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New Jersey Department of Banking and Insurance Urges the New Jersey Mortgage Services Industry to Guard Against Wire Transfer Fraud

TRENTON – Department of Banking and Insurance Acting Commissioner Marlene Caride today issued a bulletin that alerts banks, mortgage lenders, real estate licensees, consumers and small businesses involved in mortgage loan transactions of the prevalence of fraudulent schemes to divert funds transferred by wire. The bulletin also provides guidance for financial services companies on recommended precautions to take that will make fraudulent fund diversion schemes more difficult by making these important transactions harder targets.

“There are many versions of wire fraud that pose financial threats to firms conducting mortgage loan transactions, as well as the consumers and small businesses they serve,” said Acting Commissioner Caride. “They all share one unfortunate result: the funds diverted through these criminal acts are nearly impossible to recover. The purpose of today’s bulletin is to remind those New Jersey firms involved in wire transfers to take every step necessary to protect small business owners, consumers and themselves against this constantly evolving fraudulent threat. These industries handle millions of dollars in wire transfers every day in connection with mortgage loans and taking precautions to safeguard these transactions should be a high priority.”

Wire transfer scams generally involve several types of business email compromise (BEC) techniques that alter normal wiring instructions to divert funds from the intended recipient to a stranger. Fraudsters may use social engineering or computer intrusion techniques, such as malware and phishing. Perpetrators will target weakly guarded transactions with sophisticated hacking mechanisms. For example, a common scheme involves a buyer receiving an email from an address nearly identical to the closing agent’s that includes a plausible subject line that advises of a “wiring change.” When the buyer complies, the funds are wired to a scammer who is typically overseas and extremely difficult to track.

Acting Commissioner Caride asks companies to consider precautions that will make their wire transfers less vulnerable by: closely verifying email addresses, avoiding web-based email and follow a strict business protocol for confirming the validity of wire transfer instruction changes. She also recommends companies verify fraud resistance steps and wiring procedures taken by third-party service providers, particularly closing agents, and to be able to spot any suspicious variations in wire transfer activity.

To read the bulletin, go to: http://www.state.nj.us/dobi/bulletins/blt18_04.pdf

Consumers may file an incident report with the New Jersey Cybersecurity & Communications Integration Cell (NJCCIC) at www.cyber.nj.gov, or may make an inquiry or file a complaint with DOBI by calling 1-800-446-7467 or 609-292-7272.

To read more information on filing a complaint with the Department, or to file a complaint in writing or electronically, consumers can go online at www.state.nj.us/dobi/consumer.htm.

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