



# The Wire Fraud Prevention Guide

How Title Companies Can Efficiently and  
Securely Manage Their Escrow Accounts

EBOOK



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# Executive Summary

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Title companies are at a greater disadvantage today more than ever. The risk of fraud has increased exponentially in recent years with no signs of slowing down. Armed with technology and a greater understanding of wire transfers, criminals are smarter and technology has made it easier for them to access funds, making wire fraud a real problem in today's economy.


So how can title companies manage wire fraud risk while securing their escrow accounts?

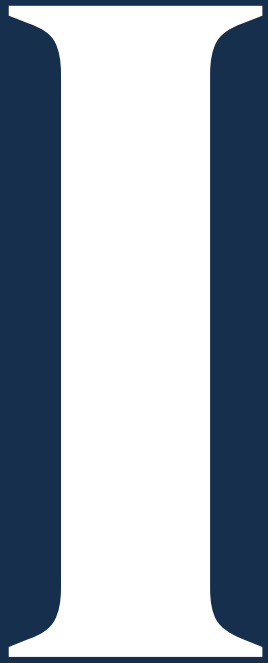
In this guide, you will learn how to efficiently and securely manage escrow funds, and build and grow a scalable, profitable, and differentiated title company. We will seek to align on a common definition of wire fraud and how wire fraud impacts title companies.

This guide will also review the costs of managing escrow deposits, how to create escrow products and services that your customers value, and how to get your customers to pay more to reduce fraud risk.

You'll also receive an overview of industry best practices within the areas of operations, technology, and workflow. This guide will provide examples of title companies that are doing a great job with mitigating wire fraud, as well as those who have completely dropped the ball.

In the final sections of this guide, you'll get advice on making the right hiring and training decisions, as well as balancing wire fraud prevention with your title company's overall profitability.





I

# Building a Successful Title Company



# What Does it Take to Build and Grow a Scalable, Profitable, and Differentiated Title Company?

A scalable and profitable title company starts with the company's culture. This isn't something you can create overnight – it takes time. It's more than doing the "title company tasks"; it's creating a culture that cultivates an incredible employee base that's invested in the title company's success.

A sustainable culture may take years to blossom within a company, but it starts with a simple principle: treat people like people, embrace their differences and create an environment where they can become the best versions of their personal and professional selves.

A great culture attracts customers and keeps them happy over time. Without that, you can't have a profitable title company. The interactions with customers and employees from leadership create the branches necessary for employees to help each other and for employees to go above and beyond for the customer. It's inertia that starts at the top and builds throughout the company.

## Laying the Foundation

Part of sustaining a great culture includes laying a firm foundation for each employee and position within the company.

This should include:

- Setting clearly defined roles
- Establishing responsibilities
- Having clear expectations
- Measuring activity

With the right steps in place, you have alignment across the entire organization and the objectives that are most important. Employees know what they have to do and why it is important. It opens the door for clear communication between leadership and employees and creates stronger relationships -- as the company strives toward a common goal.



## Setting the Rules

As you bring on new employees, it's important to remember that they may or may not come from a title background. Even if they do, they may have bad habits or habits that don't go with your workflow.

Staying mindful of this, while setting the rules upfront, creates a better atmosphere. While you set rules, though, use kindness and procedures that bridge the gap without seeming too harsh. Let new employees feel empowered, but don't neglect to define boundaries so they know what to expect.

## Measuring Everything

No matter what you implement into your title business, measure its effectiveness. This applies to every aspect of your business. If you have implemented new technology, how is it helping your company, employees, or customers? Is it effective? Does it need to be optimized to reflect changes in your business?

Data driven metrics will serve as a guide when there's a kink in the system and when things need to change. It comes down to real-time insights – you need them to make better decisions and to scale the profitability of your title company.



# III

## Wire fraud and It's Impact on Title Companies

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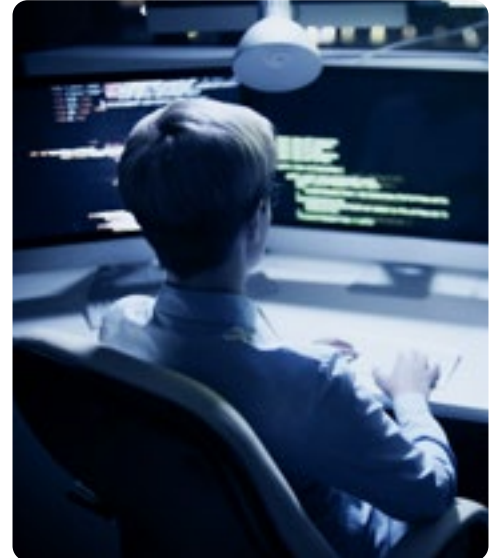


# What is Wire Fraud?

**Wire fraud, simply put, is a diversion of funds.**

Cyber criminals use compromised email accounts to position themselves at the right place at the right time to steal funds from an unsuspecting party in a transaction. The “hacker,” as we’ll call them, knows of the impending transaction and compromises an email account or steals the identity of a trusted party altogether.

