



**By Lisa A. Tyler**  
*National Escrow Administrator*

In New York City, many banks require cashier's checks be remitted to pay off existing mortgages, but lately the overnight delivery packages from title agents containing the payoff checks have been arriving at the bank empty.

The payoff lenders have notified the title agents when they receive an envelope without a check, leaving the agent to track down the check with the help of the issuing bank. Read "PAYOFF checks stolen" to discover what you can do to protect the Company from this crime.

Who would collect a Statement of Information from a principal and then not verify the date of birth, place of birth, taxpayer identification numbers and previous addresses contained therein? Believe it or not, in the title industry it happens frequently. Read "VERIFYING the statement of information" to find out how verifying the information in the Statement of Information saved the Company from a potential claim of \$600,000.

I do not know about you, but I miss the days where mortgage fraud was the biggest crime plaguing the industry. At least then we could identify the fraudsters and kick them out of our offices so they never darkened our doors again.

Now we have to deal with a new type of criminal – hackers. The frustrating part about hackers is no one knows who they are or when they will strike. You have to be on guard at all times watching for clues; they are trying to steal funds from a transaction and ultimately our Company. Emelia Irish, Accounting Clerk for FNTG's OAC in Houston, shared the details of her experience with a hacker in the story entitled "E-SCAMS!"

The new rules and forms are now in effect, and in the very near future our settlement agents will (if they have not already) start collaborating with lenders to assist them in the completion of the Loan Estimate and Closing Disclosure. These are exciting times for the industry and being prepared is essential in providing consumers with a seamless closing experience.

## IN THIS ISSUE



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



volume 10 issue 11  
November 2015

**Publisher**  
Fidelity National Financial

**Editor**  
Lisa A. Tyler  
National Escrow Administrator



## **PAYOFF** *checks stolen*

**A seller in a recent real estate transaction had a mortgage payment automatically deducted from his checking account to pay off a mortgage on a house he had sold. The seller called the title agent to find out why the mortgage was not paid off at closing.**



After investigating the matter, the title agent discovered the payoff check was never received by the payoff lender, even though the tracking information reflected the packaging containing the check as successfully delivered.

The title agents in the New York area were warned about the recent string of thefts. Since the alert was distributed, four New York agents reported they were victims of this new scheme and competitors of our Company have fallen victim on seven different occasions. A law firm representing many title agents has contacted the overnight delivery companies and reported the incidents to local law enforcement.

The fraud scheme follows the same general pattern. A closing occurs wherein the seller directs a check be issued to satisfy a pre-existing mortgage encumbering the premises.

A cashier's or bank check is purchased and made payable to the payoff bank. The check is typically delivered to the title closer, who places it in an overnight delivery envelope, together with a copy of the payoff letter, and then places the envelope in an overnight delivery pick up location.

The overnight delivery package arrives at the payoff bank; however, the check has been removed. The checks are altered (usually to be made payable to an entity) and, have been deposited into various accounts throughout five boroughs in New York and/or neighboring communities.

At this point, we are aware of seven such instances in which this has occurred, ranging from July 20, 2015, to as recently as September 2, 2015: all involving the same overnight delivery company.

Securing packages containing payoff checks is a must. Title agents have been asked to change the sender name on the shipping label to provide added security – since title agents appear to be the target. Rather than listing the full Company name, agents are encouraged to reflect the Company's initials. This way the package is not easily identified as a package from a title company, making it less enticing.

In addition, title agents should request email notification when an exception occurs in an overnight delivery. Then they will be notified if the package is not delivered as expected. The option to receive an exception report is available online for most overnight delivery carriers. For more detailed information review Escrow Technical Memorandum #162-2014 *Safety in Shipping Documents and Payments*.

## **VERIFYING** *the statement of information*

**Julie Sorrels, Escrow Officer with Ticor's Henderson, Nevada office, received a \$600,000 loan transaction from a local mortgage broker that was to be secured by seven different free and clear properties in the Las Vegas area.**

The mortgage broker was packaging the deal for a hard money lender to make the loan, meaning he was doing all the "leg work" to qualify the borrower and the properties to be used as collateral for the loan, before presenting the loan details to the hard money lender.

