

2018...
2017... 2016...
2008

BLAST from the past

By Lisa A. Tyler
National Escrow Administrator

Welcome Beverly Biedscheid! We have a new member of the escrow administration team to provide training and support to settlement agents nationwide. Beverly joined us on July 10, 2018, and we are happy to work alongside her. Although she is new to our team, she is not new to the Company. She formerly worked for Fidelity National Title's operation in Sacramento, California. Read all about our newest team member in the article entitled "GETTING to know you."

Blast from the past! "International Espionage – Part II," a story involving a seller who withdrew \$254,000 against the available balance of line of credit on the day prior to closing, was a story we published exactly 10 years ago. We paid off the existing loan only to find out our payoff was short \$254,000. Our industry scams have evolved and now the majority involve compromised business emails. Read "GOOD ol' days" for more about the types of stories we covered before wire fraud became so prevalent.

A doppelganger is a mysterious, exact double of a living person. It is a German word that literally translates to "double walker"

or "double goer." A doppelganger looks, walks, acts, talks and dresses so much alike, even a relative would swear it is the other person. This does not, however, entitle him or her to someone else's property. The absentee owners scam continues to plague the industry. Persons target non-owner occupied properties, including vacant lots, in an attempt to steal the property by selling it to an unsuspecting buyer or strip the equity in the property by obtaining a cash out loan in the name of the real owner. This story entitled "DOPPELGANGERS" illustrates how this is an international problem.

In last month's edition we discussed principals leaving the country while involved in the biggest financial transaction of their lives, and having their signatures notarized at a U.S. Embassy or Consulate office. In some cases, the embassy or consulate offices are too far from the principal or do not have an appointment available in the foreseeable future. If that is the case, there are other options for the principals. Read "SIGNING in a Hague Convention treaty member country" for more detailed information.

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volume 13 issue 9
September 2018

GETTING to know you

Publisher
Fidelity National Financial

Editor
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As you may know our sweet team member Sue Dahlstrom retired to spend more time with her family. As a result, we received the impressive resume of Beverly Biedscheid and now she is the newest member of our fraud fighting team. She is a Corporate Escrow Administrator and she took a few minutes out of her busy day to answer interview questions so you could get to know her.

Phonetic Pronunciation of your last name?
Beach-Eyed.

How long were you with the Fidelity National Title operation in Sacramento, California? Total of 5 years.

How long have you been in the industry?
26 years.

How did you get started? I started in 1992, as Escrow Technician in the lender division at Fidelity National Title in Sacramento, working with eight escrow teams ordering payoffs and insurance. This was back before email, so you can image the volume of mail that could come in daily to be distributed to the files!

What type of fraud attempts do you feel are the most preventable? All fraud is preventable. However, wire fraud can be prevented by simply having continuous direct contact with the customer. We, as settlement agents, have to be extremely diligent on every file, every time. A quick phone call can go a long way at preventing a loss.

What is your favorite article in *Fraud Insights*? All are fantastic, but I really do like the one about phishing attempts, "Go Phish." Working at a fast pace it is easy to open an email and click on an attachment without realizing it is not a legitimate email. Moral of the story...Always Pay Attention!

What about yourself can you share with our readers? My entire family has been involved in the real estate industry; from lending to escrow to legal. I guess it is a family affair.



If you were stranded on a desert island and could only take three items, what would you bring? My husband, sons and a working cell phone to call for help.

Favorite ice cream? It is a tie between Oregon Blackberry and Rocky Road.

What would you do if you won the lottery? Donate to several charities then bye-bye escrow...hello travel!

What was your very first job? I was a sales clerk at Clothestime. I applied at least half a dozen times but I was only 15 years old. The manager made me a deal, "Stop bringing in applications and I will hire you when you turn 16." My first day was on my 16th birthday and stayed until I left for college two years later.

Who is your favorite athlete?
Serena Williams.

Beverly can be reached by email at Beverly.Biedscheid@fnf.com or by telephone at 949.255.9027. Feel free to reach out and give her a warm welcome!