The hacker then introduces fraudulent wire transfers to divert the funds, so rather than sending the wired funds to the intended person or company, they go to the hacker. This stems from the manipulation of trust between two parties. In most cases, there are no warning signs or ways for title companies to know about it up front, but there are many ways to prevent it.



## How Does Wire Fraud Impact Title Companies?

Wire fraud has three phases or effects on a title company: the primary, secondary, and tertiary effects. The primary and tertiary risk affects title companies in different ways, while the secondary risk affects involved third-parties.

### Primary Effects of Wire Fraud

Title companies typically hold closing funds received from lenders or buyers. They hold those funds and disburse them after the closing is complete. Whether they are held in a general banking account or an escrow account – they are third-party funds that are held in trust and disbursed when the transaction closes. This puts the title company holding such funds at risk of a total loss. The title company may ultimately be on the hook for the funds if they are wired to a fraudster.

Title companies have no control over the size of the wire that may be at risk, which leaves them vulnerable to substantial loss. What if the wire was worth millions of dollars? With one fell swoop, a title company could become illiquid and unable to bounce back. Without any type of risk management and insurance protection, such as the kind of [protection that CertifID offers](#), it’s a serious and primary risk.



## Tertiary Effects of Wire Fraud

The tertiary effects are somewhat able to predict the future if the title industry fails to manage the risk of wire fraud. It's an industry level risk that could sweep the feet out from under title companies if it comes true. Title companies are the custodians for all funds transferred for real estate transactions. The combination of title companies throughout the country and the sheer number of real estate transactions means trillions of dollars exchange hands.

If title companies can't handle the risk of wire fraud, regulations or other third party forces could come through that remove title companies from the custodial position. This could knock out the authority position title companies have with clients and third-parties as to the management of closing funds, changing the trajectory of title companies and their profitability.

***It all comes down to managing the risk of wire fraud to protect not only the title company itself but also everyone involved in the transaction.***





## Who Else in the Transaction is Impacted by Wire Fraud? (Secondary Effects of Wire Fraud)

The secondary risk affects other parties involved in the transaction. This includes a laundry list of businesses/ individuals that could be involved in the transaction. Think of everyone who attends a closing or plays a part in it.

All partners may be affected if funds are stolen in connection with a transfer.

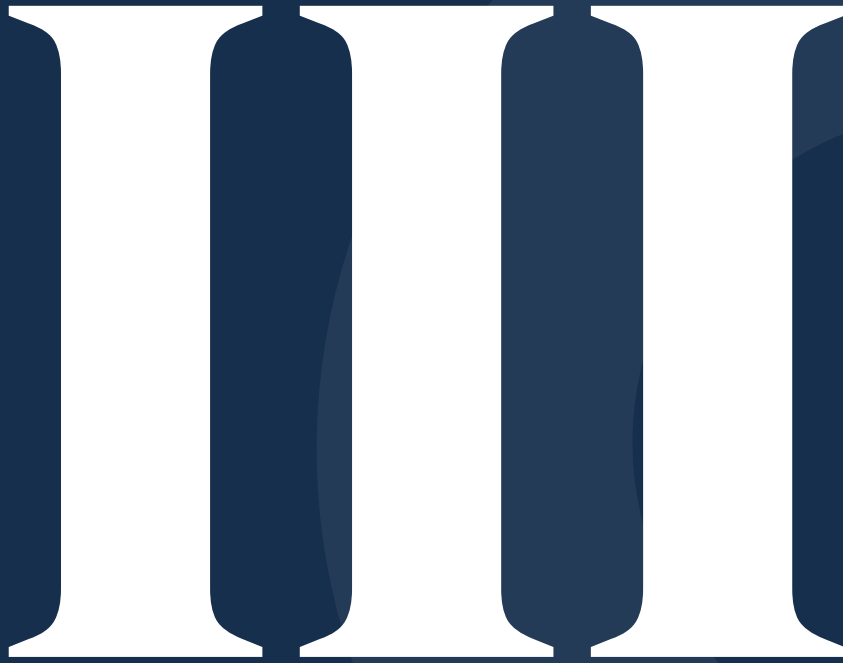
### Roles Impacted by Wire Fraud:

- ✔ Attorneys
- ✔ Buyers
- ✔ Inspectors
- ✔ Real estate agents
- ✔ Builders/Developers
- ✔ Closing agents
- ✔ Lenders
- ✔ Sellers

For example, let's say sellers or real estate agents are waiting for their funds. They did their job and now expect to be paid on or after the closing date. If the funds are intercepted because someone impersonated the title company or compromised an email, the funds are not able to be disbursed. Once the funds are gone, it's a question of who's responsible?

