.</p> <p>3% of cases accepted.</p> <p>18% of funds recovered.</p>	<p>\$257k median value per incident.</p> <p>54% of cases accepted.</p> <p>54% of funds recovered.</p>

Successful recovery depends on a number of factors, including how much time elapsed between when the fraud occurred and when it was discovered. CertifID evaluates all of these factors and can only accept cases in which there is still an opportunity to pursue recovery.

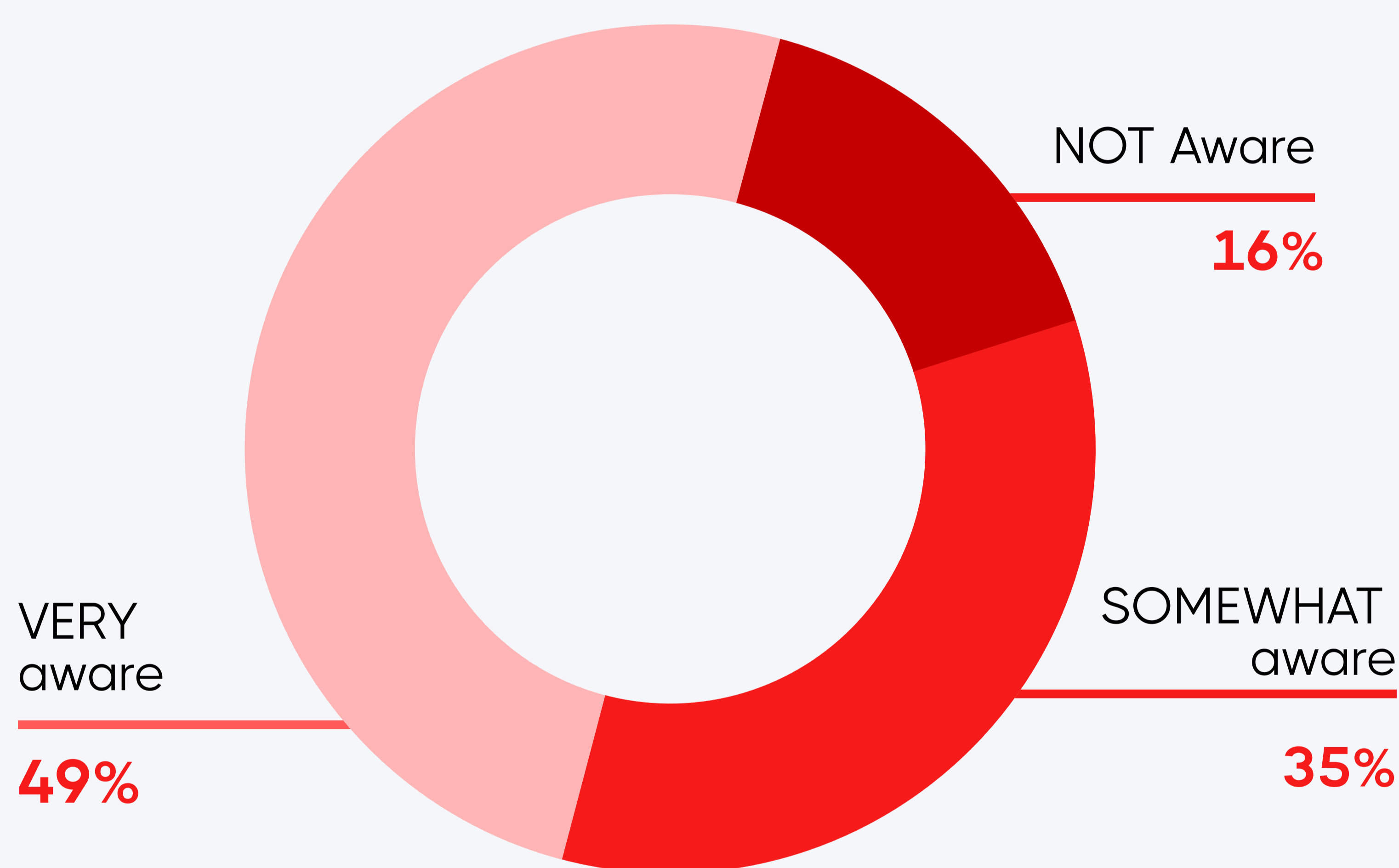
Discussion

IV. Real estate professionals play a key role in guiding and protecting clients

In November 2023, CertifID surveyed 650 U.S. consumers who bought and/or sold property in the last three years. The findings show that there is a significant consumer knowledge gap. Most consumers don't understand the risk of fraud, how they can help make their real estate transactions more secure, or what to do when fraud happens.

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

(Wire fraud occurs when someone impersonates a trusted party to trick you into sending money to the wrong account.)



