



ATTEMPTED bank heist

By Lisa A. Tyler
National Escrow Administrator

In an incredibly bold move a woman attempted to withdraw \$649,696.69 from a real estate exchanger's bank account. The details of the story are proof that email compromise does occur, since the crime was perpetrated once a hacker learned the funds had been deposited via email from the exchange company. Read more in the story entitled "EXCHANGE funds."

A department of insurance regulator and a Federal Bureau of Investigation (FBI) agent entered a Texas fee attorney's office completely unannounced. The two gentlemen asked to review a single cancelled check. The fee attorney was alarmed, but immediately obliged. Find out what they were investigating in the story entitled "INSURANCE fraud."

Illegally diverted wire transfer attempts are an epidemic in the real estate industry. Fraudsters are attempting to divert home buyer's down payment funds, seller's proceeds, loan proceeds and even payoff funds. The scariest part of a diversion of payoff funds is no one knows the diversion has occurred until the borrower receives a late notice for

the delinquency of the next payment, which could be more than 30 days after the crime has occurred.

Read a "TALE of two wires" for more examples of fraudsters attempting to hijack wire transfers. First, the highly skilled staff at Tigor Title's payoff processing center in Riverside, California, remained vigilant in ferreting out payoffs with altered bank wire information; and a payoff clerk saved the Company from a loss and the consumer from having derogatory marks made against his credit.

Then, discover the latest story regarding a fraudster's attempt to illegally divert a wire transfer in the amount of \$288,908.33. The twist is the payoff lender, NOVAD, does not accept payoff proceeds via wire transfer.

Although title insurance companies and title officers perform a thorough examination of the public records, there are still instances which may arise which could warrant an insured filing a claim. One example is an error in the public record. In addition, clerical or filing errors could result in something being missed which could affect title to the property. Read this month's value of title insurance article entitled "CLAIMS" for more detailed information.

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EXCHANGE funds

On July 24, 2019, an exchange company sent a final disbursement of remaining proceeds to a real estate exchanger after they completed the purchase of their final identified property. At the written direction of the exchanger, the funds were to be sent by wire transfer. The exchange company representative verified the bank wire information with the exchanger using a known, trusted telephone number. The remaining funds were then successfully sent to the exchanger's account in the amount of \$649,696.69.

A day after receiving the remaining proceeds into her account, the exchanger called the exchange company's exchange coordinator. According to the exchanger, on July 25, 2019, a person went into a local branch of her bank with a fake identification card. She described it as a driver's license reflecting her name — with someone else's picture.

The fraudster attempted a bank heist by trying to withdraw \$649,696.69. The bank teller did not allow the withdrawal and the bank notified the exchanger immediately. The exchanger, at the advice of the bank teller, called the police and reported the incident.

The purpose of the call to the exchange coordinator was to let the exchange company know about the incident and to be on alert. The police officer suggested to the exchanger that someone tipped off the fraudster to the fact a large sum of money was recently deposited to the account.

The exchanger thanked the exchange company for the extra effort it went through to ensure the wired funds were safely transferred to her account. She wanted the exchange company to know about the attempted theft, because she knew it takes security seriously.

The exchange coordinator explained there was a chance the fraudster was monitoring the exchanger's emails and through email messages discovered funds were being wired to the account. The exchange coordinator thanked her for sharing the scary incident with them. Then the coordinator advised the exchanger to change her email password, change bank accounts and hire a security professional to further review the incident.

MORAL OF THE STORY

You never know if someone you are conducting business with has had his or her email account compromised. The use of unencrypted email to communicate sensitive information can alert a fraudster to important events, such as when a wire transfer of funds will be disbursed or the amount of the funds to be transferred.

Even scheduling signing appointments using email can tip off a fraudster monitoring emails that the closing is imminent. These are scary times for the real estate industry and settlement agents should be alert and aware of the potential ways fraudsters use email to gain information.

**STOP**

TELL US HOW YOU
**STOPPED
FRAUD**

settlement@fnf.com or
949.622.4425

INSURANCE fraud

Having an insurance regulator and a Federal Bureau Investigation (FBI) agent enter your office for any reason can be unnerving, as was the case with a fee attorney in Texas. A fee attorney closes real estate transactions in the name of a title insurance company per a written agreement in exchange for a portion of the title premium.

The gentlemen specifically wanted to examine the endorsement on a single, negotiated check. It seemed an odd request, but the fee attorney asked his closer to pull a copy (front and back) of the check from their online banking system. They immediately produced the check and the gentlemen examined the endorsement on the back.

Then, the men explained to the fee attorney the reason for the investigation. The check was made payable to a hazard insurance agency. The check, however, was cashed by the agency's owner and used for his personal expenses. No funds were ever transferred to the actual insurer or underwriter, leaving the homeowner's property completely uninsured.

In addition, a particular loan officer had directed the consumer (and many other consumers) to that specific insurance agency, making the loan officer potentially complicit. The fee attorney had never heard of such a thing and was completely flabbergasted.

After sharing the story behind the investigation, the insurance regulator and FBI agent left with a copy of the check. The fee attorney approached the closer in his office to tell her what he had learned. The closer listened, mouth agape.

After hearing the story, the closer advised she had dropped a check in the mail just 45 minutes ago to the same insurance agency. The fee attorney asked who the loan officer was on that particular transaction and she said it was the same loan officer under investigation.

The fee attorney called the homeowner and repeated the information he had learned from the two gentlemen who just left his office. He allowed the information to sink in and then suggested

the homeowner purchase coverage with another company. The homeowner agreed immediately and hung up the phone to find another agent.

