



By Lisa A. Tyler  
*National Escrow Administrator*

There is not a week that goes by without your National Escrow Administrators being notified by settlement agents from all over the country about hackers' attempts to have proceeds or commissions redirected from a closing. Fortunately, many of them are caught before any damage is done, but some have been successful.

We know those of you who have identified the scheme and stopped the hacker dead in their tracks are loyal readers of this publication, just like Elouise Jahnke, an Escrow Officer for Chicago Title Company in Kansas. The details of this incident are chilling and the hacker was bolder than ever before. Read "NATIONWIDE epidemic" for all the details.

Just like the story entitled "WORLD travelers" published in December 2014, another crime was nearly committed in Cape Coral, Florida had it not been for the heroic actions of one of our title issuing agents. That story involved an absentee property owner as a target for a fraudulent sale of their property. Almost 30% of all properties

located in Cape Coral, Florida are held by absentee owners, who are property owners with a different home address than the property. The danger of a property owner living in a different physical location is the property can be listed and sold without their knowledge, which is the case in the story entitled "ONCE again from Cape Coral..." If you are handling transactions with absentee owners, this is a must read to raise your awareness of the red flag warnings of a fraudulent sale and to learn clues on how to stop the crime.

Typing, typing, typing...at some point I think we will look back and really miss the HUD-1 settlement statement and all its defaulted charge descriptions – especially after having to accommodate every lender by retyping the charge descriptions from the Loan Estimate onto the Closing Disclosure. Unfortunately, there is no common naming convention for charge descriptions in a residential loan transaction today, which will lead to a lot of typing on the part of the preparer of the Closing Disclosure. Read more about it in "CHARGE descriptions."

## IN THIS ISSUE



**Share Fraud Insights**  
via email, mail or word of mouth.



volume 10 issue 6  
June 2015

**Publisher**  
Fidelity National Financial

**Editor**  
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# NATIONWIDE epidemic

On March 30, 2015 Elouise Jahnke successfully closed a sale transaction. The sellers provided her with written instructions to cut a check for their proceeds and deliver it to their real estate agent. They intended on using the proceeds towards the closing costs and down payment for another property they were purchasing at another title company. Elouise followed their instructions, cut them a check and had it delivered to their real estate agent's office.

The very next day Elouise received emails purportedly from their real estate agent's office asking her to wire the proceeds instead. The instructions did not come from the sellers, nor did they come from the real estate agent she worked with throughout the transaction. Instead they were from an assistant of the real estate agent. The assistant, however, had not worked on this transaction until now. Here are the emails:

**From: Real Estate Agent**  
*Hello Elouise! Has the Jones been funded?*

**Elouise Jahnke wrote:**  
*Yes — didn't you get your checks?*

**From: Real Estate Agent**  
*They are telling me about having problem with there account, just want to be sure.Thanks*

**Elouise Jahnke wrote:**  
*Need a little more information so I know how to help! Thanks*

**From: Real Estate Agent**  
*They have issue with bank acct.. Can they receive funds with another acct?*

**From: Real Estate Agent**  
*They want the funds wired?*

**Elouise Jahnke wrote:**  
*Ok, so I thought they were taking our check to ABC Title for the closing. Is ABC refusing to honor our check? The EO was OK with that last week.*

**From: Real Estate Agent**  
*They receive the checks but they want the payments stop on the checks and wire to proceed.*

**Elouise Jahnke wrote:**  
*That check has to be returned to us. We will wire out tomorrow.*

**From: Real Estate Agent**  
*Ok, But the Jones wont be able bring the check down tomorrow morning because of work schedule,hey will like to mail the check back to you I i hope that os ok with you. it will forward the account they are using to receive the funds in the AM. Have a good night.Thanks*

**From: Real Estate Agent**  
*Good morning Elouise!  
Kindly forward the address to mail the check to, below is the info for the proceed.  
BANK NAME: ABC Bank  
ACCT NAME: JOHN DOE  
ACCT NUMBER: xxxxxxxxxx  
ROUTING NUMBER: yyyyyyyyyy  
Pls do get back to as soon as you receive this message. Sorry for the inconvenience Thanks*

**Elouise Jahnke wrote:**  
*Please call me. I do not know what you are wanting.*

**From: Real Estate Agent**  
*Am so sorry am in a middle of meeting right now which am not allowed to call, i can only email you. What i meant was that, the seller of 123 Main street, which is (Mr. and Mrs. Jones) want check voided or put a stop pay because of the problem they are having with bank acct, and want the fund proceeds to the info il send to you few mins ago. Am very sorry for the inconvenience. Thanks*

Upon receipt of this email Elouise picked up the phone, and called the seller and the real estate agent directly to find out exactly how she could help. Neither of them knew what she was talking about. Next she called the assistant to the real estate agent who also knew nothing about the emails.