N=650

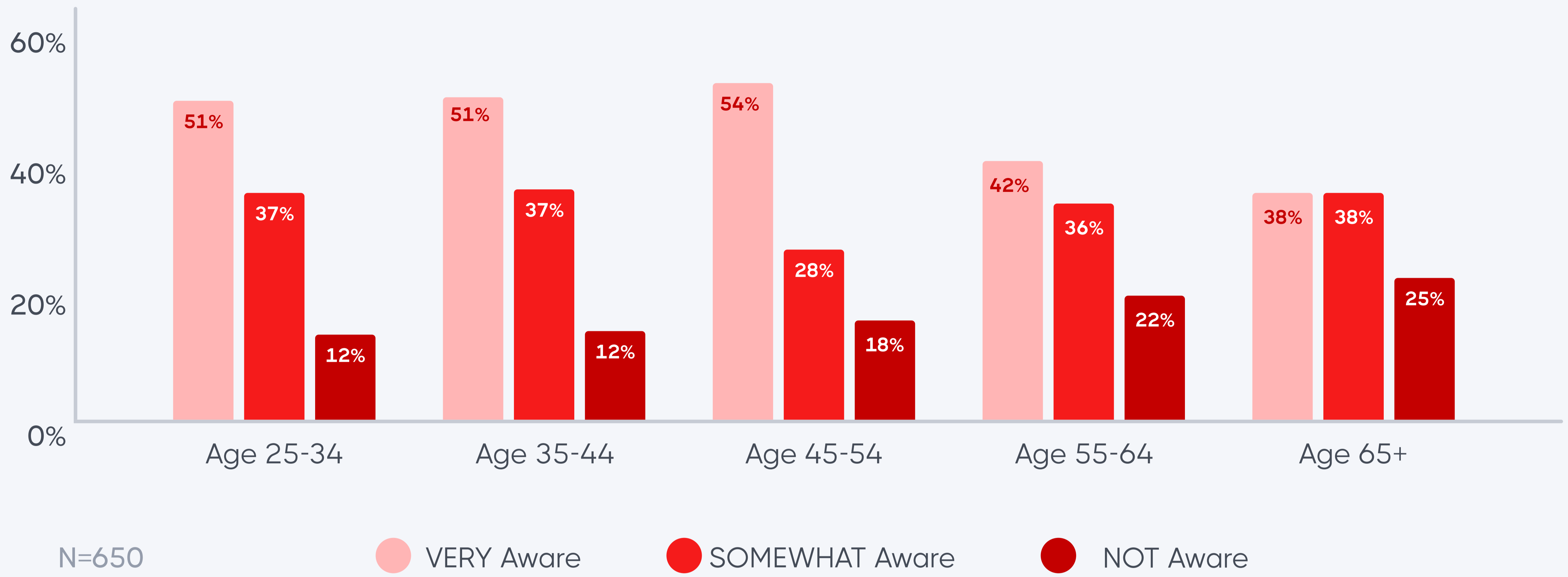
51% of all consumers are only “**somewhat**” or “**not aware**” of fraud risks.

Only half of all consumers are aware that their funds could be at risk. The levels of awareness about wire fraud risks vary by age group.

Of consumers aged 44 and below, 51% were “very aware” of wire fraud risks—compared to only 38% of those aged 65 and up. Even more significantly, 25% of respondents aged 65 and up were “not aware” of wire fraud risks at all before the closing process.

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

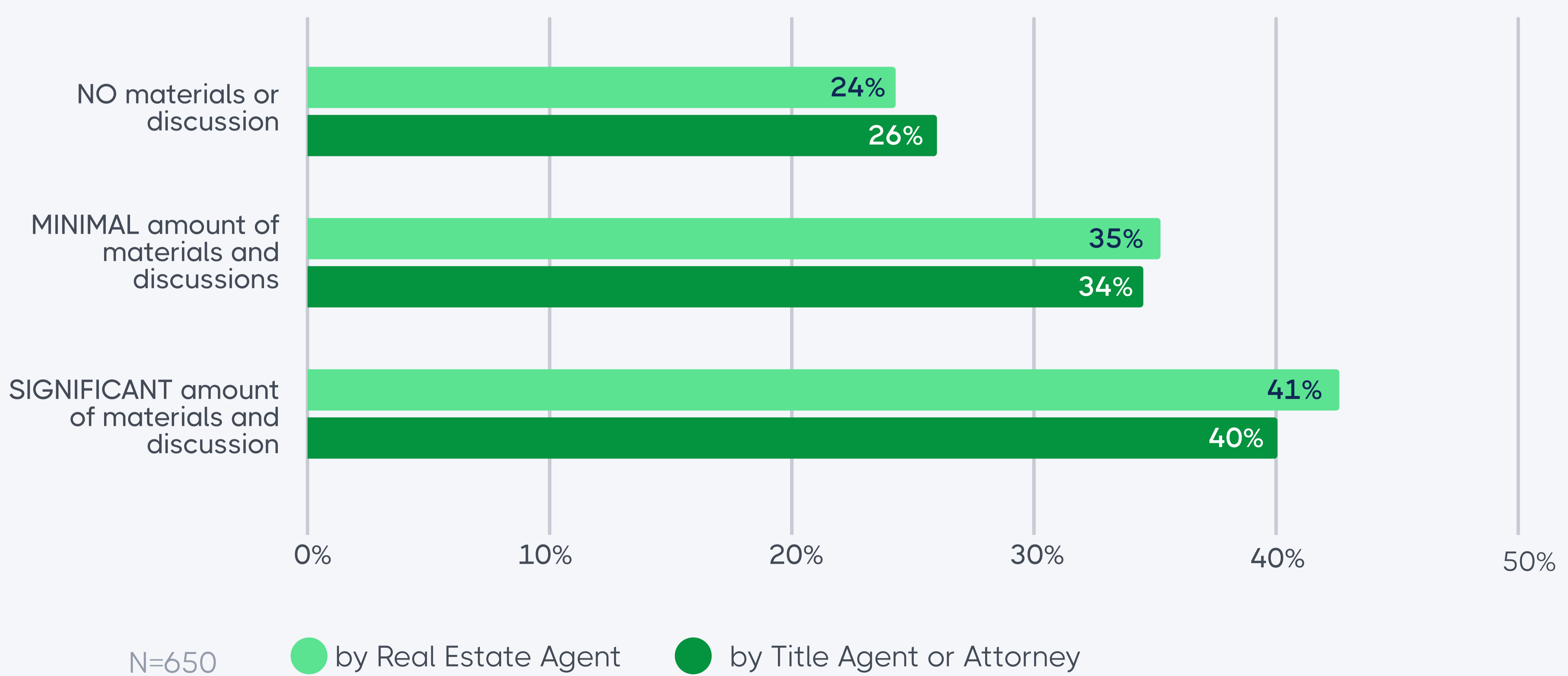
(Wire fraud occurs when someone impersonates a trusted party to trick you into sending money to the wrong account.)