STOP

TELL US HOW YOU
STOPPED
FRAUD

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949.622.4425

GOOD ol' days

Ten years ago, lenders and investors were sinking under a pile of bad mortgage-related debt. Stocks were on a seesaw and the worst financial crises since the Great Depression started in the United States, and spread around the world. It is hard to think it was that long ago.

In looking back 10 years ago, the September edition of *Fraud Insights* contained tips and tricks on the technology made available to our industry to aid in the detection of fake identification presented at a signing.

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[GOOD ol' days continued]

We reported on a home seller who withdrew \$254,000 from her line of credit on the day before closing. She attempted to move the money, along with her sale proceeds in the amount of \$834,000, offshore to a Swiss bank account.

We also ran a story about a buyer who deposited, not one, not two, but three counterfeit checks into escrow for the earnest money deposit and then for the closing funds. The last being a counterfeit check in the amount of \$430,000.

Times and scams have changed. Fast forward to present time, in the Federal Bureau of Investigation's Public Service Announcement dated July 12, 2018, they reported the following terrifying information regarding the Business E-mail Compromise (BEC)/E-mail Account Compromise (EAC) scams targeting both businesses and individuals performing wire transfer payments:

BEC/EAC actors heavily targeted the real estate sector in recent years. Victims participating at all levels of a real estate transaction have reported such activity to IC3. This includes title companies, law firms, real estate agents, buyers and sellers. Victims most often report a spoofed e-mail being sent or received on behalf of one of these real estate transaction participants with instructions directing the recipient to change the payment type and/or payment location to a fraudulent account. The funds are usually directed to a fraudulent domestic account which quickly disperse through cash or check withdrawals. The funds may also be transferred to a secondary fraudulent domestic or international account. Funds sent to domestic accounts are often depleted rapidly making recovery difficult.

Domestic money mules are frequently identified in connection with the BEC/EAC real estate trend. BEC/EAC actors often recruit money mules through confidence/romance scams. The BEC/EAC actor may groom a victim and then direct them to open accounts under the guise of sending or receiving funds as directed by the BEC/EAC actor. The accounts opened to facilitate this activity are typically used for a short period of time. Once the account is flagged by the financial institutions, it may be closed and the BEC/EAC actor will either direct the romance/scam victim to open a new account or move on to grooming a new victim.

Based on victim complaint data, BEC/EAC scams targeting the real estate sector are on the rise. From calendar year 2015 to calendar year 2017, there was over an 1100% rise in the number of BEC/EAC victims reporting the real estate transaction angle and an almost 2200% rise in the reported monetary loss. May 2018 reported the highest number of BEC/EAC real estate victims since 2015, and September 2017 reported the highest victim loss.

You read it correctly...it was not a typographical error...1100% rise in the number of victims! The crimes 10 years ago now seem so much simpler. Today we have the constant threat of wire transfer diversions.

I encourage our readers to continue to read *Fraud Insights* to keep abreast of the crimes that are happening in our industry and in order to stay vigilant in preventing the crime from being perpetrated in your own transactions.

DOPPELGANGERS

Ashley Boyko, Escrow Closing Officer at Liberty Title & Escrow in Fort Myers, Florida, received a copy of a fully executed purchase agreement with instructions to open escrow and order a title report. The listing agent informed her this was his first foreign listing for a vacant lot.

The sales price was \$27,000. The seller lives in France and the agent's only means of communicating with the seller had been via email.

Right away Ashley noticed a discrepancy on the purchase agreement: The seller provided a mailing address in London – not France. Oddly enough, the seller also provided a black and white copy of his passport, but the passport was a Swiss Passport, again, not from France.

The property tax records did reflect an address in France as the address where the tax bills were sent. So far, that was the only fact consistent with what the seller told the listing agent.

Ashley put a plan together. She pulled a Seller Information Sheet. She sent a secure email to the seller at the email address provided by the listing agent. She instructed the seller to complete the Seller Information Sheet and email it back with a color copy of his passport.

Ashley also notified the seller he would have to sign the closing documents — which had to be notarized in front of a notary public at the U.S. Embassy. She advised him it could take weeks to schedule an appointment and urged him to make arrangements now.

