



By Lisa A. Tyler
National Escrow Administrator

As everyone in our industry knows, there are many moving parts in order to close a real estate transaction. But most people do not know all the work that is involved when a fraud or forgery is discovered in a transaction. This is a true story about some of the work that was done to unwind a transaction.

It started off with a call from a bank that was escalated to Lisa Tyler, National Escrow Administrator. Find out what led the bank to believe the funds were credited to a fraudster's account in "I cannot make this stuff up!"

There are certain requirements the settlement agent works on to clear the items listed on the requirements page of the title report: Loan payoffs, homeowner's associations, assessments, etc. Other

requirements, however, such as bankruptcies, divorces, probate proceedings and other clouds on the title, are the responsibility of the principals to resolve. The principals must also take proper steps to remove any disapproved exceptions.

The settlement agent, however, should coordinate with the principals to make sure that what they are doing will not cause a defect or cloud upon the title to the property, complicate or delay the closing and is acceptable for title insurance purposes. Read "ANGELO" to discover how a cloud on title becomes an expensive lien to clear.

To wrap up the series on the value of title insurance, we end with a story about a single mother who was able to keep her home after a property tax increase. Read "UNEXPECTED tax lien" to realize the true value of obtaining a title insurance policy.

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cannot make this stuff up!

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One Thursday morning, a bank representative contacted one of our branch offices stating a wire transfer in the amount of \$309,243.60 had likely been sent to a fraudster's account. The relationship manager at the bank indicated the wire transfer was supposed to credit the account of Don Key, but the account was in the name of Anita Job.

The representative from the bank stated Job had been withdrawing funds from the account every day since the wire was sent, which was a tell-tale sign of fraud.

| | |
|-----------------------|--------------------------------|
| Bank Name | Any Bank |
| ABA Routing Number | 67676767 |
| Credit Account Name | Don Key |
| Credit Account Number | 00000987654 |
| Special Instructions | Sale Proceeds |
| Further Credit Memo | Closing Proceeds |
| Extended Memo | Cash To Seller \$309,243.60 |

The branch office escalated the issue to Lisa Tyler, National Escrow Administrator from Fidelity National Title Group, who spoke to the branch which initiated the wire. The escrow officer at the branch confirmed the funds represented the proceeds to the Seller from the sale of property located at 1234 Adams St., Anytown,

USA, and were intended to reach the account of Don, the Seller.

The officer said the wire was sent to the account indicated on the seller's completed disbursement instructions handed to the mobile signing agent prior to closing. Lisa insisted the escrow officer call the seller and confirm the account number, since the writing on the instructions was barely legible.

The escrow officer called a man, who she thought was Don, to verify bank wire information. Whoever she was speaking to said he could see the wire amount in his account and he claimed he held the account jointly with his daughter Anita Job.

The bank then confirmed the account was not a joint account and the account holder was attempting to syphon off all the funds wired to the account. Lisa decided to dig deeper and checked the fair market value for the property; it was worth more than \$900,000, but the sale price in this transaction was only \$400,000.

As this was looking more and more like a forgery, Lisa asked the accounting center to place a recall on the wire transfer for fraud and asked the bank to restrict the account to prevent Job from withdrawing any more funds. The escrow officer reached out to the mobile signing agent for information on the signing of the closing documents by Don.




STOP

TELL US HOW YOU STOPPED FRAUD

settlement@fnf.com or
949.622.4425

[I cannot make this stuff up! — continued]

The signing agent indicated the signing took place in a remote area, more than an hour outside of the city where the property was located.

Lisa then started steps into locating the real Don Key. First, she contacted the local police in Anytown to perform a welfare check at the property.

The police indicated several welfare checks had been performed over the past two years at that property. The police also indicated it appeared who ever resided in the home left one day to go to the store and never returned. Don's belongings were in the home untouched and the house was locked up.

The next day, Lisa contacted the new lender on the transaction, since a portion of the loan proceeds were used to purchase the property and the balance was to be used to remodel and repair the property. Lisa informed the lender the conveyance deed had been a complete forgery; the buyer truly did not own the property and therefore legally could not sign the deed of trust encumbering the property. Lisa instructed the lender to hold all future draws for construction, as the loan would be paid off in exchange for a release of lien.

Lisa contacted the buyer, Sal A. Mander, a real estate investor who bought distressed properties on a regular basis. This particular property had federal tax liens, past due city property taxes and was scheduled to be sold at a tax sale that same month. The buyer sounded completely surprised when Lisa informed him someone posing as "Don Key" had acted as the seller and forged the deed conveying title.

Lisa asked the buyer if he had ever met the seller. The buyer indicated all communication had been through email and he had never met the seller or even spoken to him on the phone. Sal forwarded all email communication he had with the person posing as "Don Key."

In the meantime, Diana Hoffman, corporate escrow administrator, started calling all the tax collectors, including the Internal Revenue Service (IRS), to request authorization to void the checks issued to them at closing due to fraud.

