FRAUD Insights

Fraud Insights is published by: FIDELITY NATIONAL FINANCIAL

REALLY fishy

By Lisa A. Tyler
National Escrow Administrator

Identity document authentication (I.D. authentication) is the process of authenticating the genuineness of the identification being presented. I.D. Authentication is being used in many different industries, such as car buying and apartment leasing. Now, it is being used in real estate transactions. Read "IDENTITY document authentication" for the detailed information.

Equity skimming is a true crime happening in the real estate industry. It is a crime that can cause a person to lose their home, equity and credit rating in one fell swoop. Read "PERSISTENCE" to discover how an escrow officer prevented a father's equity from being stolen by his son in an equity skimming scheme.

All-Star was the theme for the 2023 FNF annual escrow training events. National Escrow Administration chose this theme because of our deep belief that our colleagues are the All-Stars in the industry. Our colleagues are what differentiate our Company from the competition.

Our settlement agents nationwide provide a top-notch customer experience, which is proven by our market share. They are the best of the best in the industry. Read about a few of the recipients of the All-Star Award in the article titled "ALL-stars."

IN THIS ISSUE

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

volume 19 issue 3
March 2024

FRAUD Insights

Publisher
Fidelity National Financial

Editor
Lisa A. Tyler
National Escrow Administrator

IDENTITY *document authentication*

Know Your Customer (KYC) standards and regulations are designed to protect financial institutions against fraud, corruption, money laundering and terrorist financing. They require businesses to verify the identity, suitability and risks involved with maintaining a business relationship with a customer.

The title industry historically identifies customers at the end of the transaction. The notary identifies the signer(s) before they sign their closing documents. This last step is an important step in closing successfully. Recent trends, however, have proven it is just as important to identify the principals to a real estate transaction at the opening of the transaction.

Forgeries have become more sophisticated and harder to detect. The absentee owner scam would not be successful if the imposter did not have a forged I.D. In many instances, it can be difficult to identify a fake I.D. with the naked eye.

This is why the Company has contracted with an identity verification software company called Mitek Systems®. Their identity verification solution makes it easy to verify the customers and detect fraud in real time, to prevent future claims and losses.

The software may be used to authenticate the identification of any principal to a real estate transaction as soon as the order is opened, and it is very simple to use. All that is needed is the principal's first and last name, the country they reside in and a cell phone number and/or email address.

The principal will need a cell phone or computer with a webcam, along with their identification to complete the I.D. authentication.

The process is very easy for the settlement agent and the principal. The principal will receive a text, email or both. Their cooperation in completing the steps is required and must be done within 72 hours or the link will expire.

The Company does require the customer to complete this step to continue processing their transaction. All the principal needs to do is answer a few questions, take a picture of the front and back (where applicable) of their I.D. and a selfie. That is it!

The system is sophisticated enough to authenticate identification documents issued by foreign governments such as foreign passports, driver's licenses, matricula consular cards, etc. It has already proven to be a very effective tool. The I.D. is only stored on Mitek Systems' portal for seven days, then it is deleted.

The results are for internal use only and cannot be shared outside the Company other than to confirm a principal has completed the I.D. authentication and whether the I.D. was confirmed or not. If the I.D. was not confirmed, the Company will look further into the matter to determine how to proceed.

This tool is available to all direct Company employees and is required for some transactions.

STOP

TELL US HOW YOU STOPPED FRAUD

settlement@fnf.com or
949.622.4425

PERSISTENCE

On January 8, 2024, a sales representative from Fidelity National Title in Florida contacted a sales representative at the Fidelity National Title office in Walnut Creek, California, to open a cash-out loan transaction in the amount of $750,000 secured by property located in San Francisco.

The sales representative in Walnut Creek put the caller in contact with Jessica Candler, an extraordinary escrow officer. She took down the pertinent information, opened escrow and provided the lender with a fee quote.

The loan officer then contacted Jessica and discussed the terms of the new loan and the fact that the property was held in a family trust, and someone would be signing on behalf of the trustee of the trust, using a power of attorney.