The fee attorney instructed the closer to void the check she had mailed, so it would not be honored when it showed as an exception on the positive pay report and to reissue it when the homeowner called back with the new insurance information.

The fee attorney did explain to the homeowner, per the FBI agent and insurance regulator, not all checks paid to this insurance agency were used for the insurance agent's personal expenses, but it was not worth risking the fact the homeowner may have an accident and then discover they had no coverage.

Clearly, neither the fee attorney nor the closer in his office had anything to do with recommending this insurance agency to the homeowner. As soon as they were aware of the situation, they notified those clients who could possibly be affected, hoping they did not become further victims by suffering a loss for their lack of insurance coverage.



TALE of two wires

Wire Fraud Tales

Anna Ortiz, a payoff clerk for Ticor Title's payoff processing center in Riverside, California, is the fifth person in her office to prevent an illegal diversion of a wire transfer of consumer loan payoff funds.

The settlement agent for the transaction was an independent escrow company. Anna was handling the payoff of an existing encumbrance secured by the subject property on behalf of the title officer. The escrow officer at the independent escrow company sent the payoff statement to Anna via email.

The protocol in Anna's office is to verbally verify the wire instructions reflected on the payoff statement, especially since the payoff statement came from the independent escrow company and not directly from the payoff lender.

In this particular file, Anna noticed the wiring instructions had not yet been verified. She made the call to verify and the payoff lender representative stated the payoff statement Anna had in hand did

not contain the correct bank wire information.

Luckily, Anna was able to obtain a new payoff statement directly from the payoff lender, reflecting the correct bank wire information. Once she received the statement via eFax®, she called back the payoff lender to verify the payoff amount and wire information for a second time. This time the bank wire information was valid.

Anna then provided both statements to her supervisor, Chad Finn. Chad contacted the independent escrow company's escrow officer closing the transaction and together they reviewed incoming and outgoing emails in connection with the subject transaction. During their conversation they discovered the escrow officer's email account was most likely compromised.

It appeared someone sent an email from the escrow officer's account to kiss4dan@gmail.com with the payoff statement attached. The attachment contained the correct bank wire information, which is most likely how the fraudsters were able to obtain the good demand and alter it.

[Continued on pg 4]

[TALE of two wires - continued]

The escrow officer confirmed she did not send the email, as she was on vacation in Canada during that time and she had no idea who kiss4dan@gmail.com was. That email address was totally unrelated to the transaction. The person who intercepted and altered the payoff, then sent the altered payoff statement to the escrow officer using a spoof email account impersonating an employee of the payoff lender.

After Anna and Chad hung up the phone, the escrow officer changed her password and contacted her Information Technology (IT) manager. She asked to have her workstation and email account scanned for any compromise.

Anna's diligent effort to verify the bank wire information saved the Company from a potential loss. Thank you Anna! As a result, she will receive a \$1,500 reward and a letter of recognition from the Company.

Wire Fraud Saves

On August 28, 2019, Luis Olivares, an extraordinary escrow officer from Fidelity National Title's Napa, California office, ordered and received a payoff statement via eFax® from NOVAD Management Consulting, LLC. NOVAD is a contractor for the U.S. Department of Housing and Urban Development (HUD) and services Home Equity Conversion Mortgages (HECMs) for HUD.

The payoff statement contained instructions that read, in part, as follows:

"Please note that only a cashier's check or certified funds are acceptable methods of payment; all other methods will be returned. The check must be made payable to the Department of Housing and Urban Development (HUD). Include your loan number on your check."

CLAIMS

Forgeries, illegal deeds, missing heirs and imposters may adversely affect ownership rights in their property. Survey issues can also cause problems between neighbors. A buyer may have reviewed and approved a survey of their property prior to closing, but that does not mean other surveys do not exist. Other surveys could reflect different boundaries, resulting in a neighbor believing they own a portion of their neighbor's property. Unknown easements can affect an owner's use of their property. An unknown easement could determine whether a property owner can erect a wall or fence, or even build structures on the property.

Insured property owners who believe that a title defect exists should submit a claim by mail, fax or email at:

Fidelity National Title Group Claims Department
MAIL: P.O. Box 45023, Jacksonville, FL 32232-5023
FACSIMILE: 904.633.3078
EMAIL: titleclaims@fnf.com

Anyone submitting a claim should include a letter outlining the issue(s), along with a copy of the title policy and any other documentation that they believe is relevant.

On September 4, 2019, Luis received an email from the seller with an updated payoff statement from NOVAD attached. Luis reviewed the payoff and discovered the payoff figures had not changed. The payoff statement, however, now contained bank wire information. Luis recognized the following red flags warning that something was awry:

- » The seller should never provide their own payoff statement. It should always come directly to our offices from the payoff lender.
- » The figures in the first statement matched the payoff figures in the second statement, there was no need for the lender to issue an amended statement.
- » NOVAD has never accepted wire transfers for payoff funds.

Luis called NOVAD's offices and confirmed they did not issue the updated statement and the bank wire information was not an account in HUD's name. He hung up the phone and screamed, "BUSTED!" Luis contacted the listing agent, who then called the seller and confirmed the seller never sent Luis any emails regarding the payoff.

Luis relied on the initial payoff statement to close the transaction and pay off the existing mortgage — not the updated statement containing the fraudster's bank wire information. The updated statement containing the bank wire information was forwarded to the bank, informing them of the account holder's attempt to illegally divert funds to their account.

Luis' keen sense that something was wrong with the updated statement — and his swift actions to confirm his gut feelings — saved the Company from a potential loss. Way to go, Luis! As a result, he received a \$1,500 reward from the Company and a letter of recognition.