Julie ordered title reports for each of the seven properties. She contacted the borrower on the loan to inquire about homeowner's associations,

insurance and to find out the borrower's mailing and email addresses. The borrower spoke broken English, but explained she lived in an apartment in San Gabriel, California.

Julie thought it was odd somebody would own seven properties and live in an apartment out-of-state. She pulled the tax records which indicated all the tax bills were being sent to the property owner at an address in San Francisco.

Julie sent out a Statement of Information for the borrower to complete and simultaneously asked the loan officer for a copy of the loan application. Julie was starting to see too many red flag warnings and escalated the transaction to her escrow administrator, Rozanne Smith.

**STOP**

**TELL US HOW YOU  
STOPPED  
FRAUD**

settlement@fnf.com or  
949.622.4425

## [VERIFYING the statement of information - continued]

Rozanne recognized the mortgage broker's name doing the "leg work" as the beneficiary on three previous loans, all of which had resulted in claims against the Company.

Rozanne decided to investigate these seven properties more thoroughly by reviewing the recorded documents and declarations of value. She also contacted her underwriter and fraud review counsel for their opinions, since they were already entrenched in the three previous claims brought in by the mortgage broker.

In the meantime, the property owner produced a completed Statement of Information and the loan officer produced the loan application with a copy of the applicant's driver license, which were turned over to Rozanne.

Rozanne performed an Internet search on the address the borrower claimed was her home address and discovered a one-hour photo shop in a San Gabriel strip mall with a mailbox rental, not an apartment complex as the owner had stated.

Rozanne also discovered the name of the property owner's husband shown on the Statement of Information did not match the name on the two previously recorded deeds where the spouse had deeded to his wife. She then noticed the signatures on the Statement of Information and Loan Application did not match the borrower's signature on all other recorded documents at all.

Rozanne added up the market value of all seven properties and concluded the borrower would have leveraged all properties to the hilt (their maximum value) with a \$600,000 mortgage.

Rozanne and Julie concluded this "borrower" was actually attempting to use someone else's property to gain over a half million dollars. They

put the brakes on the loan and asked Fidelity's Fraud Review Counsel to track down the real property owner to make them aware of their properties being used as leverage to obtain a new mortgage. For her fraud detection Julie has been rewarded \$1,500 along with a letter of recognition from the Company.

### MORAL OF THE STORY

**Title agents have closed and insured transactions in the past without investigating the validity of the data provided on the Statement of Information. There is software available to our title officers to assist in the verification of information provided in the Statement of Information received from the principals to the transaction.**

**The software is completely free of charge to our title officers, so there is no reason not to take the next logical step of verifying the accuracy of the information. To obtain a login and password to the website, a title officer needs their manager's approval and they need to send a request to [settlement@fnf.com](mailto:settlement@fnf.com).**

**Had Julie proceeded with the order and ultimately closed the loan against property not actually owned by the borrower, the hard money lender could have made a fraud and forgery claim against their policy of title insurance. The claim would likely be for the full loan amount of \$600,000, clearly not a risk the Company is willing to take.**

## E-SCAMS!

**Emelia Irish, from FNTG's Houston's accounting center, received an email purportedly from an escrow officer which looked similar to this:**

Emelia immediately noticed some irregularities. First, the recipient in the To: field was blank. Second, the font seemed different throughout the message. The greeting of the message was bold and a different font than the body of the message. The font for the signature matched the greeting, but not the body of the email.

Emelia is familiar with the purported sender's tendencies and never recalled seeing "regards" as the valediction, so she reviewed previous emails. Sure enough, the sender always ended their emails with "Thanks" or "Thank You."