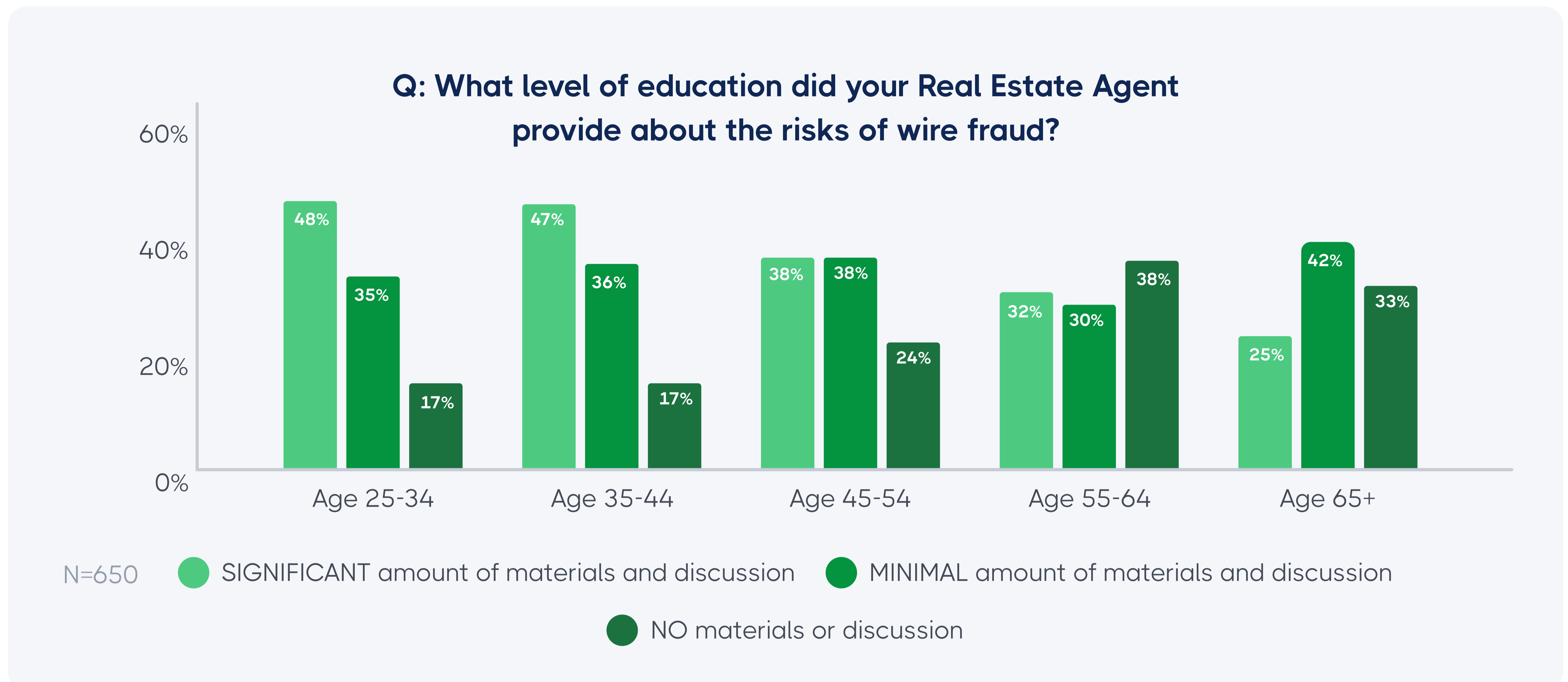
Consumer education provided by the real estate industry is still inadequate. Buying or selling a property can be a complex process. That’s why consumers hire real estate professionals to provide expertise. But approximately 60% of consumers received minimal or no education about wire fraud during the closing process from their real estate professionals.

Real estate agents typically play a more visible role in the closing process compared to title agents and attorneys. But according to the consumers they serve, both play an equally important role in educating buyers and sellers about wire fraud.

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



Of the youngest age group, 48% received significant education about wire fraud from their realtors, while only 25% of the oldest age group said the same. A number of factors could affect these responses, including the media used to share materials and the messaging itself. This education gap by age group highlights where real estate agents need to focus their education efforts.



The ancient concept of caveat emptor, or “let the buyer beware”, has been a commonly held principle in the world of property sales for some time. However, consumer protection is held to a higher standard when it comes to issues like funds safety.

