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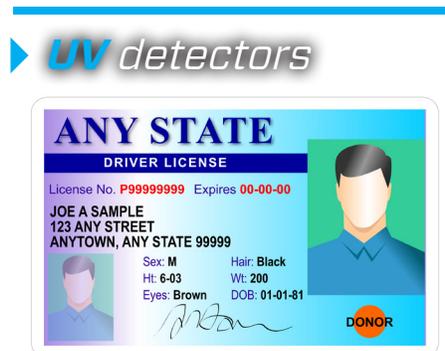
Nothing is more upsetting than seeing a preventable crime. The number one reason for publishing this newsletter is to spread the word to our direct operations, agency network and the entire industry about crimes experienced in one part of the nation before they happen in another part. Read "RECOGNIZE the signs?" to discover how one escrow officer at an abstract company in Arkansas was duped by criminals perpetrating a crime. *Fraud Insights* reported this same crime occurring in Oregon just four months ago.

Our associates at UVeritech™, Inc. have shared an updated list of

security features visible when holding a state issued identification card under a UV detector. This information is helpful for our notaries, especially when a signer is presenting an out-of-state license with features unfamiliar to the notary.

Almost done! We are on our 11th FIRPTA Withholding nightmare article. We hope this story, just like the stories we have shared in the previous 10 editions, changes the way settlement agents view and process federal withholding on behalf of principals. This month's story is a tale of woe, where forms were sent in prematurely and - more importantly - incompletely to the Internal Revenue Service (IRS), causing penalties and interest to be assessed to the seller.

## IN THIS ISSUE



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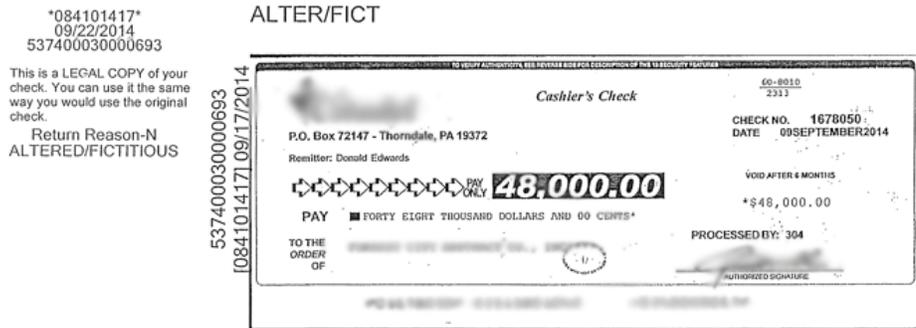
# RECOGNIZE the signs?

Imagine receiving a cashier's check, depositing it and three days later disbursing \$45,000 against it, only to find out it was counterfeit! That is exactly what happened to an escrow officer at an abstract company in Arkansas who did not recognize the signs of a criminal act.

An Option Money Escrow Agreement is opened at an abstract company in Arkansas for the option to purchase a vacant lot in Alabama for \$230,000. The Agreement is emailed in by the buyer. The subject line of the email suggests the transaction was referred by a prominent local attorney. Neither seller nor buyer is represented by a real estate agent.

According to the agreement the buyer resides in Alabama (not at the subject property); the seller resides in North Carolina. There is no provision for the purchase of an optionee title insurance policy in the agreement. The agreement calls for an initial deposit of \$45,000 as option money.

The option money is received by the abstract company via overnight delivery from the buyer on Wednesday, September 17, 2014 in the amount of \$48,000, not the \$45,000 as anticipated. The escrow officer notifies the seller the money has been received. Below is a copy of the cashier's check:



The agreement instructs the escrow agent to release said funds to the seller upon receipt of written authorization as follows:

"Escrow holder will release said funds to seller upon receipt by Escrow holder of a written **authorisation** from buyer that he is satisfied with the inspection of said product and will complete the sale."

There are no further terms provided for the closing of the sale of the subject property. The agreement states the escrow holder's duties end once the option money is released.

