

By Lisa A. Tyler
National Escrow Administrator

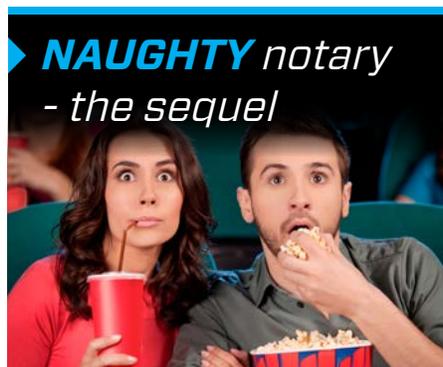
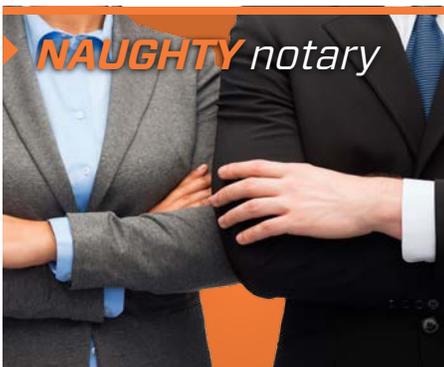
Find out how a commission notary was caught in the act of sending her fiancé out to perform signings for her by reading “NAUGHTY notary” in this edition. Learn how the heroic employee discovered the crime by using her keen listening skills to determine a man had actually performed the signing ceremony, and not the woman who had signed and stamped the loan documents as the notary. The employee raised concerns to her escrow officer who acted swiftly to have a new set of documents drawn and shipped to a notary with a higher degree of integrity.

Then read “NAUGHTY notary – the sequel” to find out about a notary willing to accept a copy of a passport as identification for the signing of a deed and knowingly accepted a driver’s license that did not contain all the security features required for a California driver’s license. As a side note, to discover the security features a driver’s license is supposed to contain for your state or any other state read the November 2014 edition of *Fraud Insights*. The article is entitled “UV detectors.”

A home warranty plan provides budget protection and peace of mind for home buyers who otherwise might not be able to handle unexpected repair bills at a time when they are usually least affordable but there are restrictions to this type of coverage. For example, a home warranty plan is only available on single family residences. Ben Bittner, Contractor Relations with Fidelity National Home Warranty (FNHW), received notification from one of his contractors responding to a service call that a property was being used as a senior care facility. Read “WAS it fraud or just a misunderstanding?” for details of how misrepresentations could have quickly represented a loss to our Company’s home warranty division.

Ever have a lender prohibit you from charging for an endorsement fee or signing service at closing, because the charge was not included in the estimate provided at the opening of the transaction? The prohibition will become more prevalent after the new rules take effect, since creditors will only be able to redisclose based on six circumstances. Find out what the six circumstances are in this edition.

IN THIS ISSUE



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Publisher
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Editor
Lisa A. Tyler
National Escrow Administrator



NAUGHTY notary

Amanda Walsh, an escrow assistant at Fidelity National Title's office in Portland, Oregon, was reviewing the documents received from a co-borrower involved in a refinance transaction. The documents were signed in the presence of a mobile signing agent, because the borrower was located in the state of Florida. The loan documents had to be shipped to co-borrowers in two different states for signing.

In a follow-up conversation with a borrower after the signing had taken place, Amanda took note that the borrower referred to the notary as "he." Amanda was looking at the documents that came back and they were clearly notarized by "she," a woman by the name of Denise Doe.

Amanda took the documents to the escrow officer, Kim White, who also thought it suspicious the borrower referred to the notary as a man. Kim began an investigation by calling the signing service company. The president of the signing service company called the commissioned notary, who said she had conducted the signing herself and she would not notarize documents she had not witnessed being signed. The signing service president passed this information on to Kim and suggested there had been a misunderstanding.

Since the loan documents had to be signed in two different states by two different borrowers, Kim thought perhaps there was confusion with the male notary on the second signing appointment. Amanda made another call to the borrower in Florida. It became crystal clear that someone named David Smith conducted the signing and someone named Doe notarized the documents. Amanda knew this was a case of notary fraud.

Amanda and Kim agreed the loan documents they had in hand were fraudulent, and they needed to report the incident to the lender and have new documents signed. Kim and Amanda contacted the signing service company president again with more facts. The notary was cancelled effective immediately by the signing service company. The notary can never perform signing services on behalf of the Fidelity Family of Companies again.

In addition the signing service company filed a complaint of misconduct with the Notary Section of Executive Office of the Governor in Florida, where she is commissioned as a notary public. This particular notary had been completely vetted, certified by the association and background-checked.