Turns out the email account was completely made up. The assistant confirmed he did not have an email address from the account Elouise was receiving these emails from. She stopped replying to the emails, but the impersonator sent two more emails.

**From: Real Estate Agent**  
*Pls do send the address you want the check to be mail to.i wait to hear back from you.*

**From: Real Estate Agent**  
*Am sorry to bother you this much, Are you not the closer of this transaction? Attached is the HUD.*

It did not stop there! The impersonator called her to find out when the funds would be sent. The area code on caller ID indicated he was calling from Las Vegas. Elouise told him she knew he was an imposter and not to call or contact her any further. How bold!

Elouise was not duped. She recognized all the signs such as the bad grammar and the fact the account name on the wire instructions did not match her sellers. But just when she was convinced it was a hoax, the impersonator sent her a copy of the seller's HUD-1 from her closing. Creepy! It was then she picked up the phone and called her customers. Verbally confirming

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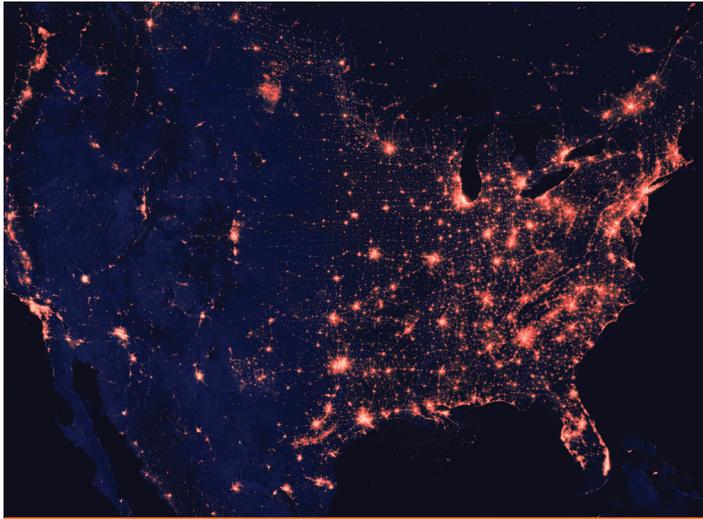
**STOP**

**TELL US HOW YOU STOPPED FRAUD**

settlement@fnf.com or 949.622.4425

the information from a good known phone number is always the very best defense.

The proceeds from the sale were almost \$58,000. Had Elouise acted on the email instructions her operation would be facing a loss for those funds. Instead, she recognized the signs and called the customers. For her efforts she has been rewarded with \$1,500 as well as a letter of recognition from the Company.



### MORAL OF THE STORY

**Get the word out! *Fraud Insights* is designed to be shared with your customers. Share the details of this story with real estate brokers, real estate agents, loan officers and anyone else you believe could fall victim to this scheme. Most of the time, the threat has successfully compromised the email account of the real estate agent, loan officer or attorney. The compromise occurs there, not within the FNF email network.**

**Author note:** *As I wrote this article I received a phone call from a manager in Illinois. She reported their office sent wiring instructions out to a buyer's attorney. The attorney forwarded those instructions on to their client who promptly went to their bank and wired \$142,000. That is right – \$142,000!*

*Unbeknownst to all of them the attorney's email account had been compromised. The funds never showed up in our trust account. The attorney contacted his clients who reassured him they sent the funds per the wire instructions he sent them. But, the funds were wired to a bank in Ireland – not our account.*

*What can you do? Spread the word. Do not let anyone else become a victim. The best way to assist your real estate agents and attorneys is to encrypt your wire instructions so they can forward them to their clients encrypted, which will ensure they are not intercepted and altered. The attorney in Illinois has always pushed back and complained about how difficult it is to open encrypted emails. I have a feeling he will request all wire instructions be sent to him encrypted from now on.*

*Secondly, make sure you spread the word email is not a secure line of communication and all wire information received via email should be verbally verified by the sending party.*

## **ONCE** again from Cape Coral...

**Cheryl Osborne, a closer for North American Title in Cape Coral, Florida, received a sale transaction for vacant land. The transaction was referred to North American Title by a real estate agent who admitted negotiating the listing agreement completely by email without ever meeting the property owners.**

Throughout the transaction, Cheryl attempted to reach the purported property owners by telephone, but was only successful in receiving responses via email. The closing documents were emailed to the purported owner who signed and returned them through an international courier.