People don't knowingly wire the funds to a fraudster, but somehow funds ended up in the hacker's hands. Everyone is out the money, including the title company – who makes up for the loss?

Finger-pointing, blaming, and wanting answers becomes a tangled web. Everyone wants to know who or what could have prevented the issue and how it can be resolved. Eventually, courts could get involved, depending on the size of the loss. Who gets sued and who is held liable for the funds is [up to the courts](#).



# III

## Escrow Accounts & Products

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# What Does it Cost a Typical Title Company to Manage Escrow Accounts?

Every business has costs, but the costs to manage escrow accounts quickly add up for title companies. While we don't have dollar-for-dollar detail, we know why we pay fees, and it all coincides with bank costs.

## Title companies pay banking fees for some or all of the following:

- ✔ Sending wires
- ✔ Reconciliation statements
- ✔ Treasury software access
- ✔ Receiving wires
- ✔ Initiating cashier's checks

These are just the fees to manage an escrow or trust account. This doesn't take into account all the other costs title companies have just to be in business.

Those are the "hard" or "non-negotiable" costs. They are the costs of running a title company business. You still have "soft costs" including:

**Software costs:** Running a successful title company requires title production systems that work interact with the bank and third party reconciliation products. It's all about automation, which may increase the cost of technology but provide fewer fraudulent transactions and faster deposits and reconciliations.

**Human costs:** There's the cost of staff too. Technology can't do everything – there is still the need for human interaction, verifications, and answers to questions. Did someone cut the check and send it? How much cash came in? Where is the wire? These are just a few of the questions employees must answer, which means higher overhead costs to run your title company.



## How Does a Title Company Create Escrow Products and Services with Their Customers in Mind?

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Title companies are in a unique position. They service customers directly, but they are also the hub of all transactions for lenders, real estate brokers/agents, builders, appraisers, attorneys, inspectors, and anyone else involved in the transaction.

Title companies not only issue a commitment, clear requirements, and insure the marketable transfer of title, but also conduct all closing and escrow services – acting as the trusted intermediary of all parties to the transaction. Title companies take the burden off of real estate agents, builders, and lenders and manage funds disbursement for the entire transaction.

***Title companies offer a 360-degree service that handles the transfer of funds for every part of the transaction. They make the transaction seamless on all sides.***

Title companies cut the checks, pay the transfer taxes, pay off any liens, and pay the seller the net proceeds. The title company is like a one-stop-shop for all of it, rather than involving multiple parties and having more hands in the pot than the transaction can handle. With one person or company overseeing it all, the funds get disbursed faster and more efficiently.

# Will Customers Pay More to Lessen or Eliminate Fraud Risk?

As far as pricing services for customers, it comes down to what the title company can offer. Title companies that offer complete security against wire fraud may charge more for that peace of mind. Today's criminals are much smarter – they know when the transactions are occurring and how to intercept the wire. A few years ago this wasn't an issue, but now it's happening more and more often.

If a title company can scale security into its operation, it can show clients the value of its services and why these services may cost more. But a company can't put a price on security, especially when hundreds of thousands of dollars may be at risk for each wire.

It's not that the customer or the title company created the problem – there's no finger-pointing. It's just a fact of the matter that fraud is a large risk today. It's a title company's way of saying, "Hey, we know this isn't going away, and we're here to protect you."

It's a natural instinct to pay more for security or convenience, both of which title companies can offer today. Title companies deserve to be directly compensated for the risk aversion they provide – they are acting for the consumer and the third-parties wiring the funds. They are the protectors and deserve higher fees as a result.



# IW

## Preventing & Mitigating Wire fraud

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# What Best Practices Should Title Companies Adopt in Their Operations, Technology, and Workflow to Prevent Wire Fraud?

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Preventing wire fraud is a large concern for title companies, and it falls under a large number of categories, not just the overall business itself.

As far as operations, a title company must prove it has the procedures in place to prevent fraud as much as possible. Fraud isn't 100% preventable, but when a company creates the processes and procedures and documents them, it has something to fall back on.

With the right steps in place, a company can show that its employees are properly trained and that the procedures are validated constantly. It's proof that it oversees the processes and ensures the credibility of information and identification with each step, including incoming and outgoing wire transfers.