The buyer sends an email to the escrow officer on Friday, September 26, 2014 stating the property inspection is complete and to release the option money to the seller. The escrow officer obtains wire information from the seller and proceeds to wire the funds to the seller's account. Everyone goes home for the weekend.

Monday morning the escrow officer arrives at work and receives notification from the bank the deposited cashier's check in the amount of \$48,000 has been returned as "fictitious!" The title agent contacts the bank to recall the \$45,000 wire she sent out on Friday. The trust bank contacts the receiving bank, only to discover the account has been drained to a zero balance.

Now the abstract company is faced with tracking down the seller to recover the stolen funds. The property appears to legitimately be in the seller's name, so there might be a chance the abstract company could lien the property for repayment.

## DO YOU RECOGNIZE THE SIGNS?

1. Unusual transaction, not involving the issuance of a title insurance policy.
2. Only contact with the principals was through email.
3. Email received to place the order used attorney's name in the subject line as "referral from Sarah Bender."
4. No real estate agents were involved in the transaction.
5. The buyer and seller picked an out-of-state abstract company to handle the closing.
6. The MICR line on the check placed the sequence of numbers incorrectly as: check number + ABA routing number + account number, instead of ABA routing number + account number + check number.
7. The agreement contained typographical errors.

We reported three stories containing the same tell-tale signs in the July 2014 edition. Now this is the fourth story. Pay attention to the warning signs. The same perpetrators are using the same bank's name to remit the counterfeit checks.

If you need the name of the bank or the names of the perpetrators contact the National Escrow Administration team by email at [settlement@fnf.com](mailto:settlement@fnf.com). We will be happy to help stop this crime.



**TELL US HOW YOU STOPPED FRAUD**

[settlement@fnf.com](mailto:settlement@fnf.com) or 949.622.4425

All but three states in the country issue identifications which contain a UV security feature. The three states without a UV security feature on their identification cards are Maine, North Carolina and North Dakota. The list below describes the security features for all other states.

## 2014 STATE DRIVER LICENSES

UV Security Features Visible When Using Your "Fraud Fighter™" UV Detector

<b>Alabama</b>	Current: UV ink of state's seal will appear on front plus state seal will overlap upper right corner of photo.
<b>Alaska</b>	"Alaska" repeats on left and right edge of license and is visible under UV light.
<b>Arizona</b>	Current: round state seal visible on front middle under UV light.
<b>Arkansas</b>	Current and prior: state outline appears random in three rows across top, middle and bottom of license under UV light.
<b>California</b>	Current license: under UV light a second ghost image will appear above the B&W portrait and birthdate will vertically appear across large color picture. Licenses prior October 2010: multicolor state flags appear (usually 3 can be seen) on lower front of ID.
<b>Colorado</b>	Current: state seal appears and repeats in UV ink on lower third on front for licenses.
<b>Connecticut</b>	Current license: license number, holder's name, birth date and two lighthouses visible on front in UV ink. On back repeating state name inside state outline visible under UV light.
<b>Delaware</b>	Current fine line license: a second ghost image on right will appear under UV. Prior license: holographic overlay with repeating pattern of horse and rider; state seal in UV ink on back.
<b>District of Columbia</b>	Security overlay with "WASHINGTON DC" and "THE AMERICAN EXPERIENCE" visible under UV light.
<b>Florida</b>	Current license: secondary ghost image and holder's name visible under UV.
<b>Georgia</b>	Current (fine line background): front state seal and "Georgia" that glows under UV light. Prior to 2009 IDs contain no UV security features.
<b>Hawaii</b>	Current: a row of Hibiscus flower repeats ON BACK of license. Prior 2011 ID has "HAWAII" repeating across left and right edges of license visible under UV light.
<b>Idaho</b>	Current (fine line background): a partial state outline and IDAHO will appear twice under UV light. Prior to 2012 a pattern of state outline and IDAHO will repeat diagonally under UV light.
<b>Illinois</b>	Current license with small ghost image: a portion of "ILLINOIS" repeats across the face of the license under UV light. Prior license: "A Safer State with .08" repeats across license.
<b>Indiana</b>	Current license: a second ghost image, holder's name, birth date across top and bottom of larger photo visible under UV light. Prior IDs show a pattern of torch and stars.
<b>Iowa</b>	Current license: state seal visible under UV on front of ID, back of license ghost UV image, card holder name, birthdate appear under UV light. Prior license: state name repeats in UV ink, with final last "IOWA" preceded by two stars.