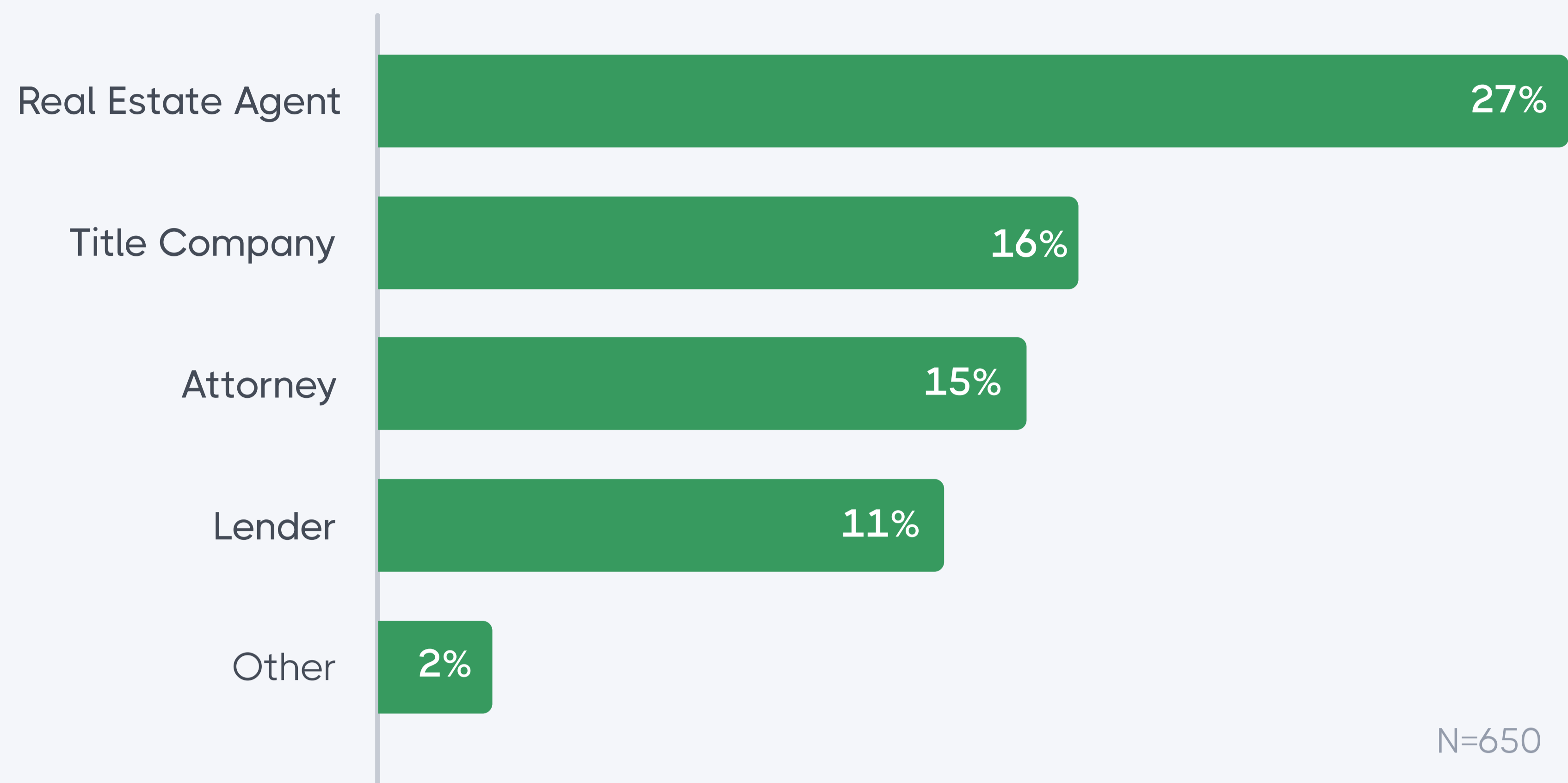
Just as the expectation of safety and privacy have shaped operating business models in banking, pharmaceuticals, healthcare, tech product development, and other industries, we anticipate a shift from an expectation of buyer’s responsibility to buyer’s rights when it comes to security in real estate.

Consumers will flex their power to demand that all of their real estate professionals have security procedures and tools in place to protect their transactions. Only 29% of consumers believe it's their own responsibility to get educated on wire fraud.



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

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



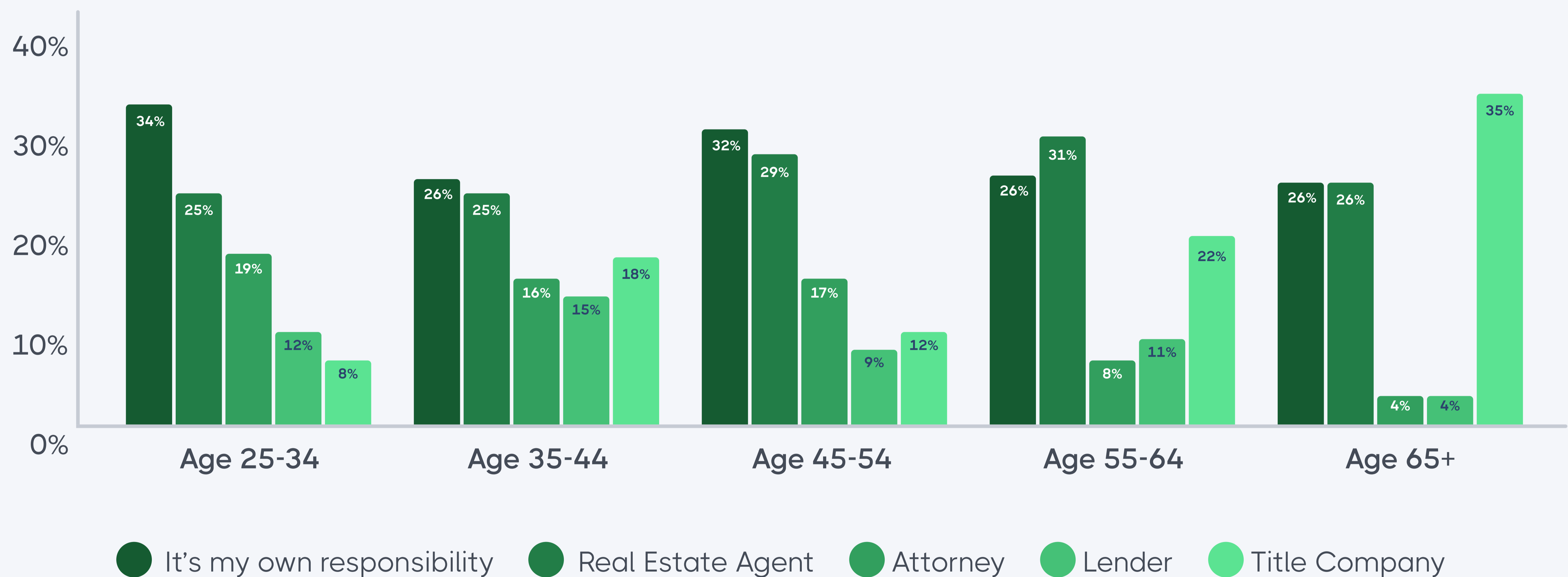
Among the 71% of consumers looking for outside help for education — the highest expectation of ownership lies with real estate agents.