When Cheryl received the package she noticed the documents were not notarized by an embassy representative as she had requested. Instead, they were notarized by someone with the Faculty Office of the Archbishop of Canterbury in the United Kingdom.

The closing documents were completed with new contact phone numbers for the seller, so Cheryl tried calling, but none of them were working numbers – even the phone number for the notary was a non-working number! Cheryl tried contacting the Faculty Office to obtain better contact information for the notary. The Faculty Office confirmed no notary by that name was registered with their service.

With so many red flag warnings of a possible fraudulent seller Cheryl decided to get her branch manager, Nicole Brunges, involved. Together they reviewed the disbursement instructions the owner had sent back with her closing documents.

The disbursement instructions and all other correspondence received so far had indicated the owner lived in the United Kingdom. They confirmed the address on file with the tax collector indicated the seller was in fact located in the United Kingdom, but the address on the closing documents was a different address.

Then they noticed the wire instructions for the sale proceeds were directed to a bank in Indonesia with another person's name as the account holder. They emailed the owner to inquire why the funds were being directed to an account in Indonesia, and requested a time they could call and speak to her by phone.

The purported owner gave a time they could call, but the time stated had already passed and the owner indicated she was leaving for Asia. The property owner reiterated all the same banking information as contained in the disbursement instructions, giving no reason why the funds were being wired to Indonesia and not to a bank in the United Kingdom.

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[ONCE again from Cape Coral... - continued]



Cheryl and Nicole decided not to proceed with the transaction without contacting their manager. The manager suggested sending a notice to the current address on the tax roll requesting confirmation from the record owner that she, in fact, signed the closing documents. They sent a letter via overnight delivery to the property owner's address.

Lo and behold, the real property owner called the next day and confirmed she was not selling her property in Florida. The notice included a copy of the passport picture returned with the signed closing documents. She confirmed the picture was not hers.

The real property owner was so gracious and appreciative North American Title Company had reached out to her to confirm her identity. They saved her from losing record title to her land valued at twice the amount shown on the sales contract.

For their efforts Cheryl Osborne and Nicole Brunges split the \$1,500 Fraud Insights reward and both received letters of recognition on behalf of the Company.

### MORAL OF THE STORY

These are the red flag warnings caught by Cheryl and Nicole:

1. No contact with the seller other than by email
2. Closing documents sent to an address different than the mailing address for the owner as shown on the tax roll
3. Agent had no face-to-face meeting with the seller
4. No working phone numbers for the seller
5. Unable to verbally verify notary met with the signer
6. Diverted proceeds to a bank in another country, in another account holder's name

The warnings seem obvious, but a day in the life of an escrow closer is like three normal days for anyone else. Warnings such as these can be easily overlooked due to the volume of work and stress.

Had this particular order closed, the real property owner might have made a claim against the title issuing agent for facilitating a fraudulent sale. Certainly, the ownership rights of the new buyer would have been disputed by the real property owner, and the buyer would have likely filed a claim under the owner's policy of title insurance.

## CHARGE descriptions

Know before you close.™ | CFPB Readiness

The charge descriptions used on the Loan Estimate must be substantially the same as the descriptions used on the Closing Disclosure, so conceivably the borrower could compare one document to the other to determine if particular closing costs increased or decreased at closing.

The charge descriptions used on both forms must be entered in the appropriate section in alphabetical order with the exception of Section H Other, where the charges are not required to be alphabetized. All escrow and title charges, including document preparation, signing fees, document download fees, title premiums and endorsement fees must be preceded by the word "Title."

Our systems have been designed to alphabetize charges automatically when entered into each section of the Closing Disclosure. They have also been designed to default the preceding word "Title" in front of the escrow and title charges, to reduce the amount of keying on the part of settlement agents.

