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Why you should trust that feeling in your gut when sending a wire transfer - by Jason Doshi

October 22, 2021 - Spotlights



Jason Doshi
paymints.io

You've worked hard, saved up your 20% down payment, and found the perfect place. You're finally ready to buy a house. Except, you are about to embark on a journey of numerous, tedious transactions: writing personal checks, sending a wire transfer, and even visiting your bank to issue certified cashier's checks. When it comes time to close on your home and with cash to close in hand (or in this case, in the bank), you will likely make one of the largest transactions of your adult life.

How you make that transaction—and every other one in between—is extremely important, both for the safety of your money and the legitimacy of the transaction. Many home buyers come across the same dilemma when purchasing a new home: finding the safest, most acceptable way to transfer money.

What Is a Wire Transfer? A wire transfer is a way to send money from one person to another using either your bank or a provider such as Western Union or TransferWise. A bank-to-bank wire transfer typically takes place using the SWIFT or Fedwire networks and can be sent either domestically or internationally. Traditionally, wire transfers are thought to be the easiest and safest way to quickly send money to someone else. Domestic transfers take as little as a few hours to process and include very high limits. This aspect of wire transfers makes it a standard solution for paying closing costs when buying a home.

The Dangers of a Wire Transfer: When sending large sums of money, there is nothing more important than ensuring your money is safe.

Consider, for a moment, the type of information that exists on a single paper check. Your name, address, phone number, bank account, and routing number all appear on every check you write (or don't write). NACHA advises consumers to consider your bank account and routing number as highly sensitive information, much like your social security number. Handing it out as a paper check could be one of the riskier ways we make transactions.

Wire transfers are equally risky for that same reason. In order for a transfer to take place, you must exchange complete banking info with the person on the other end of the transaction. Once the wire is sent, the transaction is final, and you can only hope that the money makes it to the correct account.

Due to the large transactions that take place in real estate, wire transfer fraud is on the rise. Scammers send convincing emails with wire details to home buyers, getting them to transfer their down payment to what they think is the lender's bank account, only to find out afterward that it was a con. Some home buyers have lost their entire down payment—and in many cases their entire savings—due to wire transfer fraud. With wire transfers, once the payment is scheduled, paid for, and sent, it is irreversible (except in some cases of international wires). With the increase in wire transfer fraud, this is especially devastating for home buyers who have sent closing fees via wire transfers.

What do we do now? According to ALTA's 2021 Wire Fraud and Cyber Crime Survey, title insurance professionals reported cyber criminals attempting to trick employees to wire funds to a fraudulent account in a third of all real estate and mortgage transactions. One in every three. That's a scary statistic and something that the entire industry needs to come together to help solve. Exposing sensitive financial information whether in-person or online is certainly a cause for anxiety. Today's manual solutions like making a phone call to verify information or double (even triple) checking the numbers is a start, but it's only a start. The consumer education level is meager and the industry folks are often too busy to take all the necessary precautions prescribed by industry experts. To make real progress here we must lean on and adopt technology solutions that are automated and can mask or tokenize sensitive financial information such as routing and account numbers. Although the real estate market is hot right now, when it comes to real estate wire fraud, it's home buyer beware!

Jason Doshi is the CEO and co-founder of paymints.io.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540