Expectations of who should provide consumer education vary by age group. In the youngest age group, 34% of respondents view education as their own responsibility. Only 26% in the oldest age group felt the same way.

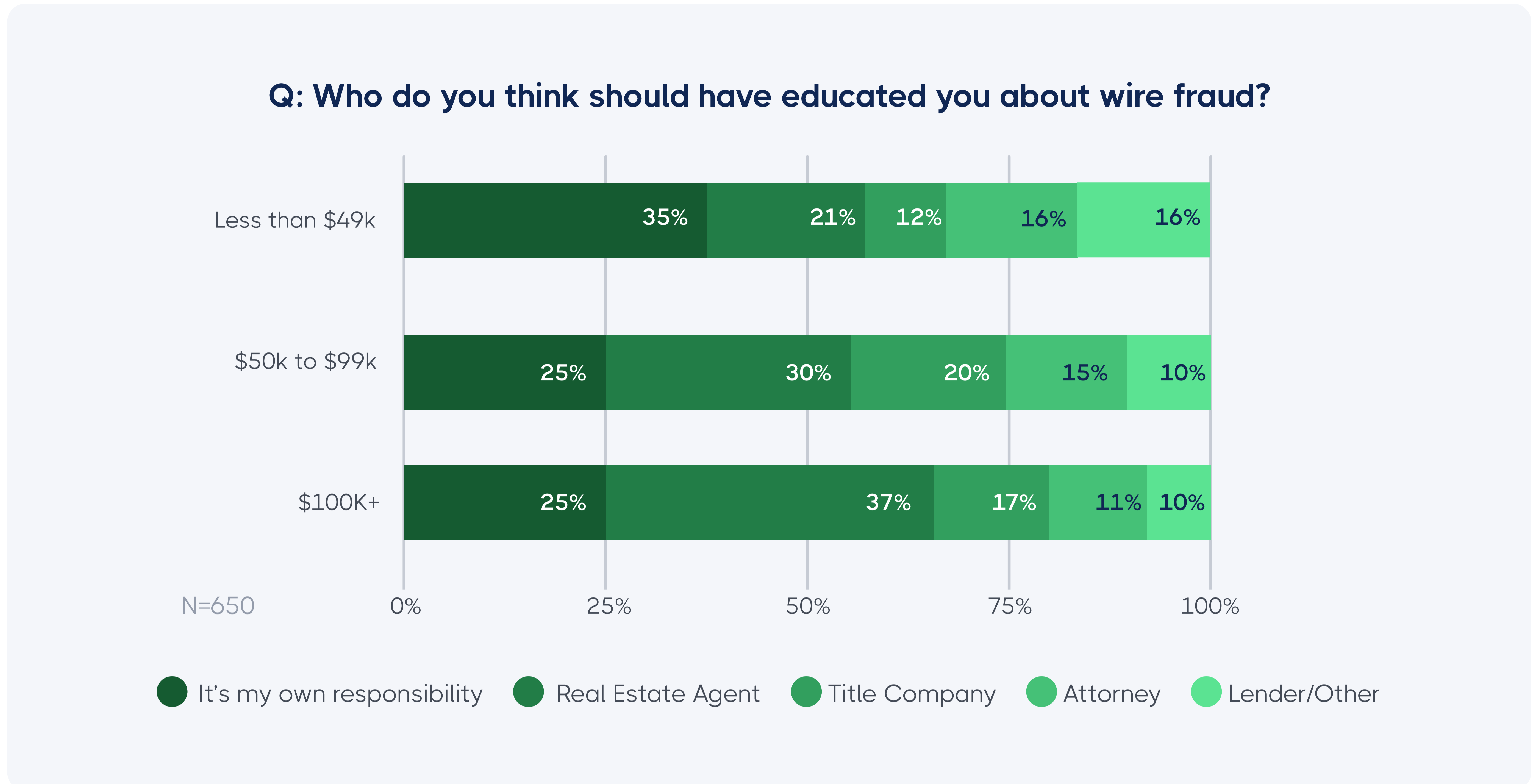
Expectations of realtors increase by age band. Of those 34 and under, 25% expect to be educated by their real estate agent, compared to 31% for those 55 and older.

This difference by age group is most pronounced with title agent expectations. Only 8% of the youngest age group look to their title agent for education, versus 35% of the oldest age group.

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



Expectations around wire fraud education also vary by income level. Buyers and sellers with the highest household income also have the highest expectations of their realtors. This correlation is likely due to the higher value of their transactions, raising expectations of responsibility and accountability.