<b>Kansas</b>	Current (fine line) ID will display one state flower on front and card holder ghost image and birthdate appear on back under UV light. Prior license has row of state flower and "KANSAS" across top under UV.
<b>Kentucky</b>	Repeating "THE BLUE GRASS STATE" to the right of the card holder's picture under UV light.
<b>Louisiana</b>	Current license: state seals repeat across middle in full-color UV ink visible under UV light.
<b>Maryland</b>	Current license: staggered lines of "Maryland" repeat across the face under UV.
<b>Massachusetts</b>	Current fine-line background license: state seal repeating in UV ink with a perforated state outline overlapping top of ghost image.
<b>Michigan</b>	Current license: one state seal in center on front, on back holder's birth date and ghost image under UV light. Current Enhanced license: state seals repeat on front under UV light.
<b>Minnesota</b>	Current license: large color state seal appears on front under UV light.
<b>Mississippi</b>	Current license: state seal and outline letters "DPS" appear under UV light.
<b>Missouri</b>	Current license fine line license: "MO", three stars and state seal in upper right under UV. Prior 2012 license: outline of state and "SHOW ME" repeat on front of license under UV.
<b>Montana</b>	Current license: repeating pick and shovel crossed image on front under UV light. Prior license: "MONTANA" repeats diagonally across front under UV light.
<b>Nebraska</b>	Current fine line license: "Ne" under Nebraska appears under UV light as well as the state seal and a star on bottom right of photo. Prior license: variable pattern of state name and seal appear under UV light.
<b>Nevada</b>	Current fine line background license: under UV light additional repeating state seals appear on upper front of license. Prior license (2008): no UV features.
<b>New Hampshire</b>	Current license: "New Hampshire" appears twice vertically at left and right under UV. Prior license gold "New Hampshire" in same heading style repeats on front and visible under UV.
<b>New Jersey</b>	Current license: under UV light "NEW JERSEY" repeats on top and near bottom of license with state outline images appearing in middle. Prior license: driver's name and date of birth appear in bottom half of large photo appears under UV light.
<b>New Mexico</b>	Current license: "NEW" and "MEXICO" repeat diagonally across the center, a row of small squares are visible on bottom and three diamonds appear across top of license. Prior license will either have state name and symbol on back or state outline on back under UV light.
<b>New York</b>	Current license: front of ID, under UV light stars will appear at bottom of larger picture and also NY state outline appears near top with "NYS" written inside of outline. Back of ID, waving flag stripes appear in middle of ID under UV light. Prior license: two coat of arms will appear under UV light, one in center and a smaller second image across top of photo. Also "NY" repeats in rows across the back under UV light.

[\[Continued on pg 4\]](#)

[UV detectors - continued]

<b>Ohio</b>	Current fine line background license: state outline in upper right photo appears and state seal on bottom right fluoresces on front under UV light. Prior license has no UV features.
<b>Oklahoma</b>	Current license: state seal and the Dept. of Public Safety seal repeating pattern across front of license under UV light.
<b>Oregon</b>	"Oregon" is diagonally repeated on front of license and is also visible under UV light.
<b>Pennsylvania</b>	Current license: has keystone outline with enclosing "PA" repeating across top and visible under UV light; also "PA" repeats on back in UV.
<b>Rhode Island</b>	Current license: state flag emblem (anchor surrounded by stars) visible under UV light.
<b>South Carolina</b>	Current fine line background: Palmetto tree appears on front center under UV light. Prior license has no visible UV features. 
<b>South Dakota</b>	Current license: a second ghost image on right and "South Dakota" appears three times starting lower left across photo in a wave pattern to the upper right of ID under UV light. Prior license: "South Dakota" repeats in stylized script across front of license under UV.
<b>Tennessee</b>	UV features (a custom graphic and the state outline are staggered diagonally across the upper half of the ID and the state seal appears twice across the bottom) were added to a new ID in 2013. The new ID looks similar to the prior ID, however, the text is a light blue. The prior ID (with a darker blue font) has no visible UV features.
<b>Texas</b>	Current license: the seal and the first of the three stars on front will fluoresce under UV light, on back ghost image and birth date visible under UV light. Prior license: repeating "TEXAS" will be visible under UV light.

