



FIGHTING 21st century fraud

By Lisa A. Tyler
National Escrow Administrator

Have you ever had a seller assign their proceeds to someone else? It happens more often than we would care to admit. Our Company has had a longstanding policy against honoring such requests. Read "PAYMENTS to entities" to find out why and how to articulate the Company policy to your customers.

Continue your reading with the story entitled "ASSET dumping" to find out what a title agent did to shut down a fraudulent loan. The lender in the deal actually took the time to pick up the phone and thank the hero in this story for preventing them from making a bad loan.

Protecting the Company and the public from document forgery is a high priority for all offices. To deter would-be forgers from attempting to present a fake identification

card at closing, many of our offices keep a UV light in their signing room. Visible to all signers, the light not only detects fake drivers' licenses, but passports, consular cards and resident alien/green cards containing security UV features. In this edition of *Fraud Insights* we provide you with the most current features for cards issued by U.S. Government entities in the story entitled "UNLOCKING the secrets of the black box."

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PAYMENTS to entities

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Chicago Title in Cerritos, Calif. was handling a sale of property wherein the seller was a partnership. The partnership was receiving almost \$2 million in proceeds. The managing partner was concerned about depositing all the proceeds into one bank since the FDIC only insures deposits up to \$250,000 per depositor, per insured bank.

The managing partner asked our settlement agent handling the transaction to disburse the proceeds to the individual partners instead of the partnership. Our Company took a firm stance on this issue years ago: Seller proceeds are only made payable to the seller.

The escrow officer, Rodil San Diego, knew Company policy required the proceeds be disbursed to the partnership and explained to the managing partner he was unable to honor his request. The managing partner explained to Rodil his concerns about the stability of our nation's banks. He was concerned the bank the funds would be deposited into could fail and be taken over by the FDIC.

As the managing partner, he felt he had to take every step to ensure protection of the partnership's proceeds. He was even considering opening seven different accounts at seven different banks in order to deposit funds which would not exceed the FDIC-insured limits.

Rodil told the customer he would escalate the request. Rodil emailed the National Escrow Administration Department at settlement@fnf.com. Corporate Escrow Administrator, Diana Williams, responded by confirming that Rodil was correct and Company policy requires proceeds be paid only to the partnership. National Escrow Administration did recommend Rodil wire the proceeds to the seller so the funds could be accessed by the managing partner without delay and disbursed to the individual partners.

The managing partner received Diana's contact information and called to ask her to reconsider. She responded by confirming these types of payments are beyond the services Our Company has the ability to offer as the settlement agent. Paying the individual partners could impose additional reporting and/or withholding requirements the Company is not equipped to handle.

He asked what the difference was between paying the partnership and the individual partners as all the payments would just be disbursements. Diana explained when the settlement agent pays the partnership, they are disbursing the proceeds from the sale of real property.

Paying the individual partners turns those disbursements into distributions, which are the responsibility of the partnership. Our Company does not keep

specific details or status of each individual member that would allow us to know if withholding must be deducted or if their particular distribution must be reported to any state or federal agency. These are the duties of the managing partner.

The partner thanked Diana for taking the time to explain Our Company's position and said he would make other arrangements for the proceeds.

MORAL OF THE STORY

One of Our Company Precepts is "Customer-Oriented and Motivated." The Company stands behind this precept but it is important to keep in mind the exact services we offer. Our Company's policies and procedures are not implemented without careful consideration – which includes the effect they might have on the customer. In this story, the customer simply needed a clear explanation to understand why the Company was unable to honor his request.




TELL US HOW YOU STOPPED FRAUD

settlement@fnf.com or
949.622.4425



ASSET *dumping*

In April 2012, Samantha Melton, a settlement coordinator for BridgeTrust Title Group, received an order from a lender. It requested she act as title and settlement agent for a \$75,000 retail services loan that would use North Carolina property for collateral. The order listed the property owner and borrower as “Niles Jaures.” When Samantha opened the file and retained a North Carolina attorney to complete the title exam, their report of the title immediately set off warnings.

The property was actually owned 50 percent by Niles Jaures and 50 percent by another individual who had acquired the property in 2011. The conveyance of each interest was granted by Sam B. Jacobs, II. The title exam revealed two outstanding Deeds of Trust in the name of Sam Jacobs and a judgment against Sam B. Jacobs, II in the amount of \$97,464.79.

