



Fortify Your Business: Six Easy Ways to Lock Down Data and Protect Funds

American Land Title Association
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Fortify Your Business

- **Speakers**

- **Vincent Cassidy**, president, Majesty Title Services
- **Chris Gulotta**, founder, Real Estate Data Shield
- **Thomas Linehan**, national director, commercial banking, Citibank
- **Dick Reass**, chief executive officer, Rynoh Live
- **Bud Walder**, vice president, DataMotion



Fortify Your Business

- **Regulatory Environment**

- Lenders Liable for Acts
of Third-party service providers

- This includes all parties involved in the transaction

- Title agents, escrow companies, closers, notaries

- ALTA's Best Practices

- Pillar No. 2

- » Focuses on protecting client funds

- Pillar No. 3

- » Focuses on protecting client non-public personal
information



Consumer Financial
Protection Bureau



Fortify Your Business

- **Title Company Held Liable for Fraudulent Wire Transfer**
 - \$440,000 transferred from trust account in 2010
 - Company declined bank's dual control safety feature password to initiate unauthorized wire transfers
 - In June, court held title company liable for loss and ordered to pay bank's legal fees



Fortify Your Business

- **Email Fraud Scheme**

- Targets consumers and steals earnest money
- Fraudsters intercept email from title agencies and alter bank account information
- Borrowers receive bogus emails from title agency providing wire information to transmit money
- Hackers monitor email traffic to learn timing of deal
- Attack could be used to misdirect funds by any party involved in the transaction



Fortify Your Business

- **Need More Examples?**
 - In March, a Texas bank sues an escrow firm to recover \$1.6M in fraudulent wire transfers
 - Escrow company in California files a lawsuit against a bank to recover \$1.1M lost in 2013 cybercrime
 - Last year, a malware targeted a title agent's settlement software, but anti-fraud software prevented \$300,000 loss



Fortify Your Business



- **Cyber Threats will Only Increase**
 - Reported security incidents rise 48 percent from 2013
 - Average financial loss per incident: \$2.7 million



Fortify Your Business

Don't Be This Guy





Fortify Your Business

- **Six Items to Protect Your Business and Your Customers**
 1. Document Destruction, Storage
 2. Positive Pay with Payee Match
 3. Only Disburse Collected Funds
 4. Wire Procedures
 5. Cyber Insurance
 6. Email Encryption





Fortify Your Business

- **Document Destruction/Document Storage**

- Implementing a Compliant Records Management System

- **Document Destruction:**

1. Should include all media (print & digital)
2. Consider a shred-all policy
3. Ensure network printer hard-disks, all other hard-disks and back-up drives are properly destroyed
4. Locked on-site bins for documents
5. Regular pick-up and destruction of bin contents
6. Choose a destruction company carefully
7. Does your provider: (i) assess your destruction practices and needs & provide guidance; (ii) undergo their own compliance reporting; and (iii) have a barcode tracking for locked on-site document bins.



Fortify Your Business

- **Document Destruction/Document Storage**

- **Document Storage**

1. Choose your service provider carefully
2. Conduct an on-site inspection of their facilities and security practices and review their privacy/security measures
3. Does your provider conduct background checks on personnel, use security camera's, disburse your files throughout their facility(s), etc?
4. Does your provider undergo their own compliance validation?
5. Can they document the chain of custody?
6. Do they index & retrieve at the box, file and document level?
7. Do they have 24/7 security and adequately protect from fire or flood threats?
8. Can they image, index and destroy docs?



Fortify Your Business

- **Positive Pay**

- Payee Match

- Check date
- Check #
- Dollar amount
- Payee

- Default Decision

- Decision cut-off time for unmatched items
- Pay or do not pay options
- DO NOT PAY

1,200,000 fraudulent checks each day = \$20 billion a year



Fortify Your Business

- **Only Disburse Collected Funds**
 - Good funds – settlement definition only
 - State legislation defines (most states)
 - Collected funds – Federal Reserve regulation CC
 - Available funds or collected funds
 - Available funds can be withdrawn by bank
 - Collected funds irrevocably credited
 - Checks easily forged
 - Why would you accept anything other than a wire?



Fortify Your Business

- **Wire Procedures**

- Follow NACHA and FBI guidelines
- Strong authentication
- Dual controls
- Administrative controls
- Ability to limit functions
- Freeze files
- Segregation of duties
- Daily reconciliation





Fortify Your Business



- Dedicated stand-alone computer
- Banking only use
- No Java – No Adobe – No Flash
- Malware protection
- Automatic updates
- Dual authentication



Fortify Your Business

- **Protect Your Company Against Attacks**
 - Don't open email from unknown sources
 - Never respond to a suspicious email or click on any hyperlink embedded in a suspicious email
 - Call the purported source, if you are unsure who sent the email
 - If the email claims to be from your bank, call the bank's customer services group
 - Never provide confidential banking credentials over the Internet
 - Account numbers
 - Personal IDs
 - Passwords
 - PINs