The listing agent also asked Ashley to provide the seller with the name and contact information of a local accountant or CPA who specialized in preparing the appropriate IRS forms needed for a foreign seller subject to Foreign Investment in Real property Tax Act (FIRPTA) Withholding. Ashley referred the seller to a local CPA her office regularly works with.

Weeks later the seller replied by sending back a partially completed Seller Information Sheet and a color copy of his Swiss Passport. The seller only provided his name and email address on the sheet; he did not complete the address or Taxpayer Identification Number fields.

The seller's passport was clearly altered. The font was bolded in some areas and not in others. It also appeared as if he pasted his name over the real name of the passport holder. When Ashley zoomed in she could even see the letters underneath the letters that were being covered up.

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[DOPPELGANGERS - continued]

Whose passport was it? Did the imposter somehow think he was the real seller's doppelganger? Did he think that if he altered the name on his passport, he would get away with stealing this property?

What we know is that he clearly forged a passport by cutting and pasting over it. What we do not know is if he used the real property owner's picture on the passport and, if so, did the real property owner and he look alike.



Ashley contacted the listing agent, who the seller included on the email, and asked him if he had viewed the passport. He had and they both agreed they wanted another form of identification. Ashley replied by asking the seller to send over a copy of his driver's license and whether he had contacted the CPA yet.

The seller refused to contact the CPA or provide a copy of his driver's license. He also asked Ashley to email his closing documents. He informed her he would take the closing documents to his own notary and send them to her. Ashley replied by letting him know the documents would have to be notarized at the U.S. Embassy.

Next, Ashley began to prepare a letter addressed to the seller at the same address the tax bill is mailed — confirming he had listed and was selling his lot. Before she was able to finish, the seller replied with the following (improper grammar, spacing and all):

Hi,

Cancel all contract and remove listing. I am no longer interested.

There are so many 'MUST' in this transaction and no one seems to be considering me. I will relist my property whenever I visit the USA and it will save me all these if I am there in person, besides closing date is around the corner, buyer is in a hurry, not ready to extend a third time and I do not see us meeting up before that date. . International passport is world wide known means of identification and WHY a second ID, WHY NOT, verify my passport.

Ashley reported the details to settlement@fnf.com saying, "All along I had a bad feeling." The buyer was disappointed since he really wanted to purchase the lot, but he was glad he did not become a victim.

Ashley notified the title plant and advised the listing agent to reach out to the owner of the lot at their address in France where the tax bills were being sent. The agent agreed.

MORAL OF THE STORY

Absentee owners are at risk of being victimized. Do not participate. Watch for red flags and any inconsistencies. Once you identify an issue, investigate it just like Ashley did. She took extra steps and put additional requirements in place, which surely saved the Company from a potential claim by the new buyer. Great job Ashley. For her efforts, Ashley was rewarded with \$1,500.

This article was provided by a contributing author:

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SIGNING in a Hague Convention treaty member country

If the principals are out of the country and going to the U.S. Embassy or Consulate is inconvenient, there are other options. The settlement agent must determine if the country where the principal is located is a member of the Hague Convention Abolishing the Requirement of Legalization for Foreign Public Documents established in 5 October 1961.

Documents issued in a convention country which have been certified by a convention certificate called an Apostille, are entitled to recognition in any other convention country without any further authentication.

The list of countries which are a member of this particular convention can be found at <https://www.hcch.net/en/states/hcch-members>. The list of member countries appears alphabetically. Select the country where the principal is located and verify the country is a member of the convention of 5 October 1961 Abolishing the Requirement of Legalization for Foreign Public Documents to qualify.

If the country is a member, the principals can go to any duly appointed notary in the country and the notary will attach an Apostille to each document requiring notarization. The Apostille is not a document created or provided by the settlement agent, instead it must be provided by the person acting as the notary public.



The Apostille must contain certain information and be of a certain format, therefore settlement agents should not attempt to prepare or provide one as errors may render the document unacceptable for recording or insuring.

If a country is not listed on this site, it is not a member of the Hague Convention and other steps must be taken to have the documents notarized, which will be discussed in next month's edition.