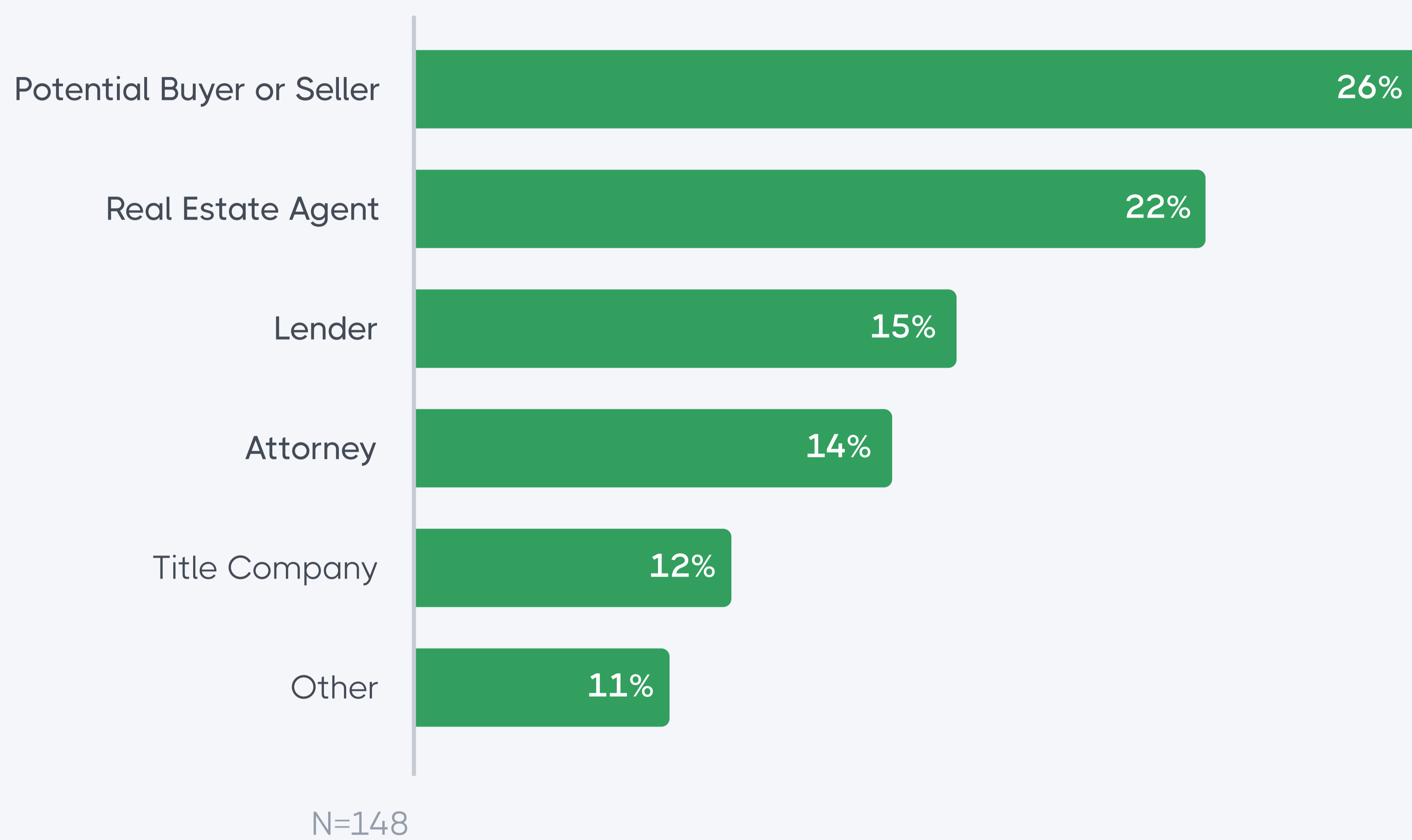
Realtors are critical to the consumer experience. Consumers rely heavily on their realtor to help them navigate the complex home buying and selling process. They are consumers' go-to resource when it comes to education on wire fraud and ensuring the safety of their funds during the wire transfer process.



In real estate, wire fraud often involves scammers posing as trusted real estate professionals. Data shows that 22% of fraudulent communication appears to come from the victim's real estate agent. Meanwhile, 40% of consumers don't receive any significant education about wire fraud from their realtor during the closing process.

Every realtor should know what wire fraud is, how it works and what red flags to look for. They should also provide every client with written instructions and tips on avoiding scams, and steer them towards title companies that use anti-fraud technology and systems. In order to better meet their clients' needs, realtors themselves will need more training and support from their brokerages and title company partners.

Of respondents who received potentially fraudulent communications:
Q: Who did those suspicious communications appear to come from?



V. The industry must take concrete actions to prevent fraud

Last year, title agents across the country worked to absorb and implement changes recommended by the American Land Title Association (ALTA). These best practices specified the use of verification services to combat wire fraud.

But as the research on the consumer knowledge gap indicates, there’s still a lot of work to do. Fraud operators continue to find many weak links across the ecosystem of real estate transactions, making real estate wires particularly attractive.

This scorecard shows where the industry is today, and where greater attention is needed. The industry must take collective action to close the gaps that fraudsters are exploiting today.

Industry Fraud Protection Scorecard

	Real Estate Agents	Title & Law Firms	Lenders	Underwriters
Education	Red	Yellow	Yellow	Yellow
Technology	Red	Yellow	Yellow	Yellow
Response Services	Red	Red	Red	Green
Insurance	N/A	Yellow	Green	Green

Scorecard definitions:

- Significant number of providers in a sector delivering specific capabilities (in the form of products, services, or resources) to customers.
- Evidence of some providers delivering this capability.
- Limited to no evidence of providers delivering this capability.



Education encompasses both employee training and consumer advisement, delivered via email, websites, printed collateral, videos, webinars, and other vehicles. Title and law firms received the highest scores for fraud protection based on the common appearance of wire fraud warnings on email signatures and other consumer-facing content, and the availability of CE/CLE courses provided by ALTA, state associations, underwriters, vendors, and internal experts. (It's also important to note that these boilerplate disclaimers don't absolve title professionals from liability.)

Despite their critical role in the consumer experience, realtors were rated the lowest based on the lack of any visible wire fraud educational material on leading national and top 10 state realtor websites. Industry leaders acknowledge that the responsibility also offers an opportunity: agents who take the time to counsel their clients about the risks will differentiate themselves from the competition.



“Realtors play an important role in educating home buyers and sellers. Fraud awareness on risks such as seller impersonation is just one of the areas where we really show our value.”

– **Jennifer Wauhob, 2023 Vice President of Association Affairs at the National Association of REALTORS® (NAR)**



Technology is key to security at scale for anyone serving the consumer. This includes verification of identity before listing a property; matching or verifying bank details before sending a mortgage payoff; and any other steps that ensure an individual is who they say they are before wiring any funds. Technology can help title professionals assess risk much more quickly and consistently than manual efforts alone, enabling faster decision-making and reducing potential losses, while improving operational efficiency. Adoption is still inconsistent across the industry, and available vendor solutions still vary greatly in efficacy.



“Mortgage payoff fraud has become a significant threat targeting title agencies of all sizes. That's why we signed up for PayoffProtect. It's the most comprehensive product that we've found, and built for us in title and real estate. It's also turned out to be hugely popular with our team as we've given them time back, as well as the greatest gift of all: peace of mind.”

