Check Fraud in the Title Industry: Why Banking With the Right Partner Matters

Description



This article was authored by Jessica Sinnott and Robert Pleasants of Old Dominion National Bank. While White Acre Title is the fabricated name of a title agency this narrative was a very accurate depiction of a real-life instance of check fraud in our industry.

The news spread through the office of White Acre Title like wildfire. â??Theyâ??ve been sending out fake checks!â?• Whispers filled the hallways, a mix of disbelief and fear. The company, known for its solid reputation and meticulous processes, had become the unwitting accomplice in a brazen scam.

It all started with a seemingly innocuous email, a phishing attempt targeting an employee in the accounting department. The email, cleverly disguised as legitimate communication from a trusted vendor, contained a malicious link. The unsuspecting employee, believing it to be genuine, clicked the link, unknowingly unleashing a Trojan horse into the companyâ??s secure network.

The malware, designed to evade detection, lay dormant for weeks, silently observing and learning the companyâ??s systems, processes, and vulnerabilities. It mapped out the check printing software, the authorization protocols, and even the signature templates of key personnel. Then, it struck.

The scammer, now in control of the companyâ??s check printing system, began generating fraudulent checks. These checks, bearing the companyâ??s logo, account information, and even forged signatures, were sent to unsuspecting victims across the country. The checks were often accompanied by convincing emails or letters, requesting payment for fictitious services or goods.

The victims, believing the checks to be legitimate, deposited them into their accounts. The scammer, relying on the delay between deposit and verification, would then quickly withdraw the funds before the banks realized the checks were fake.

The scheme went undetected for weeks, as the fraudulent checks were cleverly interspersed with legitimate payments, making them harder to spot. It wasnâ??t until a vigilant bank teller, noticing a discrepancy in one of the checks, raised the alarm that the scam began to unravel.

The discovery sent shockwaves through White Acre Title. They immediately launched a full-scale investigation, working with law enforcement and cybersecurity experts to identify the extent of the breach and the source of the malware. The investigation revealed that the scammer had managed to siphon off a significant amount of money, leaving a trail of victims and a tarnished reputation for the title company.

White Acre Title took immediate steps to contain the damage. They contacted all affected clients, banks, and authorities, offering support and cooperation in the investigation. They also implemented stricter security measures, including enhanced email filtering, multi-factor authentication, and mandatory cybersecurity training for all employees.

The incident served as a harsh lesson for White Acre Title. It exposed the vulnerability of even the most secure system to sophisticated cyberattacks and highlighted the importance of constant vigilance and adaptation. The story became a cautionary tale for the entire title industry, prompting other companies to review their own defenses and invest in stronger protection against the ever-evolving threat of cybercrime.

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Check fraud is a growing threat to businesses across industries, and the title industry is no exception. As title companies handle large sums of money daily, they are prime targets for fraudsters.

To combat this risk, it is crucial for title companies to bank with a financial institution that understands the nuances of their business and offers essential fraud prevention tools, such as Positive Pay.

The Growing Threat of Check Fraud in the Title Industry

Check fraud is one of the most common types of financial fraud, with criminals using methods such as:

â?¢ Counterfeit Checks â?? Fraudsters create fake checks that appear to be from a legitimate title companyâ??s account.

â?¢ Altered Checks â?? Criminals steal genuine checks and alter the payeeâ??s name or amount.

â?¢ Stolen Checks â?? Checks intercepted in transit can be fraudulently deposited or cashed.

â?¢ Forged Signatures â?? Unauthorized individuals sign checks to withdraw funds illicitly.

Because title companies handle high-value transactions, they are lucrative targets. Fraudsters often exploit weak security measures, outdated check issuance processes, or a lack of monitoring.

The Importance of Banking with an Industry-Savvy Financial Institution

Not all banks understand the unique risks faced by title companies. A banking partner familiar with the title industry can provide:

â?¢ Tailored Fraud Protection Measures â?? Banks experienced in working with title companies recognize their susceptibility to fraud and offer proactive solutions.

â?¢ Dedicated Support â?? A knowledgeable banking partner provides quick responses to fraud incidents, minimizing potential losses.

â?¢ Compliance Assistance â?? Title companies must adhere to strict financial regulations; a bank with industry expertise can ensure compliance with best practices.

Without a bank that understands these challenges, a title company may struggle to detect fraudulent activity before it causes financial harm.

How Positive Pay Helps Prevent Check Fraud

Positive Pay is a powerful fraud prevention tool that allows title companies to maintain greater control over their check payments. Hereâ??s how it works:

1. Submission of Issued Checks â?? The title company provides the bank with a list of authorized checks, including check numbers, amounts, and payee details.

2. Bank Verification â?? When a check is presented for payment, the bank compares it against the list provided by the company.

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3. Exception Handling â?? If discrepancies are found (e.g., altered amounts, unauthorized payees), the bank alerts the title company before processing the transaction.

4. Approval or Rejection â?? The title company can approve or reject flagged checks, preventing unauthorized payments.

Positive Pay significantly reduces the risk of check fraud by ensuring that only legitimate transactions are processed.

The Bottom Line

Title companies cannot afford to take check fraud lightly. The financial and reputational risks are too high. By choosing a bank that understands the title industry and offers robust fraud prevention tools like Positive Pay, companies can protect their assets and maintain the integrity of their transactions. Your financial securityâ??and the trust of your clientsâ??depends on it.



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Jessica joined Old Dominion National Bank in January 2024 as a part of our Fiduciary Bank â?? Title & Escrow Division. Jessica is responsible for growing business in the title industry on a national level. With over two decades of title and escrow banking experience Jessica is a very experienced banker. Throughout Jessicaâ??s career she has built a reputation of expertise in the ever evolving title industry.



Robert Pleasants
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While somewhat new to the world of banking Robert Pleasants comes to ODNB with 25 years of experience in the title industry. Robert, with his partner Daniel Morris, founded ReQuire Release Tracking in 2002 and was their COO until the companyâ??s acquisition in 2014. One year later Robert joined Dick Reass and RynohLive as Chief Strategy and Growth Officer and held that role for eight and half years. Robert joined the title division at ODNB to provide his vast knowledge of title and technology to the bank and its agent clients.

Category

1. Cybersecurity
2. Uncategorized

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