## Workflow Practices

A higher state of security may be operationalized in every title company through the implementation of proper policies and procedures. It also includes continual monitoring to ensure that such procedures are being followed on each and every transaction.

### The process means:

- ✔ How are you handling those cases where fraudulent activity is possible?
- ✔ How are you handling situations that fall outside the norm, which puts the funds at risk? Who's putting operations procedures into practice?
- ✔ What steps are to be implemented if fraudulent activity occurs?
- ✔ What is the post-incident response?
- ✔ How quickly does your personnel respond?
- ✔ Who manages the situation?
- ✔ What's being recorded when a security breach happens?
- ✔ What procedures change as a result?



## Technology

Technology is the largest piece of the puzzle. Yes, hardware and software are an investment – but they’re an investment in your title company’s profits. Without this, a company is at risk of even more fraudulent activity, as it can’t keep the criminals out.

Regular software and hardware updates, monitoring, and fraud protection are all vital to a title company’s success. Starting with technology is the key. A company may have the best-laid practices and even the most viable employees, but without the technology to back them up, it doesn’t stand a chance against the criminals.

**Technology is  
the largest piece  
of the puzzle.**

## ALTA and Why It’s Important

If the goal is to operate as a title company with industry best practices, it’s beneficial to become a member of the American Land Title Association (ALTA). Adhering to the ALTA Best Practice pillars will set a title company on a course of compliance and higher security.

The seven pillars of ALTA Best Practices cover escrow trust accounting, protecting non-public personal information, settlement processes, insurance coverage, and more. Having a third-party audit and certify compliance with the ALTA pillars puts title companies in an elite category of trust and security, showing a commitment to meet a high standard level of care and reduce risk through security protocols. If you want to learn more about ALTA, visit them [here](#).

## Title Companies Doing it Right - Identifying and Mitigating Wire Fraud Risk

It’s always a pleasure to call out the “good companies” or the companies doing things right and handling wire fraud risk the right way. They are mitigating the risks and putting a company’s integrity and profitability as a top priority.

There are a few title companies that stand out -- they do more than typical fraud prevention, and what they do, they do really well. They commit to lower risk and higher security. They communicate well both internally and externally before they move any money. They know what to look for and when not to move money if things don’t look right.



They are the companies that invest in the hardware and software along with the proper training to help everyone be on board. They protect private information, documents, funds transfers, and the entire transaction. The top title companies have staff that understands the risk of email phishing and how to manage updates in real-time, so everyone is on board when there's a threat.

### A few good companies include:

#### **Providence Title**

They quickly initiate the early communications needed to rapidly respond to issues. They use CertifID and other tools to ensure escrow accounts are protected as much as possible.

#### **JetClosing**

They leverage technology and streamline communications like no other company. They take security seriously and are one step ahead based on their technology adaptations.

#### **AmeriTitle**

They are great at perfecting communication and providing top quality customer service. AmeriTitle has the highest engagement levels in the industry, creating an amazing customer relationship.

#### **Olympic Peninsula Title**

The staff at this title company work night and day to ensure the proper and safe transfer of funds. They are continually raising the bar for the industry, ensuring that their customers get not only what's expected, but what's required to keep their funds safe.



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# Preventing & Mitigating Wire fraud

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# Examples of Title Companies Not Paying Attention to Wire Fraud Risk

We see it all the time in the news – mostly with young couples (first-time homebuyers) and older retired couples. They are nearing the closing on a real estate transaction and wire their money to the title company. Before the transaction closes, the money is intercepted, and their life savings are gone.

News stations pick up these cases all the time. They show stories of new families becoming homeless because of it and living in their parents' basement because it's all they can afford. Some even live in their cars because they have no other options.

We also see cases that affect businesses, not just consumers. Major organizations are taking note, such as The Wall Street Journal, Mortgage Bankers Association, American Land Title Association, National Association of Realtors, and the American Bar Association. They are all dedicating parts of their websites to wire fraud, how to prevent

it, and what to do if it happens. It's a real threat for consumers and businesses everywhere.



The fact that these large media and trade organizations are putting the information out there is great – they are making people more aware, and more importantly, letting the fraudsters know they are watching. While no one can 100% prevent fraudsters from doing their dirty work, and no one can predict when it may happen, the more informed we are, the better.

**Criminals are getting crafty with their skills.**

Criminals are getting crafty with their skills. Not only do they set up phishing scams, but they'll also even call consumers and get them to give up their information, as they impersonate the title company. Some even go as far as impersonating the seller to the title company. But with enough communication and awareness, title companies can stop these crimes.