<b>Utah</b>	Current fine line background license has "UT" repeating in two rows across license under UV light, the top row will be upside down.
<b>Vermont</b>	Current license: "Vermont" appears and repeats diagonally across top and horizontally across bottom front of license under UV light.
<b>Virginia</b>	Current license: state seal, DMV logo and text visible under UV light. Prior license to 2009 has no UV features.
<b>Washington</b>	Current: image of state seal repeats across middle license visible under UV light.
<b>West Virginia</b>	Current license: "West Virginia" and state seal appear on back of license under UV light. Prior license: under UV light on front state outline with yellow overlapping "WV" repeats across front, state seal overlaps photo at bottom.
<b>Wisconsin</b>	Current fine line license: on front state seal appears covering upper right corner of large portrait with "W" underneath and "1848" vertically on upper right corner under UV light. Prior IDs: wavy stripes visible under UV light with one wavy line with "Wisconsin" in the middle. Prior license has "WISCONSIN DEPARTMENT OF TRANSPORTATION" under UV light.
<b>Wyoming</b>	Current license: under UV light a second ghost image, holders name and birthday will appear on front and on back Bucking Horse, liberty bell and state motto becomes visible. Prior license: repeating pattern of "Wyoming" appears under UV light on front of license.

Passports, Passport Cards, Consular Cards (Mexico, Argentina, Columbia, South Korea and Peru), Resident Alien/Green Cards also include security UV features that can be verified using a "Fraud Fighter™" detector.

Contact UVeritech™ to order the *Fraud Fighter Driver License UV Security Feature Reference Guide* that shows the color UV security images of all state IDs and other government identification.

## FIRPTA withholding nightmare #11

At closing, the sellers wanted to apply for a withholding certificate, which would likely reduce the amount of withholding. The escrow officer of another title company had the buyer and seller sign holdback instructions to hold the full 10% and the forms 8288 and 8288-A at closing until the withholding certificate was received. The seller's accountant prepared the Internal Revenue Service (IRS) forms and delivered them to the closing office, with instructions on which forms to send and which forms to hold.

At closing however, instead of holding the 10% along with the Forms 8288 and 8288-A, the escrow officer sent the Forms 8288, 8288-A, 8288-B and Form W-7 to the IRS. The forms were not complete. They were missing the date of transfer, so the IRS had no choice but to count the days back to the date the sellers acquired the property in July 2006.

The IRS penalized the sellers for failure to accurately file, failure to pay, interest for eight years and the initial withholding in the amount of \$71,731.98. The sellers called their accountant, who in turned called the escrow officer to undue the mess she had created.

The escrow officer attempted to call the IRS on several occasions only to be told no information could be shared regarding the withholding, since one of the forms she neglected to have completed is Form 8821. The form would allow her to work on the taxpayer's behalf to correct the errors and abate the penalties.

### MORAL OF THE STORY

If the principals instruct the settlement agent to hold back the funds and forms in a FIRPTA Withholding matter, the settlement agent must understand they will be holding the money and the forms for more than 10 months. That is the approximate time it is taking the IRS to process a Form 8288-B, which is the application for a waiver or reduction of the withholding due at closing.

The Company-approved holdback instructions authorize the settlement agent to fill-in the withholding amount, if any, based on the amount shown on the face of the Withholding Certificate. The date of transfer does not change, that should be completed on the Forms 8288 and 8288-A when the forms are submitted by the buyer at closing.

As mentioned in previous nightmares, the settlement agent should already have a signed Form 8821 from the seller and buyer in a FIRPTA Withholding matter in anticipation of a potential nightmare, since misposting happens often with regard to FIRPTA Withholding.