The loan officer explained the property was owned by the trustee free and clear of any encumbrances and the trustee's son handles all the business affairs for his father. The loan officer went on to say they confirmed the trustee was not incapacitated in any way, but just does not handle "this type of stuff" and appointed his son to deal with his affairs. Jessica requested a copy of the trust agreement and the power of attorney.

Jessica examined the documents and noted the power of attorney was signed and dated in 2015 and gave power of attorney to both the son and daughter, but stated only one of them was required to sign on the father's behalf.

The trust agreement named the son as an additional trustee, but title to the subject property only named the father as trustee and no one else. Jessica asked the loan officer the purpose of the cash-out loan and he replied it was to fund the purchase of property in another state.

On January 9, 2024, the loan officer called Jessica to advise her the new loan could only be closed in the name of the individual borrower

[Continued on pg 3]

and not the trust. Jessica provided a list of requirements to convey the property out of the trust and into the father's name — which included having the trustee (father) sign the conveyance deed in the presence of a Company approved signing agent.

The loan officer responded that an attorney would be handling the preparation, signing and recordation of the conveyance deed from the trust to the father. Jessica let the lender know that would be acceptable if the deed was notarized by the attorney or someone else in his office under the attorney's supervision.

In addition, Jessica told the loan officer the Company would require a non-termination affidavit of the power of attorney, the original power of attorney for recording and a completed and signed trust certification.

Jessica also said she needed to make direct contact with the trustee and ask a list of questions to confirm he was aware of the transaction, the loan repayment terms and the fact the power of attorney was being used.

Thereafter, Jessica was reviewing the file and realized the escrow processing unit that supported her office sent out a *Notice of Pending Real Estate Transaction* to the property owner at the address where the son lived in San Francisco, not to the address where the father supposedly lived in Illinois.

Jessica sent out another notice to the father's address in Orland Park, Illinois, requesting he call to confirm the transaction was valid. The father never called. Jessica discovered the property where the father allegedly lived had recently been sold and the power of attorney was NOT used. The deed for that property was personally signed by the father as trustee of the family trust, and not by an attorney-in-fact.

On January 14, 2024, the conveyance deed recorded, taking the subject property out of the trust and into the father's name as an individual. A copy was sent to Jessica, with a copy of a new power of attorney signed at the time the conveyance deed was signed. The documents were NOT notarized by the attorney or anyone in his office, they were notarized by someone in Illinois, where the father presumably had lived.

Jessica asked why the documents were not signed at the attorney's office and the loan officer responded by forwarding a copy of an email with an invoice from the attorney showing the work that was performed, the associated cost and stated this should be enough to prove that it was handled by the attorney. The attorney was in San Francisco, not Illinois where the father supposedly lived.

Jessica decided to reach out to the notary who signed the deed but was unable to find her searching her name in the Illinois Secretary of State commissioned notary database. Jessica requested the ORIGINAL new power of attorney for recording, but the loan officer kept sending a copy and stating that it should be enough to satisfy her requirement.

The loan officer claimed the original was either with the son or the son's attorney and that neither of them were in San Francisco. Jessica thought that was odd, since the email the loan officer forwarded contained a San Francisco address for the attorney, as well as on the invoice he provided.

Eventually the loan officer said the office would send the original power of attorney. Jessica provided an overnight delivery shipping label. The power of attorney arrived in Jessica's office and the sender on the label happened to be the notary in Illinois.

Jessica said to herself, "Why would a random notary have the father's original power of attorney at all, especially when the loan officer stated previously the original document was with the son or his attorney?"

Jessica noticed what was really fishy about the new power of attorney was the father and son both signed it. It should have only been signed by the father. The son was acknowledging the document only BUT his signature was a copy, not wet inked signed!

The pages where the son signed were completed and sent to the notary where the father lives and printed out for the father to wet ink sign. The father's signatures on the document were original wet ink signed and the son's signatures now had blue ink clearly written over the copied black.

Jessica was sure the son never traveled to Illinois where the father lived to have it notarized, yet the document appeared as if the notary had notarized both of their signatures in Illinois.

The loan officer and processor kept mentioning the time frame for the closing of the loan and that it was such a rush. Finally, the loan documents were received by Jessica and a signing was scheduled for the son who was now purportedly in Florida.

However, the loan officer said the lender would no longer allow the use of the power of attorney but would allow the trust to remain in title and be named as trustor on the new deed of trust.

