



$\frac{1}{2}$ truth + $\frac{1}{2}$ truth \neq Truth

HOW to commit fraud

By Lisa A. Tyler

National Escrow Administrator

Many of us have a perception of what fraud is. We know company names such as Enron® or Bernard L. Madoff Investment Securities LLC, where hundreds of millions of dollars were skimmed, stolen or embezzled representing fraud. But those examples are not the only types of fraud committed. Fraud is not just major news and multimillion dollar crimes. Fraud can start off small and become a slippery slope. Jerome Mayne, our contributing author, writes about the five valuable lessons he learned along the way after serving 21 months in federal prison. Read his latest article entitled "5 simple steps to an unhappier life."

A borrower calls out of the blue to open an escrow for a hard money loan from a private party. The property used as collateral is free and clear. The property is a rental. The owners live in California. The property is located in Nevada. The borrowers want a quick close so they are willing to drive from California to Nevada for the signing. Anything sound weird about this transaction? Read "ABSENTEE owner scam" to discover how the title officer uncovered a forgery after reviewing all the warnings.

In this fast paced world finding solutions for customers to sign their documents on their schedule and according to their needs is crucial. We have the pleasure to work with such a diverse group of customers. As a result, many of them need us to come to them. Some of our customers are not even in this country. Others have special needs. In all instances we need to be prepared to provide them with a signing solution to fit their needs.

National Escrow Administration is regularly asked what options are available for a signer in another country, who is blind, in another state, in prison, unable to sign their name and other issues. This year we will feature a "PROPER document execution for recording and insuring" article in each newsletter describing the options available.

Read the first of twelve articles entitled "SIGNING with a mobile signing agent" to discover signing solutions for our customers on the go.

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Jerome Mayne, our contributing author, writes about the five valuable lessons he learned along the way after serving 21 months in federal prison.

How did I wind up in prison? Well, I didn't start out with a scheme or a plan, but I definitely got involved.

In 1994 I had a career as a loan officer. I was approached by a group of investors who were buying and selling homes. Over the next several months I worked on loans for their buyers and sensed the documents provided by these buyers were not on the up-and-up. I never acted on my suspicions. I didn't ask, and they didn't tell.

It did not take me long to decide that I didn't want to do business with them anymore.

I stopped accepting any new loan applications. Before I completely cut all ties with them there was one last transaction that sealed my fate. I bought a house, put it on the market at a higher price but couldn't find a qualified buyer. I called the investors for help. They found a buyer for my house. We netted around \$20,000 from the sale and split it, and we all went our separate ways.

At the end of 1998 the FBI arrested me outside of a restaurant and charged me with conspiracy to commit mail fraud, wire fraud and money laundering. These charges were in connection with my involvement in the mortgage fraud scheme perpetrated by the investors, who I worked with four years earlier.

My suspicions about the buyers proved to be true. They were straw buyers who defaulted on the loans I closed resulting in more than \$200,000 in losses for the lender. I fought the charges but I eventually plead guilty. I received a 21-month sentence, which started November 4, 1999.

I'm often asked why I kept working with these guys for all those months. Some people say it was greed; but I honestly don't think so. I was making plenty of money. It was quite a while ago, but I think I worked with them because the difficult loans proved to be a challenge, and I liked them. The head of the scam had befriended me and I didn't want to let him down.

I have learned some valuable lessons from my journey and have summarized a few of them below. Hopefully they will help you avoid taking the path I walked on. Or, you can take the following Action steps and you too can change your career and your life forever; for the worse.

1) Subscribe To 'Business As Usual' Attitudes

I know your mother told you one white lie could lead to another, then another and another. Before you know it you're in way over your head. Have you ever cut a corner by disregarding a policy or procedure at work? For some, refusing to cut corners can seem exceedingly difficult when they are trying to keep their job or retain clients, but policies and procedures are in place to protect their company. Cut a corner once and it becomes easier and easier to keep cutting.

Action: Don't listen to your mother. Go with the flow and cut corners.

2) Don't Just Turn a Blind Eye—Help Out

Studies have revealed that a significant amount of reported fraud losses involve collaboration, collusion or knowledge from industry insiders. In other words, someone on the inside; the person keeping the books or adding up the numbers suspects, knows or is outright helping facilitate the scheme. If you're a licensed professional it is unlikely you are being completely duped by someone at your own game.

Action: Make a conscious decision to ignore your gut feeling and assume your instinct is telling you to do the wrong thing, first.

3) Trust Everyone

This step addresses the balance of the significant amount of reported fraud losses I refer to in step 2. Confidants, or con-men for short, are good at their craft. They construct a façade; a persona of sincerity and honesty that for the most part will not be transparent. They will become your friend. They don't care about you, your company or your family. They will use every resource available to get you to do what they want; assist them in perpetrating a scam. They actually can beat you at your own game.

Action: Trust everyone.

STOP

**TELL US HOW YOU
STOPPED
FRAUD**

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949.622.4425

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4) Justify Your Unethical Actions

My involvement in the scam included several justifications. I told myself, since the kingpin did not explicitly tell me that the documents I received were fake, it was not my job to act on my suspicions and verify them. After all I didn't create any fake documents. I even told myself that if the documents were fakes, it probably wasn't going to hurt anyone or create more risk.