Fortify Your Business

- **Regular email is unsecure**

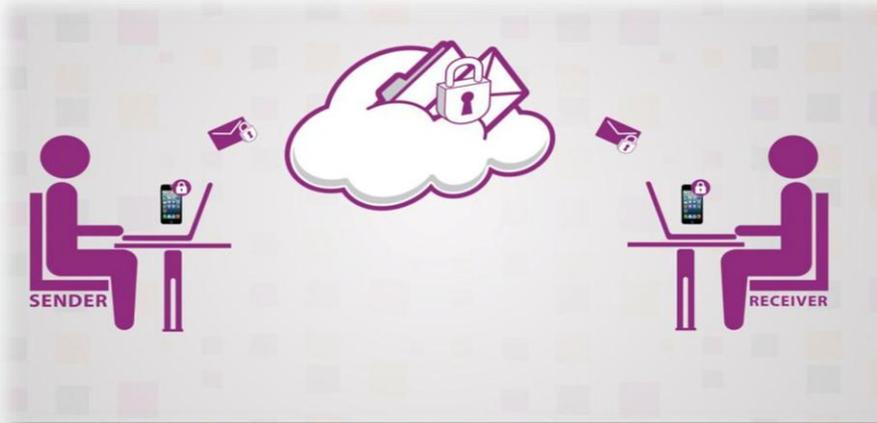
- Travels the open internet on its way to the recipient inbox
- Many server to server 'hops' along route
- Content is viewable and can be stolen - without your knowledge
- Like sending private information on a postcard





Fortify Your Business

Protects against data breach and fraud



"Encryption works. Properly implemented strong crypto systems are one of the few things that you can rely on."

Edward Snowden

[Email Encryption Works Against the NSA](#)

- Use compliance grade encryption solution
- Cloud-based services
- Policy gateway services
- Secure from desktop to desktop to mobile
- High availability/disaster recovery



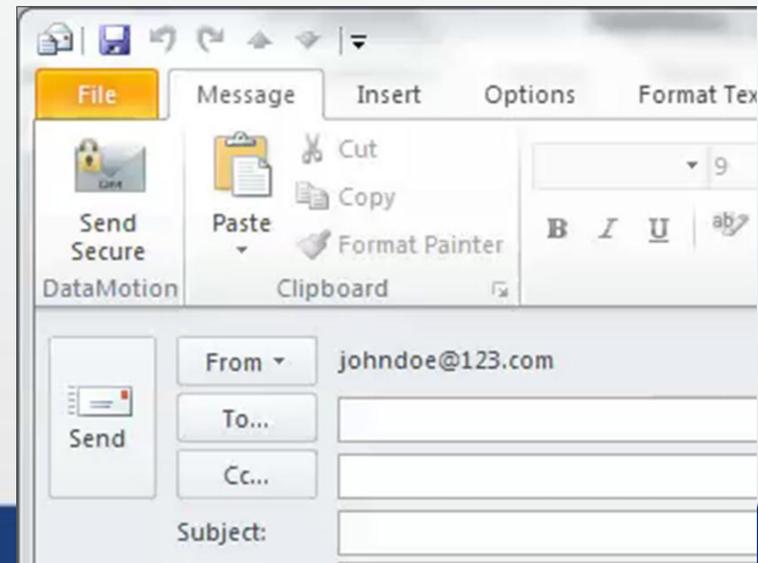
Fortify Your Business

Email Encryption Supports ALTA Pillar #3

Use secure delivery methods when transmitting NPI!

- Non-Public Personal Information
 - Social Security number
 - driver's license number
 - credit card number
 - other financial account number
- Title documents containing NPI
- Secure Electronic Delivery Solutions
 - Selective Email Encryption (Desktop)
 - Automatic Email Encryption (Policy Gateway)
- Challenges?

**Transmit Non-public
Personal Information
Securely**





Fortify Your Business

• **Cyber Insurance**

- Lenders increasingly requiring this coverage
- Covers costs associated with forensic experts to identify:
 - source of breach, client notifications, crisis management, credit report monitoring, regulatory fines and penalties, legal costs, liability claims and remediation costs
- What to look for when selecting an insurance provider
 - Experienced in real estate transactions
 - A quick response team or philosophy



Fortify Your Business

- **Cyber Insurance**

- Policies should cover

- First party (remediation, cost of notification, fines, penalties, cost for credit monitoring)
 - Third party (claims for negligence)
 - Fines, penalties and other regulatory expenses and rouge employee damages

- Lender client protection

- If there is a security breach and data is compromised, lender will be brought into the crisis
 - Lenders, other institutional clients and business partners will be comforted knowing you have this insurance in place to cover potential remediation and other costs



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Questions?



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- **Additional Information and Resources**

- www.alta.org/bestpractices