The loan officer said they would have the attorney put the property back into the trust and have only the son sign since he is also a trustee. Jessica discussed this with her title officer and then let the loan officer know the Company would require both trustees to sign the deed of trust per the terms of the trust agreement. The lender asked about having the trust amended to state only the son be required to sign.

To Jessica, it seemed the loan officer and son were doing anything and everything to have the father not sign a single document. She let the loan officer know several times the Company would still require the father to sign an uninsured deed affidavit and trust certification.

On January 19, 2024, the loan officer and borrower finally gave up and canceled the transaction altogether. Jessica persisted in making sure the father knew the loan would be secured by the property he owned in San Francisco, that the father was aware of the repayment terms of the loan and having him acknowledge the deed and new power of attorney were validly signed and notarized.

Jessica's persistence likely saved the Company from a potential $750,000 claim. For her effort, Jessica has been rewarded $1,500 and a letter of recognition from the Company.

MORAL OF THE STORY

Jessica could have easily turned a blind eye to all the warnings of fraud she caught. Instead, she addressed each one head on with a solution to close the loan for the lender without jeopardizing the Company and cause a future claim.

Jessica would not allow the closing to occur until she was convinced there was no foul play.

FRAUD Insights

ALL-stars

All-Stars are highly effective and productive individuals. They are often self-starters, who are trustworthy, compassionate and demonstrate a high standard of conduct. They are tenacious and possess the ability to work with different personality traits. This month we are featuring four individuals that were recipients of the FNF All-Star award.

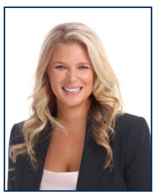
Jenny Glick

Senior Commercial Escrow Officer
Pleasanton, CA

Fidelity National Title Insurance Company

The Fidelity National Title operation in Pleasanton, California has been intensely focused on increasing communication, collaboration and promoting new synergies between sales executives and escrow staff. Jenny Glick wholeheartedly embraced this initiative. The result has been a noticeable increase in customer connections and a more concerted approach to customer engagement.

Jenny has received excellent feedback from customers about Fidelity's consistency and ability to identify their needs more effectively in this new and changing market. She has proven to be a leader in this initiative, paving the way for continued growth in operation.



Jamie Forsythe

Executive Administrative Assistant
Dallas, TX

CHICAGO TITLE COMPANY

The Company recognizes Jamie Forsythe as being one of the most extraordinary individuals the operation has the pleasure to work with. She has done an amazing job year after year at onboarding and supporting the Company's fee nation. She tasks herself with ensuring every licensed employee meets their continuing education requirements.

Jaime is the Executive Administrative Assistant for Chicago Title Company, and her toughest job of all is managing both John Tannous, President of Chicago Title Company in Texas and Gil Ernst, Executive Vice President Regional Manager.

Daisy Su

Escrow Officer
Honolulu, HI

Fidelity National Title & ESCROW OF HAWAII, INC.

Daisy Su began as an assistant and worked her way up to the promotion of Escrow Officer. Daisy has always been an extremely hard worker, reliable, competent and dedicated to customer service. She is extremely quick to answer emails or phone calls 24 hours a day and seven days a week. She strives to meet with her customers face-to-face by conducting as many in-person signings as possible.

Daisy never fails to say thank you and show her appreciation to her colleagues. She recognizes and projects her understanding that we are all on the same team, working towards the same goal. Her colleagues are proud to work with her. Her expertise is the very reason why she receives so much repeat business.

Katherine Burghard

Title Examiner
Houston, TX

Charter Title Company

Katherine Burghard started in the title business in 1991. She is a commercial title examiner who works closely with underwriting and escrow officers to insure high liability commercial deals. Katherine is Charter Title Company's go-to for all complicated or high liability transactions. She is very knowledgeable and always willing to share her knowledge to help train others.

Katherine has won multiple title awards including Commercial Examiner of the Year and Title Plant MVP. Charter Title Company believes there is no one more deserving of the All-Star honor.

Article provided by contributing author: Diana Hoffman, Corporate Escrow Administrator • Fidelity National Title Group • National Escrow Administration

ALL-STAR
AWARD
WINNERS