



Process Improvement

Looming Wire & Identity Fraud Crisis

The mortgage industry right now is facing what I call a wire and identity fraud crisis of epic proportions, and it continues to get worse.

By Tony Garritano

Regina Lowrie, CMB, president and CEO of Dytrix, a provider of financial transaction security technology, discussed the growing problem of wire and identity fraud at the mortgage closing table.

“The mortgage industry right now is facing what I call a wire and identity fraud crisis of epic proportions, and it continues to get worse,” Lowrie told David Lykken, host of Lykken on Lending. “Our industry is at the heart of wire and identity fraud because we have so many parties involved in one real estate transaction.”

Citing FBI statistics, Lowrie said there were an estimated \$90 billion in fraud attempts between 2016 and 2019 and a projected \$18 billion in at-

tempted to bitcoin. The money then leaves the country and is rarely recovered.

Making matters worse, Lowrie said, is the fact that lenders are not covered for sending loan proceeds to the wrong account under the Closing Protection Letter (CPL) or errors and omissions (E&O) insurance. What’s more, if the lender did have cybersecurity insurance, many companies don’t realize there is a provision in these policies that says

When the consumer goes to the closing table and all the money isn’t there, they lose their down payment and the ability to complete the home purchase. It’s really a travesty.

tempts so far in 2019. Yet despite these unrelenting attacks, coupled with significant reported losses, many companies are doing little to nothing to validate wire transfers between lenders, closing agents, consumers and other transaction parties, she said.

In the typical wire fraud scheme, Lowrie said, cybercriminals will hack into email communications between lenders, closing agents and consumers, following a real estate transaction up to the closing table. Then, before closing, criminals will send a deceptive email to the lender that looks like it comes from the closing agent, instructing the lender to wire closing funds to a bogus bank account. After the criminal receives the funds, they are immediately con-

verted to bitcoin. The money then leaves the country and is rarely recovered.

Lowrie, a former chair of the Mortgage Bankers Association (MBA) with more than 40 years of executive leadership in the mortgage industry, launched Dytrix earlier this year to help lenders and closing agents leverage technology to manage closing agents and mitigate the risk of wire fraud.

Dytrix provides financial institutions with a real-time SOC2-compliant web-accessed platform for wire/ACH transfer validation and closing agent management.

The Dytrix platform enables the mortgage lender to fully manage all closing agent risks, including agent due diligence, as well as confirm routing and bank account numbers, email identity and other risk indicators. ❖

Tony Garritano is chairman and founder at PROGRESS in Lending Association. As a speaker Tony has worked hard to inform executives about how technology should be a tool used to further business objectives. For over 10 years he has worked as a journalist, researcher and speaker in the mortgage technology space. Starting this association was the next step for someone like Tony, who has dedicated his career to providing mortgage executives with the information needed to make informed technology decisions. He can be reached via e-mail at tony@progressinlending.com.