Diana obtained permission from all except the county tax collector, whose representative indicated the check was already cashed.

ANGELO

A title insurance policy is the end product of a real estate transaction, but many do not realize how much work a closing officer puts into clearing the requirements established by a title officer in order for the title officer to issue the requested policy. Let me share a story about my friend, Angelo, which illustrates this. He had a cloud on his title that he knew nothing about until he applied for a home equity loan.

Angelo had owned his home for about 20 years, having been a customer of his bank for many years. The bank elected to only obtain a limited title report and not title insurance. They even planned to close the loan in-house and not use a settlement agent.

They agreed to refund the payment once we could prove to them the title to the subject property had been restored in the name of Don Key.

After much diligence, Lisa finally reached the real Don Key, who confirmed his property was not for sale and insisted he never met with a mobile signing agent to sign a deed conveying his property in a remote area of town.

Don demanded copies of all documents containing his forged signature and said he would reach out to the police, as well as his attorney. Lisa assured him the buyer was going to sign a deed restoring title in his name and the lender would release their lien.

The wire transfer in the amount of \$309,243.60 was returned to Fidelity National Title short \$29,865.45, the amount Job was able to withdraw before the bank froze the account. The deed was prepared and the buyer was requested to come to a nearby branch office to sign it on Monday, just one week after closing. Everyone went home for the weekend and Don continued to call Lisa all weekend with more questions.

Lisa worked with a detective from the Economic Crimes Unit with the Anytown Police Department to discover who was acting as the imposter. During her many conversations with the detective he revealed in a previous forgery case he worked on, the signing was held in a remote area where no cameras would be installed to capture the comings and goings of the imposter, the same thing that had happened in this transaction!

The lender provided its payoff statement, the claims department replaced the missing \$29,865.45, as well as the property tax disbursement in the amount of \$58,547.02, and the lender was paid in full in exchange for their release of lien.

The buyer executed the deed which was recorded and title was restored to the real Don Key. In addition, the buyer was reimbursed all funds used to purchase the property.

The detective assigned to this case indicated he was going to the bank to review their camera footage of Job, who made the multiple withdraws of the wired funds. He was hopeful the video would reveal her identity and lead him to the imposter. If he does find the imposter, hopefully he or she will be brought to justice and we will have an opportunity to recover some of our losses.

The limited title report came back and indicated there were two liens against Angelo's house: His current mortgage and an old mortgage which had been paid off three refinances ago. The lender on that old mortgage was no longer in business.

Angelo's banker told him he would have to clear the cloud on his title before they would close on his line of credit. Angelo searched the internet for the current servicer of that old loan.

Angelo contacted the new servicer and explained his situation. He even had copies of his HUD-1 Settlement Statement proving the loan had been paid. He was asked to fax the documentation so they could do some research.

[Continued on pg 4]

[ANGELO — continued]

Angelo promptly faxed his documents. A week later he called to follow up. The new servicer stated they had never received his fax. He faxed the documents again. He did this several times with no success. His bank would not approve his loan and he was getting nowhere with the new servicer, so he contacted an attorney.

The attorney was successful in obtaining a release of the old lien, but his services came with a price. Angelo paid the attorney more than \$600 for his assistance.

Previously, Angelo did not understand how a cloud in title could impair his ability to tap into the equity of his own home. He also did not understand how valuable the services and expertise of a settlement agent and their staff were.

Now, Angelo understands that settlement agents know how to clear a cloud on title. He understands the effort a settlement agent puts forth in clearing the requirements set forth by a title officer. He understands how much work and time goes into obtaining a satisfaction of mortgage. Now, Angelo truly admires the very specialized talent escrow officers possess and the value of title insurance.



UNEXPECTED tax lien

Title insurance is an insurance product. It is often misunderstood and deemed of little value, but not for Carol Bee. She was able to qualify for a low-interest loan from the United States Department of Agriculture Rural Housing Community Development Service, which she used to purchase her own home. As contracted in the purchase and sale agreement, the seller paid for a standard owner's policy for Carol.

The loan program has very strict criteria for low-income individuals. These criteria include such items as the ratio of an individual's salary to their loan payments and the amount he or she can afford to pay for real property taxes.

Shortly after her purchase of the property, Carol received a new tax bill for real property taxes. The bill disclosed the taxes were more than \$2,000 per year.

When Carol contacted the assessor's office, she was told the increased taxes included a \$9,000 special assessment for a special street tax. This special tax had not been shown as an exception on her title insurance policy.

Both Carol and the lender contacted the title insurance company. Prompt arrangements were made to pay the special taxes. Carol benefited from her title insurance policy — a policy she did not even pay for. Clearly, title insurance is well worth the cost.

This article offers an example of insurance coverages, products and services and is meant for informational purposes only. Actual coverages may vary (1) by state, company or locality, and/or (2) the coverages in your policy. For exact terms, conditions, exclusions, and limitations, please review your own title insurance policy or contact a title insurance company authorized to do business in your location.

