



MEMO

FROM: Underwriting Department

DATE: December 24, 2014

**TO: All New Jersey and Pennsylvania Policy Issuing Agents of
WFG National Title Insurance Company**

SUBJECT: NJ Real Estate Closing Scheme - Cybersecurity

The recent cyber- attack on a Hollywood movie studio has propelled cybersecurity to front page attention this holiday season. A cyber-security breach is also a major threat to the real estate and settlement service industry.

WFG has been in the forefront of the title industry providing information and guidance for the prevention of embezzlement and the protection of non-public personal information. WFG Underwriting has issued National Bulletins on these issues; Agency has provided agents with a Compliance Management System; and Compliance issues updates on current issues through its publication The Fourth C.

The American Land Title Association shares WFG's concern with this threat and has promulgated Best Practice Standard Number Two:

Adopt and maintain appropriate written procedures and controls for Escrow Trust Accounts allowing for electronic verification of reconciliation. These procedures are designed to protect and safeguard escrow funds. Transactions are conducted by authorized employees only. Only those employees whose authority has been defined to authorize bank transactions may do so.

Now just in time for the holiday season, the Morris County NJ prosecutor has issued a warning about cyber- attacks on real estate trust accounts in New Jersey.

December 17, 2014

REAL ESTATE CLOSING SCHEME

Prosecutor Fredric M. Knapp is issuing an alert to the members of the Morris County Bar Association regarding a Real Estate Closing Scheme - involving e-mailed wiring instructions for banking transactions. Because of the sophistication of the scheme, the large dollar amounts involved in each intrusion and the impact this scheme could have on victims, Prosecutor Knapp asks that extra vigilance and precautions be used in all real estate transactions.

The scheme involves a cyber-hack into an attorney's e-mail account and may be the work of an organized overseas group that is recently targeting lawyers, realtors and/or title agencies. Shortly before the closing takes place, hackers pose as a participant in the transaction and initiate instructions for a fraudulent funds transfer. This is done by changing the wiring instructions, or by cancelling requests for certified funds and

requesting wired funds to an account they control. The false wiring instructions direct the funds to an account in a financial institution where the hacker can immediately re-transfer the money to an untraceable overseas account.

All attorneys and closing agents should initiate precautions against this scheme. Closing agents should consider a two-step verification system with their clients to be used to authenticate any monetary transactions. For example, monetary instructions should be confirmed by voice. Passwords should also be changed frequently and company issued e-mail accounts with firewalls and virus protection should be considered over free e-mail providers.

Prosecutor Knapp urges anyone who has information on this scheme to report the information to the Financial Crimes Unit of the Morris County Prosecutor's Office at 973-285-6200.

WFG urges all agents to review their systems and procedures to protect personal and financial data as well as access to escrow funds. If you have any questions, please contact your WFG Agency Representative.

Let's be careful out there!

NOTE: This Bulletin is intended for use by title issuing offices, title insurance agents and approved attorneys of WFG National Title Insurance Company and any reliance by any other person or entity is unauthorized. This bulletin is intended solely for the purpose of underwriting policies of WFG National Title Insurance Company.