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National Escrow Administrator

The Federal Trade Commission (FTC), banks and gift card companies nationwide are warning consumers of a new scam where an imposter contacts a consumer requesting they immediately go buy gift cards. The contact is initiated through either text messages, email or by telephone. Read all about this new scam in the article entitled "GIFT card scam."

So long as there are still people who do not know about the risks surrounding diverted wire transfers, we will keep talking about them. Hackers keep getting more and more creative. In "ANATOMY of an altered payoff demand" we compare a valid and altered payoff demand side-by-side to see how subtle the alterations can be.

A considerate title agent in Huntsville, Alabama, shared a story in order to make other title companies aware of a recent fraud attempt at his office. Nothing was lost (other than time), but the perpetrators are going to other offices trying to get their deal closed. Read the story entitled "FALSE pregnancy" to discover what happened.

Title insurance rates are usually a small percentage of the home's cost and they vary from one area to the next. In most areas, the premiums are filed with, and approved by, the State's Department of Insurance.

Some states may provide for discounts, if the principal or property qualifies for such a discount. Find out more by reading "HOW much does title insurance cost."

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GIFT card scam

Consumers are being called, emailed and texted to purchase gift cards. The contact is initiated by someone posing as an Internal Revenue Service (IRS) Agent, technical support, family member or even as an employee's boss.

The scammers are very good at convincing people there is an emergency; therefore, many consumers go to the store, purchase the gift cards and then let the scammer know when they have them in their possession. Recently, real estate agents have been targeted with this scam.

Here is an actual text Carl Carter Jr., a real estate agent in Arkansas, received:

Sender: Good Morning Carl are you working today?
Daniel, Your Broker

Real Estate Agent: Hi Daniel – yes sir!

Sender: Okay perfect, am with a client for a meeting and his kids want "Steam" gift cards. Can you help get four at \$100 each from any store? I'll reimburse you later today please and thanks.

Sender: Is this convenient for you?

Real Estate Agent: I can make it work. Can you give me a call to work through the details?

Sender: It's a gaming gift card called Steam. Most stores have them. When can you get them?

Sender: Let me know when you get them. I need the gift card numbers and the PIN for each.

There are other scenarios where the scammer poses as an Internal Revenue Service (IRS) Agent, leaving a threatening message for the victim about buying gift cards to avoid tax evasion. Even scarier, they are able to spoof phone numbers and send text messages from someone who appears to be a family member or boss requesting gift cards.

The reason scammers love gift cards is – it is one of their favorite ways to steal money. The scammers do not even get the actual card – they request the numbers from the back of the cards.

Then they monetize the card in several dastardly ways – by purchasing apps they have developed themselves, reselling the cards on the internet at a discount, or activating the card and using it to purchase merchandise to resell.

These cards are like giving cash and are nearly untraceable — unless the victim acts immediately to have the card issuing company disable the cards. The Federal Trade Commission (FTC) has posted consumer alerts regarding the scam. They request consumers that have fallen victim contact the card issuing company first.

Even if the victims are not able to recover the funds, the card company needs to know the scam was perpetrated. Then, they request consumers report the incident to the FTC to aid in shutting the scam down.

The best way to prevent the scam from being successfully perpetrated is to be aware it is prevalent and could happen to anyone. Be sure to share this story with your friends, relatives and customers.

**STOP**

TELL US HOW YOU
**STOPPED
FRAUD**

settlement@fnf.com or
949.622.4425

ANATOMY of an altered payoff demand

In certain markets, such as Southern California and Washington State, independent escrow agents handle real estate closings. They order the title insurance from a title insurance company that has a sub escrow division to process payments for any lien related items. These divisions pay off any existing mortgages as a part of the services they provide.

The payoff demand is ordered by the escrow agent, who provides it to the sub escrow officer. The sub escrow officer scrutinizes the payoff demand and compares the wire instructions to the Company's known trusted wire instructions. This is exactly what Wendy Troxell, Accounting Administrator with Ticor Title in Riverside, California, did.

Wendy immediately noticed the account number was not the same account number the Company wires payoff funds to hundreds of times every month. She picked up the phone to call the bank; it was confirmed the account number was not valid in any way. She asked them if the other, known number she had was the correct account number and it was confirmed it was.

Wendy reached out to the independent escrow agent who confirmed they ordered a payoff demand at the beginning of April 2019. Then, about 20 days later a revised demand was received via eFax.

Wendy asked why an update to the demand had been ordered, since the amounts did not change. The escrow agent told Wendy she never ordered the update, it just showed up. Let's compare the two:

The highlighted information in the two letters is listed below for readability:

	ORIGINAL DEMAND	AMENDED DEMAND
Fax Number	083/9764318250/XP125/1/1	888999000 (different)
Payoff Amount	\$160,917.05	\$160,917.05 (same amount)
Account Number	98989898989898	32323232323232 (altered)

Wendy notified her manager, Chad Finn, of her findings. Chad alerted the escrow agent that someone's email account had been compromised. He suggested they have their systems checked.