# The Right Hiring and Training Decisions to Grow and Protect Title Companies

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Growing and protecting title companies is best done by hiring the right staff. We aren't talking about skills-based staff, but rather culturally-based staff members.

Look for candidates that already embody the energy of helping others and providing the company with value. Anyone can learn skills (to a certain extent), but no one can be taught how to be nice, contribute, help others, or protect a company's integrity. That's something that a person comes with and should carry throughout their lives.

Of course, you want candidates that effectively understand the title and real estate business – they need a basic understanding or the willingness to learn. But they also need the characteristics and personality that mesh well with what your company needs.

There are software programs out there that help you screen applicants for this type of character and personality. The person's character should be the main focus outside of the skills they have.

Of course, skills play a role, too – employees need the ability to handle the tasks you give them. You want a person that not only understands the title business but also has a passion for it. You want someone that wants to come to work and do their job, not just someone that's going to fill a chair just to collect a paycheck.

To make sure you get the right candidates, have multiple people interview candidates. Let everyone give their viewpoint. With multiple interviews and multiple viewpoints, you'll get to truly understand what makes a person tick – and get a feel for their abilities to do well in your organization. You want people that want to grow in the organization – to better themselves no matter their role.

It's about putting people in the right place. Just because a candidate comes from one position doesn't mean they can't try others. They may be better suited for a different position but just never have been given a chance. Maybe you are the company/person that will give them that chance.

Hiring for culture, with skills second, grows and protects your company. It helps prevent fraud, gives you more "eyes" to watch out for wrongdoing, and ultimately helps your title company grow.

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# W

Staying Profitable

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# Can Too Much Wire Fraud Prevention Hurt Profitability?

Simply put, there is no such thing as too much wire fraud protection. While it may cost money for the infrastructure and/or overhead, it's what keeps your doors open. It's not a question of who is going to do what; it's a question of "can my doors stay open if a wire gets intercepted"?

It's about [sustainability](#). Before CertifID, there was no way to adequately insure against wire fraud – it all comes down to the risk you take and what protections you have in place to prevent it. When a wire is lost, the company has no choice but to replenish it – it is on the hook. If it doesn't, the doors close – it's that simple.

It comes down to protecting everyone vested in the process – the clients, the third-parties, and the company. To prevent a loss in profitability, steps must be taken to protect the company; otherwise, there is a risk of being forced to close its doors after even one case of fraudulent activity.



## Protecting everyone vested in the process

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# WVI

It's Time to  
Take Action

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## The Bottom Line

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The risk of wire fraud is real, and if not handled appropriately and immediately, it can cause a title company to have to close its doors. It's not a topic anyone likes to think about, but if you want to remain profitable and sustainable, wire fraud prevention should be at the forefront of every company's decisions today and every day.

This guide has explored how to efficiently and profitably manage escrow deposits, as well as how to build and grow a scalable, profitable, and differentiated title company.

You've seen how wire fraud impacts title companies and learned about the costs of managing escrow deposits, how to create escrow products and services that your customers value, and how to get your customers to pay more to reduce fraud risk.

You have received an overview of best practices with operations, technology, and workflow. Also, you saw some examples of title companies that are doing a great job with mitigating wire fraud, as well as those who have completely dropped the ball.

In the final sections of this guide, you learned about making the right hiring and training decisions, as well as balancing wire fraud prevention with your title company's overall profitability.

## Take the Next Step

If you're serious about preventing wire fraud from potentially threatening the viability of your title company, time is not on your side. The bad guys and hackers aren't procrastinators, so you can't afford to be either.

Schedule your free wire fraud prevention consultation now with CertifID. And find out how you can start protecting your title company from wire fraud today.

[SCHEDULE YOUR FREE WIRE FRAUD PREVENTION CONSULTATION](#)

# About the Author



**Thomas W. Cronkright II**  
**Co-founder and CEO, CertifID**

Tom is a co-founder of CertifID, the real-time identity platform for real estate, mortgage, and title industry professionals to authenticate parties in a transaction and securely transfer bank account information. He and his business partner, Lawrence Duthler created the solution in response to a fraud incident they experienced in 2015 and the accelerating instances of fraud in real estate transactions. He is a licensed attorney and frequently speaks on cyber fraud, real estate, and financial topics as an award-winning business leader.

Tom also co-founded Sun Title. Over the past fifteen years, Sun Title has grown into one of the largest commercial and residential title agencies in Michigan and has been recognized as an Inc. 5000 company for five consecutive years, 101 Best and Brightest Companies to Work For, and 50 Businesses to Watch in Michigan.





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