Action: Lie to yourself until you feel okay.

5) If A Money Tree Falls In The Forest And No One Is Around, You Can Take All The Money

This might seem like a no-brainer but you'd be surprised. Being a felon, I've rubbed elbows with some unsavory sorts. I'd say at least half of them felt they committed fraud by need, and felt it was justified. They knew of a loophole or weakness in the system but never exploited it because it would be wrong, unethical and perhaps even criminal. For weeks, months or years they never took advantage of the loophole. Then one day, BAM! The sick aunt broke a hip, had no health insurance and the temptation was too great. There was an opportunity and a need, and no one would ever know.

Action: The money is yours as long as nobody is looking.

Some may feel the above steps can be placed in categories ranging from big to small, and severe to not so severe. Know this: Every corner that is cut, trims a little piece from the soul; and it is almost impossible to get that back. There is no gray area; there is only a thin line. You are either on one side of it or the other.

My sentence ended in March 2001. But my loss of self-confidence, self-esteem and the stigma associated with being a felon did not. Once a person with fearless entrepreneurial characteristics, I was now scared to apply for a job as a copier salesman.

I eventually found some confidence and self-respect, or they found me and I've been able to contribute in a useful way to society. My career and passion today are speaking at conferences and conventions about the consequences of fraud and the importance of doing the right thing; helping professionals make the right decisions when the right decisions aren't easy.

Jerome Mayne is an international keynote speaker on fraud and ethics. He is the author of the book, *Diary of a White Collar Criminal* and co-author of *Mortgage Fraud and Predatory Lending – what every agent should know* (Kaplan Publishing). He has worked with dozens of companies and associations around the country helping business professionals to stay out of prison. To hear all the details of the mortgage fraud scheme and his account of what it was like on the inside, book Jerome for an upcoming event, he can be reached at Jerome@jeromemayne.com, www.jeromemayne.com.

His books are available on [Amazon](https://www.amazon.com).

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ABSENTEE owner scam

On November 22, 2017, a loan transaction for \$150,000 was opened with Lorena Arellano, an escrow officer with Chicago Title of Nevada, by the home owner. Their instructions were to open an escrow for a new loan in favor of a private party using their rental property in Las Vegas as the collateral. Lorena opened the order and placed an order for a title report.

She received instructions from the private party lender to charge \$8,300 as an origination fee at closing. The loan was to be repaid with 12% interest and became due and payable in full in three years. The property securing the loan is worth \$243,000.

Lorena worked up the file and contacted the borrowers to schedule a signing appointment. The borrowers lived in Westminster, California, so Lorena was going to schedule the signing with a mobile signing agent in the area.

The borrowers declined the mobile signing agent and said they were driving to Lorena's office in Henderson, Nevada, to sign their documents. On December 7, 2017, the borrowers supposedly drove from Westminster to Henderson — a four hour trip — to sign their loan documents in Lorena's office.

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[ABSENTEE owner scam - continued]

The preliminary report required a Statement of Information to be completed by the borrowers and provided to the title officer to review since the property was free and clear of encumbrances. Lorena obtained the Statement of Information from the borrowers at the signing and sent it to John Alvarez, the title officer.

The names matched, the taxpayer identification numbers matched, but the mailing addresses did not match. The tax bill showed it was being sent to Arcadia. The Statement of Information listed that as a former address, but now the borrowers supposedly lived in Westminster. The Westminster address does not even exist.

John pulled documents from a prior file and noticed the signatures were completely different. He sent the statements to Mike Gilliam, the title manager, for comparison, and the signatures were determined to be a forgery. The Company refused to close and insure the loan, and cancelled the order.

John's astute recognition of the forgery saved the Company from a \$150,000 potential claim from the insured lender and a possible claim from real property owners for clouding title to their property with a forged deed of trust. For his efforts the Company has rewarded John \$1,500 and a letter of recognition.

SIGNING *with a mobile signing agent*

As an insurance company, we are expected to demonstrate prudent underwriting of our insurance policies. Our underwriting practices should be designed to minimize risks in order to remain fiscally sound. The Company closely monitors the types of claims paid in order to identify trends and respond with prudent underwriting practices.

The Company's first preference is to have all documents signed in the presence of an employee. The employee witnessing the signing must require the production of proper identification and personally examine it to verify the identity of the signing parties.

Even if the notary is not an employee of the Company, it is the responsibility of the employee to ensure the notary follows industry standards in conducting the signing ceremony.

However, when the principals are unable or unwilling to come to an office of the Company, a mobile signing agent may be used to conduct the signing. Bancserv is a FNF wholly-owned signing service company whose signing agents are pre-screened, tested, approved, monitored and rated based on their performance on an ongoing basis.

Through a network of thousands of qualified signing agents, Bancserv coordinates and simplifies the process of closing real estate transactions by sending a signing agent directly to an individual's home or workplace to have the documents signed, notarized and promptly returned.