The escrow agent called back a few days later. It turns out, they had been communicating with the fraudster all along. The fraudster was intercepting emails between the real estate agent and escrow agent for several days, and responding as if he/she was the real estate agent.

The independent escrow agent had no idea fraudsters were intercepting payoff demands and altering them. They were shocked to discover eFax is an unsecure method to transmit payoff demands. The independent escrow agent reported the incident and is working with law enforcement to prevent falling victim in the future.

Every time we think we have the swindle figured out, the fraudsters tweak it just enough to conceal it. The escrow agent even uses this as their email tagline:

*****CAUTION: EMAIL FRAUD CONTAINING INCORRECT WIRE INSTRUCTIONS. If you receive an email requesting you to wire funds to ESCROW CALL YOUR ESCROW OFFICER IMMEDIATELY to verify the information prior to sending Funds.*****

Thanks to Wendy and Chad, the escrow company knows what else they need to look for. Chad nominated Wendy for a \$1,500 reward for taking the time to review the payoff thoroughly and prevent the Company from becoming a victim. We agree she is deserving of the reward and recognition for her efforts. Congratulations Wendy!



FALSE pregnancy

Fraud was presented to a title agent in a rather unusual way: It was a \$500,000 cash sale, no loan involved. The standard Huntsville, Alabama Board residential contract listed a Mr. Squatter and his wife as buyers. Though the contract had been pending for three weeks, it did not come to Craig Paulus's office at Paulus Title until just a few days before closing.

Mrs. Squatter was pregnant and nearing her due date. With all that excitement, some of the paperwork, such as an earnest money

deposit and proof of funds letter, were lagging behind. That was their excuse for the last minute closing. Mrs. Squatter ended up going into labor a couple of hours before closing, so she decided to come and sign first thing the following Monday.

At the signing, she forgot her drivers' license, but said she would email a copy. She still had not delivered the baby and they were on their way to the hospital. The Squatters said they would initiate the wire transfer of funds to close on the way to the hospital.

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[FALSE pregnancy - continued]

As a result, they signed their closing documents, but Craig did not disburse or record documents, since the funds to close had not been tendered by the buyers.

The following days were filled with excuses, misdirection and confusion. Because the buyers would not answer Craig's calls, he heard everything second-hand from their real estate agent. Stories included the following: She had inherited the funds; they were from a 1031 exchange; the wire was sent; the wire was rejected; she is in labor; she is not in labor because she is at the bank; she is actually at a different bank; the wire was rejected again; they had to get the wire back to get a certified check; they blamed Craig's wiring instructions; a fraud alert froze the funds.

As the week passed, the story became less plausible. They tried to find another attorney to close the deal, but when they found one, he called the buyer's real estate agent, who explained that they just needed to send funds to Craig's office to close. On his end, Craig refused to budge on recording the deed, or doing anything until the funds were received and cleared.

Finally, Mr. and Mrs. Squatter found a closing attorney in Tuscumbia, Alabama, and told him all the delays were caused by their real estate agent trying to impersonate Mr. Squatter at their bank.

The attorney called the real estate agent's broker and threatened to sue if the real estate company did not front the money and get paid

back later. Craig spoke to the closing attorney and said he had heard the Squatters did not even have an account at the bank they indicated was "their bank."

As it turned out, the Squatters were on speaker phone in the closing attorney's office and Mrs. Squatter told Craig she did have an account at the bank, but he could not find it because the account was in her maiden name and the funds in it were from an inheritance. Craig asked for her maiden name. She provided a name to him.

Armed with her maiden name, Craig performed an internet search and learned she had an extensive record of convictions for perpetrating fraud and forgery. One website from 2005, noted that her modus operandi is to pretend she is pregnant!

The internet search revealed Mrs. Squatter had convictions in three states, under five names — none of them are Squatter. Craig also discovered Mr. Squatter had a lengthy record for passing counterfeit checks.

As a result, Craig cancelled his transaction and told the listing agent and seller the deal was never going to close, and they should put the property back on the market. The buyers had been attempting to obtain the keys and move into the property as "squatters" without ever paying a dime.

HOW much does title insurance cost?

The amount of liability of a policy of title insurance will depend upon the type of coverage. Typically, the owner's title policy is based upon the purchase price or fair market value of the property being purchased.

The lender's title policy is usually based upon the loan amount, but may include another amount required by the lender.

Typically, an owner's title policy is purchased in conjunction with a sale transaction — but not always. In some instances, title is transferred as a part of a donation or a gift to family members. In these instances, where a purchase price is not established, a title officer may be willing to insure the new owner of the property by establishing a fair market value of the property. The fair market value is determined from other available information, such as the amount of encumbrances, assessed value, an appraisal, etc.

There are various customs regarding who pays for the purchase of title insurance. In some areas of the country, it is customary for the seller to purchase the owner's policy for the buyer, whereas in other areas the buyer purchases this important protection themselves. In most cases, the borrower pays the cost for the lender's title policy required by their lender.

The American Land Title Association (ALTA) is the trade association for title insurance companies nationwide. They have also charted state or regional associations which focus on local issues. Next month, we will demonstrate the tools they have provided to their members, which demonstrate to the public the importance and value of title insurance.