[Continued on pg 4]

<b>From:</b>	Escrow Officer <eofficer@houstonoffice.com>	<b>Sent:</b>	Wed 8/26/2015 11:45 AM
<b>To:</b>			
<b>Cc:</b>			
<b>Subject:</b>	Good morning		
<b>Hi!</b>			
<b>Can you please advise if available to make a wire transfer today so that I can forward you the bank beneficiary details?</b>			
<b>Regards,</b>			
<b>--</b>			
<b>Escrow Officer</b>			
<b>Fee Attorney for FNTG Family of Companies</b>			
<b>1235 Closing Blvd., Ste. 90</b>			
<b>Houston, TX 00012</b>			
<b>123-456-7890</b>			
<b>NOTICE OF CONFIDENTIALITY</b>			
<b>All of the information contained in this email message and any attachment is confidential. It is intended solely for the use of the individual or entity named above. The review, dissemination, or copying of this communication by anyone other than the intended recipient is strictly prohibited. If you receive this email communication in error, please notify this office and delete the email.</b>			
<b>Thank you.</b>			

Emelia's next step was the best defense in protecting the Company against hackers; she picked up the phone and called the sender using a known phone number rather than the number in the body of the email.

The escrow officer confirmed the email did not come from him. Emelia alerted the escrow officer his email account might have been hacked and advised him to contact his IT department for confirmation. She deleted the email from the hacker and moved on to work on legitimate requests.

#### MORAL OF THE STORY

**Pay attention! Anytime there are discrepancies in the font you should stop and double check the information being received. Be familiar with your colleagues' and customers' tendencies. If they change, take the time to call them at a known, trusted phone number to verify whether the email was sent by them or not. A phone call is the best way to protect the Company.**

**There was one more red flag in the email Emelia received and it was the notice found at the bottom of the email. It does not match the current notice attached to our Company's email. Compare it yourself.**

**Know before you close.™** | CFPB Readiness

## ***WE are prepared!***

**We have been preparing for the new rules and the new Closing Disclosure – the Company has provided a plethora of resources and tools on the topic to ensure our settlement agents are up to speed:**

1. Provided live hands-on training on the proposed rules throughout 2013, 2014 and 2015 at the on-site events, and virtual hands-on training via the webcast events.
2. Launched four Web-based training modules dedicated to the Closing Disclosure, posted on the Escrow Administration page of the Company's intranet that can be viewed 24/7 and as many times as the employee likes.
3. Issued Tech Memo 159-2013 *CFPB – New Forms, New Rules* to inform settlement agents of the new rules and introduce them to the new forms.
4. Issued Tech Memo 161-2014 *Closing Disclosure Title – Owner's Title Insurance (optional)* to provide settlement agents and sales representatives with talking points on the value of title insurance in an effort to combat the fact the new forms will disclose the Owner's Title Policy as "optional." The memo also provides a policy and procedure for buyers who chose to waive the purchase of an owner's title policy.
5. Published Escrow Tech Memo 164-2015 *Calculating and disclosing the title policy premiums on the Loan Estimate and Closing Disclosure*.
6. Issued Escrow Tech Memo 165-2015 *Proper Delivery of the Closing Disclosure* which provides timing examples for the delivery period, waiting period, consummation and disbursement.
7. Every issue of *Fraud Insights* published in 2015 included an article about the new rules. The articles assisted in educating employees, and have also been shared with customers to assist them in becoming familiar with the new rules.
8. Deployed an email containing a 3-5 minute video about the new rules, starting in January 2015. Each month one video was distributed until July 2015, when the distribution was increased to once each week in anticipation of the implementation deadline of October 3, 2015. The videos can be forwarded on by the recipient to customers to educate them.
9. Updated the online rate calculator located at <http://rates.fntg.com> to ensure our customers can obtain rate quotes for preparation of the Loan Estimate and Closing Disclosure reflecting the calculated title premiums based on the new rules.
10. Developed and branded Marketing materials that can be accessed on the Company's intranet. These are designed for employees to use to introduce customers to the new rules and new forms. They can be found here: <https://home.fnf.com/Marketing/rlc/index.asp>
11. Updated and tested Escrow production systems and deployed new builds enabling all offices to produce the Closing Disclosure when necessary.
12. Provided sample transactions to our settlement agents to work up both refinance and purchase money loan transactions to build proficiency before having to work on a live transaction.
13. Providing twenty-four hour access to the Company's Escrow Administrators for questions and issues that arise from the new Closing Disclosure.

We are ready to tackle the changes and close residential loan transactions using the Closing Disclosure and meeting the new timing requirements.