– **Cheri Hippenbecker, Chief Legal Counsel of Knight Barry Title**



Response services are a critical line of defense against full loss in fraud incidents. Every business responsible for safeguarding funds or communications involving funds should have a well-tested incident recovery plan. Because criminals usually move funds into untraceable accounts quickly, fraud recovery is extremely time-sensitive and requires immediate action. Every employee needs to know what to do when they are notified of suspected fraud by a client. This requires not only developing a plan, but also regularly training and testing staff in order to identify gaps and update procedures.

”

“Because of CertifID’s webinar series, I knew the most efficient steps to recover funds. And because of that and the large transaction value, action was taken quickly enough to recover \$2,015,000 in full.”

– **Tara J., head of operations at law firm in New England**



Insurance can provide another critical stopgap if (or more likely, when) fraud occurs. Traditional errors and omissions (E&O) insurance and cyber policies typically don’t cover fund transfers by authorized parties who were tricked into following fraudulent wiring instructions. Financial institutions and underwriters can potentially provide a line of defense, but require significant documentation and legal costs as part of a lengthy claims process. So it’s important for the title or law firm to have their own direct insurance to protect themselves and their clients against these risks.

”

“Wire fraud has become largely uninsurable in response to the alarming increase in claims. Wire fraud falls outside the scenarios of employee malfeasance and negligence or systems breaches that traditional professional and cyber policies cover. Carriers who serve this space now recommend partnering with technology providers to reduce their risks.”

– **Chad Gaizutis, Vice President of Stateside Underwriting Agency**



Cybercrime rings have taken aim at U.S. real estate transactions at an alarming rate. Consumers and their real estate service providers need to take extra precautions in every transaction, including verifying identity and banking details, to ensure payments are made securely and safely.”

– **Katie Pierce, Assistant to the Special Agent In Charge,
Global Investigative Operations Center (GIOC) at the U.S. Secret Service**

VI. CertifID protects businesses and consumers

Last year, CertifID protected more than 799k real estate transactions, worth a total of \$107B. The company provides software, direct first-party insurance, and emergency recovery services for a layered approach to wire fraud protection for title and real estate business customers. CertifID customers include individuals, small and medium-sized businesses (SMBs), and large enterprises such as Stewart (NYSE: STC) and global fin-tech Acrisure.

Real estate transactions protected by CertifID in 2023



799K

Transactions protected



\$107B

Total funds protected

Total suspected fraud identified by CertifID in 2023

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.

CertifID customers identified and prevented \$2.4B in suspected fraud in 2023, a year-over-year increase of 56%.