However, it appeared she became greedy or desperate somewhere along the way, by deciding to have her fiancé go out and conduct signings even though she was notarizing the documents.

Even worse, the borrower in Amanda and Kim's transaction, who was a former notary public herself, stated Doe had actually pre-stamped these documents so they had her seal and signature on them before the borrower signed them!

Beyond the notary fraud, Amanda and Kim recognized there was also a breach of security because the borrower's confidential information was in an unintended party's hands – the fiancé. The breach was reported to privacy@fnf.com and a breach of security letter was sent out to the borrower along with a certificate for one year of free credit monitoring.

The signing service company instructed the notary to destroy any personal information she or Smith obtained in the course of the transaction. As a result, the signing service company waived all signing fees and our Company issued a credit for the title insurance premium for the borrower's inconvenience.

The original documents were signed on the last possible signing day in order to have the loan fund by month end, so Amanda and Kim knew having the loan documents redrawn and re-signed was not going to make the lender happy. To make matters worse, the lender is a very good customer of Fidelity National Title, but Amanda and Kim did not hesitate to do the right thing.

Amanda and Kim sent out new documents for signature and had them all re-signed and notarized properly. For the detection of the crime and their quick reactions to remedy the situation and save the borrower's loan, they have been rewarded with \$1,500 to share, as well as letters of recognition from the Company.

MORAL OF THE STORY

Despite how many controls are in place for approving and monitoring notaries, they can still do something stupid or unethical! Thank goodness for honest escrow agents like Amanda and Kim, who are super heroes for recognizing something was wrong and having the guts to do something about it.

Sometimes protecting the Company, our customers and the public from crimes – including notary fraud – is all-consuming and slows us down, but it is the right thing to do. Had the transaction closed and the borrower contested the signing ceremony, the Company likely would have received a claim from the insured lender.



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NAUGHTY notary – the sequel

It is not uncommon for lenders to open orders as refinance orders when they are really sale orders, involving the transfer and encumbrance of the subject property. There are all sorts of reasons why the orders are opened as loans instead of sales, such as lower interest rates, higher loan amounts, no down payment requirement, less stringent loan underwriting guidelines, different fee structures, etc. Regardless the reason, escrow officers are sometimes challenged on how to get these transactions closed properly.

Our Lawyers Title operation in San Diego was processing an order just like this where the borrower was obtaining a \$276,000 loan. The property was owned by a corporation, but the borrower on the loan documents was an individual, not an officer of the corporation – an entirely unrelated individual. When the loan documents were received they were sent to a mobile signing agent to sign the borrower. A deed for the record owner to sign – an officer of the corporation – was also sent.

The documents were executed and sent back to the escrow officer, who in turn sent the recordable documents – deed and deed of trust – back to the title assistant to record. The title assistant on this order was Teresa Burr. She abstracted the documents and noticed the signature of the party signing on behalf of the corporation did not look like any signature on any previously recorded document in the chain of title.

Teresa reached out to the escrow officer and asked which signing service company was contracted to conduct the signing ceremony. Teresa requested their notary provide a copy of the identification used by both the grantor and the signer of the deed of trust, and/or a copy of the notary journal page reflecting the type of identification presented at the signing.

The notary provided a copy of a passport which was used as identification for the person signing on behalf of the corporation and promised he would later send a copy of the driver's license used as identification by the borrower signing on the loan documents. Teresa notified the escrow officer she would not record the documents and allow the transaction to close until she received the remaining documentation.



Shortly thereafter the notary contacted the escrow officer and confessed he had never seen the original passport, the signer simply presented a copy of the passport at signing. The notary also stated the individual signing the deed of trust appeared to have no idea what she was signing and the driver's license presented did not contain the required security features for a California issued driver's license. But he notarized the documents anyway!

In response, Teresa told the escrow officer the transaction would not close until the signers were able to re-sign the documents and provide acceptable identification. The escrow officer reached out to the loan officer for a new set of loan documents and a new signing appointment. The loan officer told the escrow officer he was informed by family members, the principals had fled the country to Mexico and were unable to return to re-sign any of the documents.

Although the transaction ended up cancelling, the Company is grateful Teresa recognized a potential forgery and halted a loan transaction with a borrower who might have been incompetent to sign loan documents. Her actions saved the Company from a potential claim from the insured lender of \$276,000 and a possible claim from the real owner of the property for facilitating what could have been an illegal transfer of their property.

For her expertise and keen sense of wrong doing, Teresa was rewarded with \$1,500 and a letter of recognition on behalf of the Company.

WAS it fraud or just a misunderstanding?

