

2015 SCAM ALERT #2

The North Carolina State Bar has received multiple reports of fraudulent activity relating to wired funds in real estate transactions, with losses as high as \$200,000.

In connection with one of those transactions, which occurred on a Friday, a law firm received an email and a phone call from a woman purporting to be the out-of-state seller, asking the firm to wire funds to her bank account. On Monday the firm discovered that the seller's email had been compromised and that the funds had been wired to a hacker. The firm's attempt to reverse the wire was unsuccessful.

That law firm had two-level authentication practices in place to protect against fraudulent wires, but the hacker evaded those protective measures by emailing and calling the firm to confirm the wiring instructions. The hacker gained access to the email account of one of the parties to the transaction and ascertained the information necessary to assume the identity of the seller.

Another defrauded firm reported that the email address of the hacker was different from the actual seller's email address by one letter.

This scam underscores the need to be vigilant when communicating with clients and third parties via email. As noted by the North Carolina Bar, lawyers can protect against this type of scam by initiating the call to confirm a transfer and by utilizing the party's phone number in the firm's records rather than a number in the email.

Finally, this scam highlights the importance of reviewing your firm's wire transfer procedures to confirm that they provide adequate safeguards to detect and prevent wire fraud.

If your firm has been the subject of a similar wire scam, please contact Mary Hoeft Smith, OLR Trust Account Program Administrator, at 877 315-6941 (Option 2).