\$2.4B

Suspected fraud identified



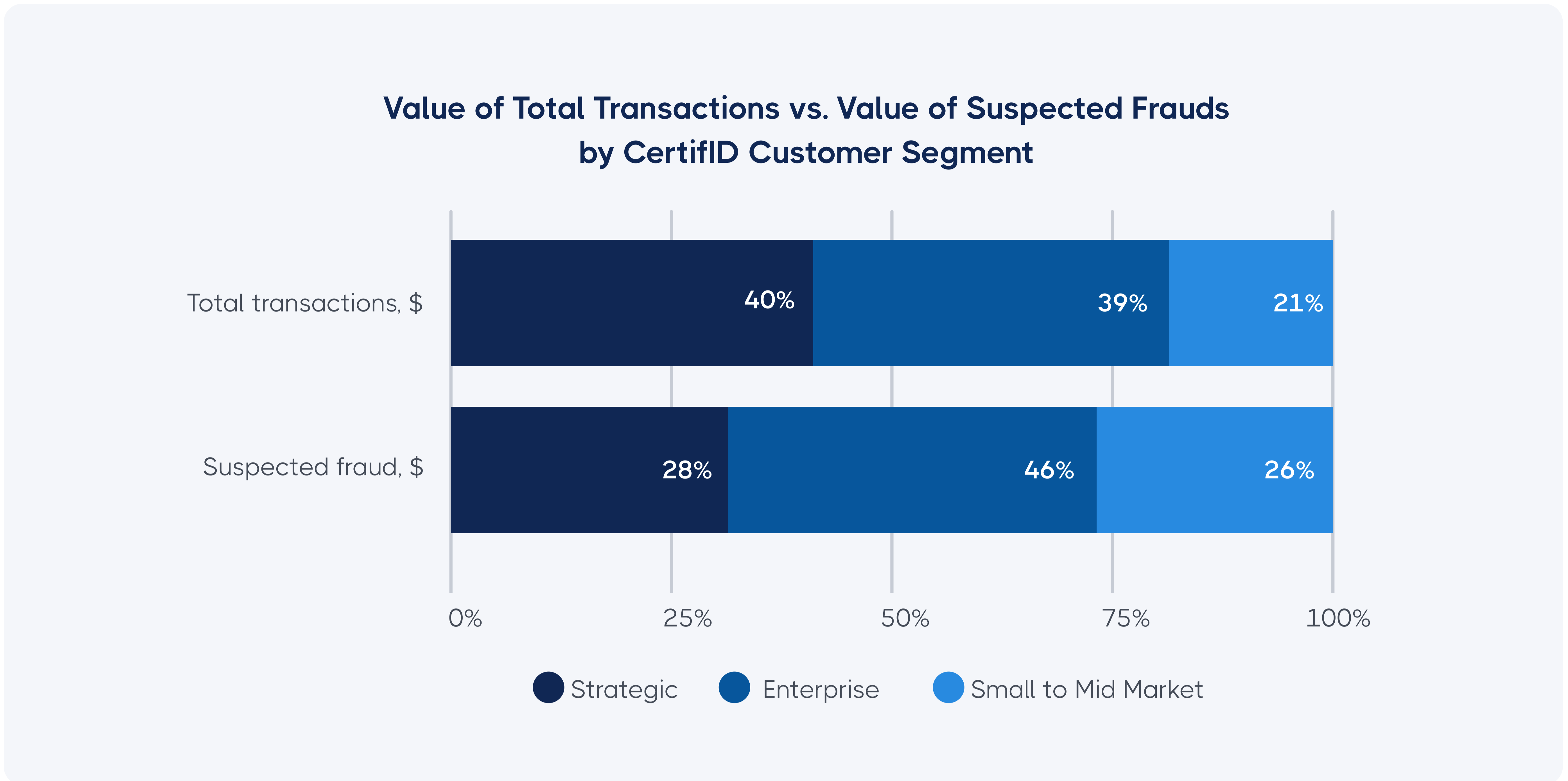
+56%

Y/Y growth in suspected fraud identified

Fraud risks vary by the size of the organization, but the belief that any company is “too small to be a target” is refuted by the data across 799k transactions in 2023.

CertifID serves customers of all sizes. The company delineates between Small to Mid Market, Enterprise, and Strategic accounts based on average monthly closing transactions by those organizations.

Smaller and mid market sized organizations manage a higher-risk portfolio. These organizations comprise only 21% of total transactions processed but 26% of the suspected frauds identified by the software. This insight highlights the importance for title and real estate firms of all sizes to adopt technology for robust wire fraud protection.



Protection against mortgage payoff fraud was a key addition to the company’s portfolio in the second half of 2022. CertifID’s PayoffProtect reached \$37B in payoff funds protected in its first 12 months of availability. The product uses software to eliminate manual callbacks for customers, verifying the authenticity of over 96% of all payoff transactions in seconds and freeing up precious operational resources.

In 2023, PayoffProtect caught \$34M in payoff frauds, at a median value of \$228k per transaction. Notably, the occurrence of \$1M+ frauds detected by the software ticked up considerably year-over-year as well.

PayoffProtect results in 2023



\$228K

Median value of frauds caught



\$34M

Payoff frauds caught

Conclusion

VII. A secure future is possible with action

Fraud operators tailor their approaches to each industry's vulnerabilities. In the case of real estate, they have exploited traditionally manual practices, compromised data systems, publicly available information, and — worst of all — unsuspecting victims.

That's why we encourage every business in the real estate ecosystem to declare 2024 "The Year of the Consumer." If we focus on their protection and the security of their transactions, we can change the industry. This requires evaluating your operations at each layer of security:



The threat could be greater than ever: companies that are unprepared will grapple with increased risks combined with growing transaction volumes in the years to come. Investing in adequate processes, tools, and education will ensure that a potential market rebound in 2024 doesn't become a breeding ground for fraud that threatens the entire industry.



"I thought I was about to close on my dream home, but I was tricked with an email that appeared to come from my title agent with new bank details to wire the cash to close. No one at the closing table knew what to do when it was discovered that my money never made it to the right place.

Fortunately, I found CertifID. They responded very promptly, offering support. CertifID also educated me about the process of the funds recovery, which eventually was done. Every home buyer or seller needs to be educated about this by their real estate providers."

– Luana Nan, home buyer from Salt Lake City, UT

Glossary

BEC: Business email compromise (BEC) is a type of cybercrime in which legitimate-looking communications are used to trick buyers and sellers into sharing sensitive information or hack into their systems. These communications often arrive via email, but the term now encompasses all forms of trusted communications across text, voice, voicemail, video, and social media.

Cybercrime: Illegal activities facilitated by internet and digital-based means. The Internet Crime Complaint Center (IC3) division of the Federal Bureau of Investigation (FBI) focuses on these types of crimes.

Mortgage payoff: When a borrower satisfies the terms of a home loan, usually through the sale of a home or by meeting the loan's payment terms. During a property closing process, funds are transferred from a seller's proceeds to the mortgage provider to satisfy the terms of the loan and repay the debt. This payoff amount can be different from the loan balance.

Realtors: The licensed professionals who represent buyers or sellers in real estate transactions. The term REALTOR® specifically refers to members of the National Association of REALTORS®, while real estate agents refer to a more general category. In this document, we refer to both REALTORS® and real estate agents as “realtors” for simplicity and clarity.

Recovery plan: Funds stolen through a fraudulent transaction can sometimes be frozen by a receiving bank and eventually returned to the victim. This can be a complex process involving financial institutions, law enforcement, and legal counsel. For purposes of this document, we refer to a documented step-by-step process for an individual or business to be able to react quickly should they become a victim of fraud, as their recovery plan.

Social engineering: A technique used by cybercriminals that takes advantage of human tendencies or weaknesses to obtain personal or sensitive information used to access protected systems. Social engineering relies on the human bias for trust, insofar as an incoming message will be taken at face value in the absence of specific clues or red flags. Scammers use social engineering to target real estate transactions because of the complexity of the closing process, which involves many parties and can require extremely tight turnaround times. Cybercriminals often use a sense of urgency to prey on anxious buyers and sellers.

About the Study

The consumer data in this report is from a November 2023 online survey of 650 individuals in the U.S. who had purchased or sold a property within the prior three years, with property inclusive of any residential house, apartment, condo, or land.

The proprietary data in this report is based on all CertifID services and software usage in 2023. Findings on fraud recoveries come from over 400 cases reported to CertifID by businesses and consumers not using protection software. Findings on fraud identification come from over 750k wire instructions processed by the CertifID SaaS (software as a service) platform and verification teams for CertifID software customers.

Where publicly available, non-proprietary data is used, the sources are cited as footnotes within the report.

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About CertifID

CertifID is a wire fraud protection company. Our software customers are real estate law firms and title agencies that are responsible for billions of dollars of real estate transactions annually. Our fraud recovery services primarily serve home buyers and sellers and real estate businesses, but also support consumers and businesses from other industries.

Contact us at www.certifid.com to protect your business, or for help with a fraud incident.