On April 7, 2015 the sale of a single family residence closed. The order for the home warranty plan was placed by the listing agent with Fidelity National Home Warranty (FNHW), a part of the FNF Family of Companies since August of 1998. The selling agent called shortly before closing to add additional coverage. At closing, the settlement agent sent in the payment. A few days later, on April 15th, a service call for plumbing services was initiated by the selling agent.

FNHW placed the service call with one of its trusted vendors. The plumber added the stop to his daily schedule. When the plumber pulled up to the home he immediately realized the home was not being used as a residence. The property was being used for commercial purposes as a senior care home.

The vendor knew this type of use was not covered by the contract which says: "This contract covers single-family dwellings under 5,000 square feet and does not cover multi-unit homes, unless

amended by FNHW prior to the start of coverage. Guest houses, casitas and the like require a separate contract. Covered dwellings cannot be used for commercial purposes, for example, as day care centers, nursing care homes, fraternity/sorority houses, etc."

The plumber contacted his Contractor Relations Manager, Ben Bittner. Ben thanked his vendor for alerting him of his findings. Ben did some research on the Internet and quickly found the property listed on a multitude of elder care websites as an available facility. He notified the Vice President of Customer Service at FNHW who in turn, notified the customer the property did not qualify for coverage, cancelled their plan and processed a refund for the fee collected.

FNHW currently operates in Arizona, California, Colorado, Florida, Georgia, Idaho, Missouri, Nevada, Oregon, Texas and Washington. They have a network of over 1,400 vendors consisting of men and women who are looking out for the best interests of FNHW and the customer.

[Continued on pg 4]

[WAS it fraud or just a misunderstanding? - continued]



Such loyalty exists because the vendors know they are an intrinsic part of the team; they are considered family and many have been working with FNHW for years, sometimes decades.

On the surface, this little discovery cost FNHW nothing other than administrative costs. Had the plumber said nothing it would have cost FNHW \$50 for him to clear the drain, if it was simply clogged and not the symptom of a larger problem.

Potentially it could have cost FNHW \$650 if it was discovered the property had a large underground leak. FNHW originally collected \$685 for the contract. If the stoppage was the result of something as serious as a large underground leak, FNHW's profit margin would essentially be eaten up by this one claim.

The owner had another service call pending for repairs to their microwave. The average cost of a microwave repair is \$253. The service call was cancelled at the same time the home warranty

contract was cancelled. Clearly the potential for loss on this one contract was high; illustrating why commercial use properties are not covered by a home warranty plan.

It was the quick thinking and honesty of the vendor that ultimately resulted in preventing non-covered services from being rendered at this property. If FNHW had not been promptly informed by the first vendor, there was a potential for service calls to be served for years.

Ben truly appreciates the integrity of the vendors with whom he works, who have the best interest of FNHW in mind. Since the Company was informed a week after the start date of the home warranty, there will be no loss to FNHW because they cancelled the contract.

Was this fraud or just a misunderstanding? We might never know. Both the listing agent and selling agent had played a part, in ordering the home warranty and included coverages. The selling agent was actually the one who purchased the home warranty as a gift to their client.

What we do know is Ben has worked hard to compile a reliable and honest group of vendors to respond to service calls, and they have an understanding of just what the home warranty contract covers. For Ben's efforts in Contractor Relations he was rewarded with \$1,500 and a letter of recognition on behalf of the Company.

For more information on just what a home warranty covers and the costs associated with a home warranty, visit: www.homewarranty.com.

LOAN estimate

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The loan estimate, just like the Good Faith Estimate (GFE), must be delivered by the creditor within three business days of receiving borrower's application for a loan. Unlike the GFE, the loan estimate can only be reissued disclosing different loan payment terms or increased closing costs under the following circumstances:

1. Changes that cause the sum of all estimated charges to increase by more than ten percent
2. A change in circumstances affecting borrower eligibility
3. Revisions requested by the consumer
4. Interest rate dependent changes that occur if the interest rate has not been locked or the lock has expired
5. A borrower does not express an intent to continue with the transaction within ten (10) business days issuance of the Loan Estimate
6. Delayed settlement on a construction loan when the loan estimate is delivered sixty (60) days prior to the loan closing

The new rule states creditor errors are not legitimate reasons for revising loan estimates. Settlement agents will have to provide accurate fee quotes lenders can rely on in order for the lender to comply with the new rules.

The Company makes its fees available to lenders online at www.title.com/gfe giving lenders immediate access to the fees they need to complete the Loan Estimate and Closing Disclosure. Settlement agents should make lender customers aware of the availability of instant online fee quotes containing escrow/settlement fees, title premiums, endorsement fees, recording charges and transfer tax by referring them to your Company-branded website.

