

FundingShield Q4 2023 Fraud Analytics Show Record High Risk for Wire & Title Fraud

Wire & Title Fraud Risk Hit Record Highs in Q4 2023 with 51.8% of loans at risk. First American & Fidelity Title Cyber Events Increased Focus on Risk Controls

NEWPORT BEACH, CALIFORNIA, U.S.A., January 17, 2024 /EINPresswire.com/ -- Wire and title fraud risk reached all time highs for Q4 2023. With 51.8% of loans in Q4 2023 having at least one risk issue. This is a ~5% rise from Q3 2023.

Quarterly Data:

[During Q4 2023](#) 51.8% percent of transactions on a \$61bn portfolio had issues leading to a risk of wire & title fraud. On average, problematic loans had 2.2 issues per loan indicating the lack of appropriate controls by closing agents to identify and fix issues.

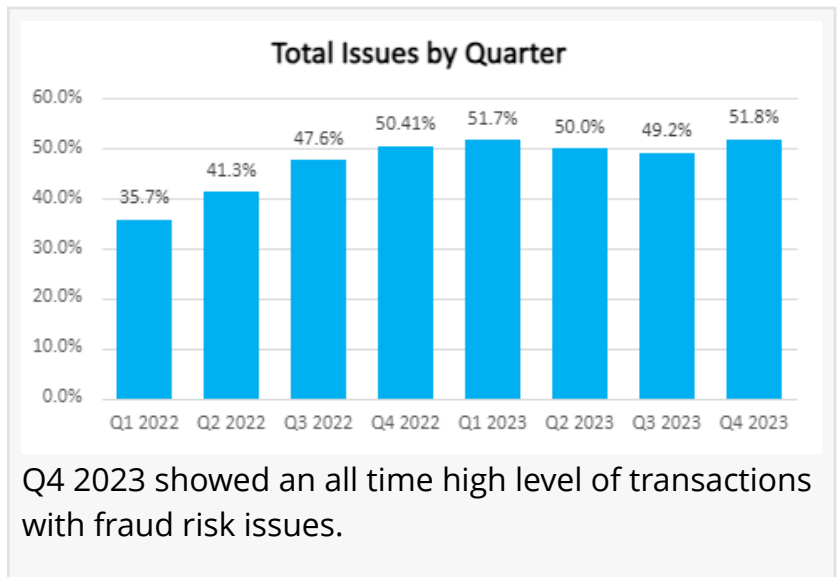
Q4 typically is the highest risk quarter of the year for fraud as evidenced by our reports in each of the last 3 years. Q4 of 2023 was no different with higher-than-average findings across wire related issues, CPL and CPL Validation / agent registration issues reaching near all-time peak levels. CPL issues were found on 49.23% of transactions, CPL Validation issues at 7.6% of transactions and Wire risks on 8.45% of transactions. This increase highlights ongoing cybersecurity challenges such as Business Email Compromise (BEC) events and phishing attacks. Additionally, cyber security events at Fidelity and First American created the perfect storm for social engineering attempts by bad actors to impersonate and deploy numerous other schemes to seek the rerouting of funds.

Analytics Q4 vs Q3 2023:

- ~30% increase in the rate of errors per loan as compared to Q3 2023



- 22.28% increase in CPL related issues since last quarter
- 33.67% increase in Wire related issues since last quarter
- 78.48% increase in license related issues since last quarter
- CPL Validations, agent good standing, issuance limits or title file order registered in title insurer systems had a 35.85% increase Q4 vs Q3 2023.



Increasing Fraud and Cyber Security Risk in the Market:

As reported by FundingShield, the trend of 2022 vs 2023 showed increases in risk and fraud across the board of all risk categories. The Holiday season (Q4) is the peak for cyber security fraud attempts annually. This year Q4 featured 2 of the top 4 title insurance firms being subject to cyber security events where their email and communication channels, applications and data verification systems were taken offline. These events took weeks to resolve during the Thanksgiving and Christmas holidays.



Q4 was a challenging period on the risk front for financial services, mortgage, and real estate firms where more sophisticated cyber security events have taken place.”
Ike Suri, CEO of FundingShield

Ike Suri, FundingShield's CEO commented, “Q4 was a challenging period on the risk front for financial services, mortgage, and real estate firms where more sophisticated cyber security events have taken place. We saw the challenges created by the Fidelity National Financial and First American Title Cyber events prompted lenders’ risk & compliance, operations, funding & accounting teams to

address the impact of bank closures, widespread technology or data outages and preparing for those challenges today. Communication, validation, verification, and system deficiencies propagated highlighting a lack of readiness. These intentional acts of cybercrime create financial losses within impacted firms but also threaten the enterprise valuations of listed public firms. This creates additional motivation for short players or parties who are looking to express their negative view in free markets.”

Increased Geopolitical risk, aging technology applications that have gaps in security updates being patched, and an availability of AI driven tools to deploy attacks have added to the arsenal of cyber criminals attacking the mortgage and title space.

FundingShield was able to help [provide clients with customized workflow solutions](#) and a precise view into the risk at the loan level for impacted transactions. This enabled clients to make better funding and closing decisions in real time leveraging live data versus other approaches focused

on providing risk reports confirming permissions to licensing or authority based on stale information. First American Title created an additional consideration for lenders and investors given their Trust Bank employees could not confirm and communicate the status on wired monies.

Ike Suri shared, "We are in the trenches, holding hands with our client's loan by loan. Our \$5mm per transaction coverage is providing increased value in line with the rise in the risk environment. We have been speaking to COOs, CISOs, CFOs, heads of Capital Markets, and treasury on the need for funding controls as part of their Cybersecurity Defense and readiness as auditors or investors ask for evidence of a plan. We see this trend translating in tech driven solutions to manage payment risk, vendor selection, ongoing monitoring of service providers and more."

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