The judgment originated in Richmond, Va., where it was docketed in 1999. Judgments are valid in Virginia for 20 years (making its expiration 2019). In 2004, a summary judgment was signed by a judge, and the judgment was docketed in Dare County, N.C. Judgments are valid in North Carolina for 10 years. Samantha took the stance that the North Carolina judgment was still a valid encumbrance against the property based on the date of the summary judgment in 2004.

Samantha issued a Fidelity title commitment requiring the payment and release of both existing

deeds of trust and the judgment. She also drafted a detailed letter to the loan officer spelling out the title issues and making sure she was aware of the outstanding liens. The loan officer let Samantha know she would contact the borrower to discuss the liens.

Samantha then began receiving calls and messages from Jaures, the borrower. Jaures first stated his attorney advised him the judgment was only good for seven years and he should not be penalized for a judgment against the prior owner. Samantha let Jaures know our office would require the payment and release based upon the 10 year North Carolina statute. Jaures said he would consult his attorney and hung up.

The next day she got another call from Jaures. This time he stated his lawyer confirmed the 10 year statute in North Carolina, but since the judgment was originally dated in 1999 in Virginia, the 10 years had expired.

Samantha was unsure of how the multi-state docketing of the judgment affected its duration. She still felt it was valid for 10 years from when it was signed and dated in North Carolina, but because she was not certain, she took the file to her agency president. The agency president suggested she call the regional claims counsel, who happened to be a North Carolina attorney.

The claims counsel stated it was possible to find attorneys who would argue the case both ways. He also stated he agreed with Samantha in erring on the side of caution, by requiring the cancellation and

release of the judgment based on the 2004 North Carolina date.

Samantha drafted another detailed email to the loan officer to secure written evidence of the exchange. She informed the loan officer the risk imposed by the judgment was too great and Our Company would not be able to insure the loan without cancellation of the judgment. Our company was stepping down as title and settlement agent for the transaction. Samantha did not receive a response.

Weeks later she received a call from another loan officer in the same office. He thanked Samantha for not letting them close the loan and informed her that Sam B. Jacobs, II had just been indicted on more than 20 counts of fraud. It appears there was a good chance Sam Jacobs had been dumping assets when he made the conveyance to his brother in 2011, and the transaction could have been deemed a fraudulent transfer in his ongoing prosecution.

Samantha said she was not certain Jaures and the co-owner were intentionally trying to take out a fraudulent loan. She also doubted the loan officer was participating in the fraud, since he cancelled the loan based upon Samantha's email. However, she felt there were too many unusual variables involved with the transaction.

Samantha did not know if the court would rule the judgment was expired, or the transfer to Jaures and his partner was clear. She did know she did not want to put her agency, or Fidelity, in the position of having to find out.

UNLOCKING *the secrets of the black box*

Do you have a UV-16 Fraud-Fighter™ in your office? Years ago Our Company was introduced to this excellent tool from UVeritech™, Inc. Since then closing rooms all over the country have become armed with the box. The machine enables settlement agents to check for hidden UV images, an important built-in security feature found in most state issued identification. None of this is useful unless you know what you are looking for. Below is the list of the hidden images that appear under UV light for each state's current driver's license:

Alabama: State's seal on front, plus state seal will overlap upper right corner of photo.

Alaska: "Alaska" repeats on left and right edges.

Arizona: Round State Seal on front, middle.

Arkansas: State outline random in three rows across top, middle and bottom.

California: A second ghost image above the black and white portrait, and birth date appear vertically across the large, color picture. Prior to October 2010: Multicolor state flags (usually three can be seen) on lower front.

Colorado: State seal appears for all licenses after July 2002.

Connecticut: License number, holder's name, birth date and two lighthouses on front. Repeating state name inside state outline on back.

Delaware: A second ghost image on right. Prior license: Holographic overlay with repeating pattern of horse and rider; state seal on back.

District of Columbia: Security overlay with "WASHINGTON DC" and "THE AMERICAN EXPERIENCE".

Florida: Large photo ID license: Secondary ghost image and holder's name. Smaller photo ID: State seal overlapping photo, plus "FLORIDA" repeats.

Georgia: 2009 ID: State seal and "Georgia" in fine line background on front. Prior ID contains no UV security features.

Hawaii: A row of hibiscus flowers repeats on back. Prior ID: "HAWAII" repeats across left and right edges. Earlier ID: Repeating holographic overlay of a hibiscus flower and "ALOHA STATE".

