

Are Your Trust Accounts Protected?

by Todd Murphy, SVP — Finance

In recent years, many attorneys have been targets of trust account scams established through email, typically involving an intricate scheme using documentation that appears to be genuine and often refers to legitimate companies.

Nowadays, real estate attorneys must vigilantly defend their trust accounts against many types of fraud risks. One common scheme in particular is aimed directly at attorney trust accounts. The scenario begins with an attorney receiving an email from a potential client seeking local representation to settle a collection against a debtor party located in the

attorney's local jurisdiction. The fraudster offers the attorney the opportunity to earn a fee contingent upon successful closing and typically includes a signed engagement letter to make the transaction appear legitimate. Often, the documentation sent to the attorney is on official-looking letterhead and includes email addresses, a physical address, a website address, telephone numbers, company names, and the names of real people who are recognizable and appear legitimate.

Usually within a day or two, the fraudster follows up with a second email notifying that the

closing date has been reached, and that the debtor will be sending a certified check to the attorney to cover closing costs. The second email directs the attorney to deduct his fees for administering the closing and to wire the remaining funds to a designated bank (typically an international one) and account number.

Upon receiving the certified check, the attorney does as directed and deposits the money into the trust account, initiates the international wire, and deposits the contingent fee into the operating account. The money is delivered to the scammer and the file appears to

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be closed; however, a few days after depositing it, the certified check is returned by the bank to the attorney as bad or counterfeit. The wired funds are now long gone, of course, and cannot be retrieved. The bank puts the attorney on notice that he is responsible for replacing the wired money with legitimate funds.

While scams like this and others are prevalent today, there are things you can do to protect your business:

- Be suspicious of emails from clients you do not know
- Avoid acting quickly to wire funds
- Evaluate checks and certified checks carefully

and/or have bank review suspicious checks

- Call to confirm parties on each matter
- Avoid email links through websites
- Avoid international wires
- Keep proper insurance coverage (E&O, Cyber, Surety/Fidelity)
- Reconcile accounts daily to monitor for fraudulent activity
- Encrypt email
- Keep anti-virus and phishing filters updated

While doing all of these things can seem overwhelming, Investors Title offers services that can help you with protecting your trust accounts.

Investors Title offers iTracs[®], a trust account reconciliation service. This service helps you better manage your accounts on a daily basis which can help avoid costly mistakes and fraud while saving you time and money. For more information, please contact itracs@invtitle.com or visit www.invtitle.com/itracs.

To help with other email encryption, insurance coverage, and compliance services, Investors Title offers its VIP program to connect you with vendors who can help you run and protect your business at pre-negotiated volume pricing. In addition to fraud-related services, VIP offers discounts on shipping, office supplies, and travel. Learn more at: www.invtitle.com/vip.

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- Audit assistance
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itracs@invtitle.com | 800.326.4842 | invtitle.com