Idaho: A partial state outline and "IDAHO" appear twice. Prior ID: A pattern of state outline and "IDAHO" repeat diagonally.

Illinois: A portion of "ILLINOIS" repeats across the front. Prior license: "A Safer State with .08" repeats across the front.

Indiana: A second ghost image, holder's name and birth date across bottom of larger photo. Prior ID: A pattern of torches and stars.

Iowa: State seal on front. Ghost image, card holder name and birth date on back. Prior license: State name and state outline repeat diagonally.

Kansas: Row of state flower and "KANSAS" across top. Newer fine line ID displays one state flower on front and card holder ghost image and birth date on back.

Kentucky: "THE BLUE GRASS STATE" visible to the right of the card holder's picture.

Louisiana: State seals repeat across middle in full-color.

Maryland: "Maryland" repeats in staggered lines across the face.

Massachusetts: State seal repeats with a perforated state outline, overlapping top of ghost image.

Michigan: State seal in center on front. Holder's birth date and ghost image on back. Current enhanced license: State seal repeats on front.

Minnesota: Large state seal appears on front.

Mississippi: State seal and outline letters "DPS".

Missouri: Outline of state and "SHOW ME" repeat on front.

Montana: Repeating image of crossed pick and shovel on front. Prior license: "MONTANA" repeats diagonally across front.

Nebraska: "Ne" under Nebraska appears, as well as the state seal and a star over address. Prior license: Variable pattern of state name and seal.

Nevada: Additional repeating state seal on front. Prior license (2008) has no UV features.

New Hampshire: "New Hampshire" appears twice vertically at left and right. Prior license: Gold "New Hampshire" in same heading style repeats on front.

New Jersey: "NEW JERSEY" repeats on top and near bottom, with state outline images appearing in middle. Prior license: Driver's name and date of birth in bottom half of large photo.

New Mexico: "NEW" and "MEXICO" repeat diagonally across the center, a row of small squares are visible on bottom and diamonds appear on top of license. Prior licenses will either have state name and symbol on back or state outline on back.

New York: Two coats of arms, one in center and a smaller, second image across top of photo. Also, "NY" repeats in rows across the back. Prior license: One large coat of arms on front.

Ohio: State outline in upper right photo appears and state seal on bottom right fluoresces.

Oklahoma: State seal and the Dept. of Public Safety seal repeat across front.

Oregon: "Oregon" is repeated diagonally on front.

Pennsylvania: Keystone outline with enclosing "PA" repeating across top; also "PA" repeats on back.

Rhode Island: State flag emblem (anchor surrounded by stars).

South Carolina: Green palmetto tree and crescent moon in center. Prior ID: No UV features visible.

South Dakota: A second ghost image appears on right and "South Dakota" appears three times starting lower left and extending to the upper right in a wave pattern. Prior license: "South Dakota" repeats in stylized script across front.

Texas: Seal and the first of the three stars fluoresce on front. Ghost image and birth date on back. Prior license: Repeating "TEXAS".

Utah: "UT" repeating in two rows, the top row will be upside down.

Vermont: "Vermont" repeats diagonally across top and horizontally across bottom front.

Virginia: State seal, DMV logo and text visible (2009). Prior license has no UV features.

Washington: State seal repeats across middle.

West Virginia: Green line of state outline, with yellow overlapping "WV" repeats across front, state seal overlaps photo at bottom. "West Virginia" and state seal on back.

Wisconsin: Wavy stripes, with one wavy "Wisconsin" line in the middle. Prior license: "WISCONSIN DEPARTMENT OF TRANSPORTATION".

Wyoming: Second ghost image and holder's name on front. Bucking Horse, liberty bell and state motto on back. Prior license: Repeating pattern of "Wyoming".

Only four states do not contain a UV image on their driver's licenses. Those states are:

Maine, North Carolina, North Dakota, Tennessee

The 2012 UV features state ID list is also available at www.fraudfighter.com/State-ID-List-2012.pdf or you can scan the QR code below on your smart phone:



UVeritech, Inc. also sells a booklet which contains pictures of the UV images described above. To order the booklet or a UV-16 Fraud-Fighter, contact them at 800.883.8822 or visit their website at www.fraudfighter.com. They even offer a volume discount to FNF offices and agents. Be sure to ask for the FNF rate.